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Section I
International Affairs and European Integration

Subsection 1
International Affairs

The Causality Relationship between the Dry Bulk Market and Worldwide Economic Growth

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Abstract

Without shipping, worldwide trade, the bulk transport of raw materials and the operations of import-export of food and manufactured goods would not be possible. Therefore, shipping is likely to be a driver of worldwide economic growth, but growth in the shipping industry is also driven by worldwide economic expansion itself. The purpose of this study is to examine the causality relationship between the dry bulk market and worldwide economic growth during the time interval 1985 – 2012 by applying a vector autoregressive model.

Key words: dry bulk market, economic growth, BDI, VAR models

J.E.L. classification: C32, R49

1. Introduction

According to Rodrigue, the transport sector is an important component of the economy impacting on development and the welfare of populations. When transport systems are efficient, they provide economic and social opportunities and benefits that result in positive multipliers effects such as better accessibility to markets, employment and additional investments[1].

Nowadays, world shipping faces many challenges such as consequences of the international economic and financial crisis, technological change, environmental regulations, piracy and so on. To make things worse, shipping was affected at a time when the world supply of ships increased, and the combined effect was that pressure was placed on freight charges as freight demand, banks

and financial markets worldwide were under pressure. Nevertheless, the shipping industry is considered to be a catalyst for economic development, as it facilitates 90% of world trade.

Adam Smith propounded the economic significance of the shipping sector, claiming that it offers a cheap mode of transportation, which in turn helps access larger markets. Indeed, the significance of shipping has not deteriorated despite the relatively long trip times of sailing compared with other modes because the maritime community has enough capacity to feed the markets in a smooth and sufficient way[2].

In the context of globalization, shipping volumes reached impressive levels. Bulk carriers represent one of the most important means of transportation of our time as they carry billions of tones of goods along major trade routes. Taking in consideration its importance, despite the economic crisis, the dry bulk market will gradually recover.

From the 1950s to the latest global economic crisis, the growth rate of international trade was almost twice that of economic activity as a whole. Due to this spectacular development, world trade since the 1950s has more than trebled to 45% of the global GDP. The growth in world trade propelled the dry bulk market development.

Shipping is likely to be a driver of worldwide economic growth, but growth in the shipping industry is also driven by worldwide economic expansion itself. Shipping is vital for the world economy, because it is the most cost efficient way of transporting goods and has maintained its dominant position in international trade. Without shipping, worldwide trade, the bulk transport of raw materials and the operations

of import-export of food and manufactured goods would not be possible. The development of shipping and the one of the international trade have moved forward together, hand-in-hand. Thus, the triangle of producers, manufacturers and markets are brought together through shipping.

The nations of the world have become increasingly fostered by trade links. Trades of developing countries have generally grown more rapidly in both volume and value than those of the rest of the world, which has made developing countries even more dependent on trade than the industrialized nations. Shipping can provide efficient low-cost transportation, and its effective use is important to the economic progress of developing countries, in terms of the economic contribution and growth of their foreign trade, and their domestic production and consumption[3].

2. Literature review

The existing researches on the use of vector – autoregressive (VAR) models in shipping industry are scarce.

Xu et al. (2008) examine the dynamic interrelationships between the sea freight and shipbuilding markets by applying a vector error correction model. Many practitioners argue that the freight rates rely on the shipbuilding activities, while other specialists argue that demand for shipbuilding is activated by the demand of freight market. The findings show that there exists a co-integration relationship between freight rate and shipbuilding price, such that the two rates are related to form an equilibrium relationship in the long run. Concluding, the shipbuilding prices are a function of the past history of freight rate, rather than the expected future values of freight rate[4].

Chou (2011) analyses the relationships between the global oil index and one year forward freight agreements by applying a vector autoregressive moving-average model in order to provide guidance for entering and exiting bulk shipping markets. The author demonstrates the existence of a stage one lag effect between Capesize forward freight agreements and the global oil index. The final results highlight that an economically meaningful structure exists in a set of bunker world indices and that there are stable long-

run relationships between the two variables[5].

Bulut et al. (2012) perform an empirical analysis for the prediction of the chartering rates of a group of dry bulk cargo ships. They extend a fuzzy integrated logical forecasting method for multivariate systems by using a vector autoregressive model. The results are compared by the root mean squared error metric. In addition, the C-means clustering method is proposed to optimize the distributions of the cluster sets and the half of the standard deviation is implemented for the initial intervals of the C-means clustering[6].

The freight rate as a price reflects vital information regarding ship supply and cargo transportation demand. Therefore, it becomes imperative to understand its dynamic properties. Ko (2013) investigates the term structure in dry bulk freight market by applying a VAR model and two time-varying coefficient models on monthly data set from 1992 to 2012. According to the results of research, the response of long-term rate to short-term structural shock is small and statistically insignificant, while the response of short-term rate to long-term structural shock is large and statistically significant. Furthermore, overall, there is lack of evidence for the stable adjustment speed in both equations for the short and long-term freight rate[7].

The exports of a country are crucial for a country's overall growth. Nadeesha and De Silva (2013) investigate the development of Sri Lanka exports, trying to highlight a relationship between exports and shipping services. By applying a Vector autoregressive analysis, the authors try to produce a proper forecasting model for shipping demand using export in the country. According to the results, there is a strong straight line relationship between the value of exports and the amount of cargo loaded[8].

3. Data and methodology

In this study, a vector autoregressive model was applied in order to analyze the causality relationship between the dry bulk market and worldwide economic growth. The annual data series of Baltic Exchange Dry Index and worldwide gross domestic product for the period 1985 – 2012 were used for the empirical study. Data were collected from

Baltic Exchange database and UNCTAD database and the analysis was performed with EViews 7.

The Baltic Exchange Dry Index was chosen as the image of dry bulk market because, according to Alizadeh and Nomikos, this index is widely used by practitioners as a general market indicator reflecting the movements in the dry bulk market, being considered as the "barometer" of dry bulk shipping [9].

A VAR model can be defined as a set of linear dynamic equations where each variable is specified as a function of an equal number of lags of itself and all other variables in the system. The VAR model used in this paper has the following hypothesis:

$$H_1 : BDI = f(GDP)$$

$$H_2 : GDP = f(BDI)$$

The VAR model allows symmetric treatment of the two variables considered. Thus, it comprises two equations:

$$BDI_t = \alpha_1 + \sum_{j=1}^k \beta_j \times BDI_{t-j} + \sum_{j=1}^k \chi_j \times GDP_{t-j} + \varepsilon_{1t}$$

$$GDP_t = \alpha_2 + \sum_{j=1}^k \delta_j \times GDP_{t-j} + \sum_{j=1}^k \phi_j \times BDI_{t-j} + \varepsilon_{2t}$$

where α_1, α_2 are the intercept terms, $\beta, \chi, \delta, \phi$ are the coefficients of the endogenous variables and the ε are the stochastic error terms.

4. Empirical analysis

In the first instance, the ADF test (Augmented Dickey-Fuller) was applied in order to verify the stationarity of time series. A time series is said to be stationary if its mean, variance and its covariances remain constant over time. From an economic point of view, shocks to a stationary time series are temporary and, over time, the effects of the shocks will dissipate. According to Table 1, the existence of a unit root was estimated for the original data and the absence of a unit root for the first-difference data. If the probability is higher than the significance level of 10% the variable is non-stationary. Therefore, the variables are integrated of order 1.

Table 1. The ADF test

BDI		GDP	
I(0)	I(1)	I(0)	I(1)

H0: The time series has a unit root (non-stationary)			
0.2351	0.0198	0.9994	0.0043

Source: own estimations

In order to verify if the past values of a variable X_1 contain information that helps predict a variable X_2 above and beyond the information contained in past values of X_2 alone, the Pairwise Granger causality test was applied (Table 2). If the probability is higher than the significance level of 10%, the null hypothesis is accepted. Otherwise, the null hypothesis is rejected.

Table 2. Pairwise Granger causality test

Null hypothesis	Probabilities
D_GDP does not Granger Cause D_BDI	0.0663
D_BDI does not Granger Cause D_GDP	0.0017

Source: own estimations

Taking in consideration that first difference data became stationary and the Pairwise Granger test reflects causality linkages, a VAR model with 2 variables was created. A VAR model is valid if it has an optimal number of lags, if it's stable and if its residuals have normal distribution, homoskedasticity and lack of autocorrelation.

The number of lags of a VAR model must capture the system dynamics without consuming too many degrees of freedom[10]. In order to determine the optimal number of lags, the criteria provided by LR Sequential tests, Akaike Criterion, Schwarz and Hanna-Quinn Criterion tests were used. According to Table 3, the VAR model has 3 lags.

Table 3. Estimation of the optimal number of lags

LR	FPE	AIC	SC	HQ	Chosen lag
3	3	3	3	3	3

Source: own estimations

The stability of the estimated VAR model was tested with "AR Roots Table" test which indicates that all roots are subunitary and the model is stable (Table 4).

Table 4. VAR model stability

Results	Roots modulus
No root lies outside the unit circle.	0.916024
VAR satisfies the	0.916024
	0.894504

stability condition.	0.894504 0.865844 0.865844
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Source: own estimations

Regarding the quality of residuals, their normal distribution, homoskedasticity and lack of autocorrelation were tested (Table 5). If the probability is higher than the significance level of 10%, the null hypothesis is accepted. Otherwise, the null hypothesis is rejected.

Table 5. Residuals tests

Autocorrelation LM test		
H0 No serial correlation at lag order h		
Lag 1: 0.58	Lag 2: 0.51	Lag 3: 0.10
Cholesky (Lutkepohl) Normality test		
H0 Residuals are multivariate normal		
Skewness	Kurtosis	Jarque-Bera
0.7996	0.3806	0.6664
White Heteroskedasticity test		
H0 no heteroskedasticity		
0.3450		

Source: own estimations

Since all the validity conditions are met, the VAR model can be defined as follows:

$$BDI_t = \alpha_1 + \beta \times BDI_{t-3} + \chi \times GDP_{t-3} + \varepsilon_{1t}$$

$$GDP_t = \alpha_2 + \delta \times GDP_{t-3} + \phi \times BDI_{t-3} + \varepsilon_{2t}$$

Table 6. VAR model estimation

	D_BDI	D_GDP
D_BDI(-1)	0.084735 (0.21677) [0.39090]	282.6491 (315.039) [0.89719]
D_BDI(-2)	-0.590990 (0.24016) [-2.46080]	-1459.776 (349.033) [-4.18234]
D_BDI(-3)	1.104952 (0.36027) [3.06704]	1253.041 (523.585) [2.39320]
D_GDP(-1)	0.000194 (0.00017) [1.16237]	0.521613 (0.24261) [2.14997]
D_GDP(-2)	2.30E-05 (0.00016) [0.14345]	0.268780 (0.23293) [1.15391]
D_GDP(-3)	-0.000526 (0.00018) [-2.91204]	-0.141448 (0.26272) [-0.53839]
C	464.7780 (410.032) [1.13352]	776196.9 (595910.) [1.30254]

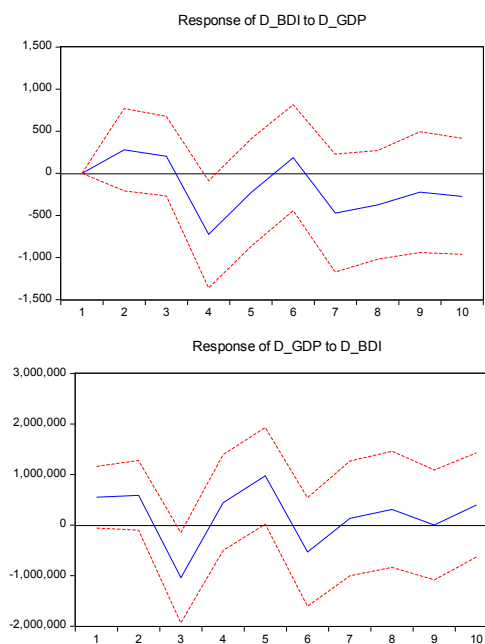
R-squared	0.525079	0.690796
Adj. R-squared	0.357460	0.581665
Sum sq. resids	19204779	4.06E+13
S.E. equation	1062.870	1544698.
F-statistic	3.132577	6.329981
Log likelihood	-197.1659	-371.9246
Akaike AIC	17.01383	31.57705
Schwarz SC	17.35743	31.92065
Mean dependent	-19.37500	2176384.
S.D. dependent	1325.959	2388260.

Determinant resid covariance (dof adj.)	2.35E+18
Determinant resid covariance	1.18E+18
Log likelihood	-567.4559
Akaike information criterion	48.45466
Schwarz criterion	49.14186

Source: own estimations

The VAR model estimated above describes the autoregressive connections between the dry bulk market and worldwide economic growth. Based on the estimated model, the impulse-response functions can be determined. The impulse-response functions show the impact of a shock of the dry bulk market on worldwide economic growth and vice-versa (Figure 1).

Figure 1. The impulse-response functions



Source: own estimations

5. Conclusions

The causality relationship between the dry bulk market and worldwide economic growth is complex because shipping is likely to be a driver of worldwide economic growth, but growth in the shipping industry is also driven by worldwide economic expansion itself.

As it can be noticed from Figure 1, there is a symmetrical and bidirectional relationship between the dry bulk market and worldwide economic growth. The worldwide gross domestic product and the Baltic Dry Index follow the same pattern during the analyzed time interval. An increasing industrial production will propel imports and exports of manufactured goods transported by sea, which in turn will stimulate worldwide economic growth. Reversely, the worldwide economic growth will improve the standard of living, generating more and more consumption and production needs which can be satisfied by manufactured goods transported by sea.

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Aspects Regarding Romania's Energy Policy in an European Context

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Abstract

The impact that the energetic sector has had and still has on human society is of a maximum importance.

The population increase on a global scale, the improvement in living standards, global warming etc. have determined not only the reduction in energetic resources but also the increase in the renewable energy utilization.

The EU, which is the biggest energetic importer in the world and implicitly Romania as a member state, has seen itself being in the situation of facing the energetic sector's challenges. I have tried to capture the measures taken by the EU and Romania regarding energy policy in this paper.

Keywords: energy policy, energy solidarity and security, energy market, royalty

J.E.L. Classification: F29

1. Introduction

Given the fact that we are witnessing an increase in the process of globalization, the energetic strategy pursued by each country must take into account the developments which are taking place worldwide. When developing the energy strategy it is required to account for all the involved stakeholders, from energy producers to final consumers.

As most of the energy produced today is based on finite resources, it is clear that if consumption growth trends are maintained, humanity could face a major energy crisis in a not too distant future.

It is expected that over the next 25 years the demand for electricity will increase by 50%.

Romania, as a EU member country, must take into account the objectives demanded by the EU energy policy. It is wished that the EU have a sustainable economic

development, respectively a reduction in electricity consumption for each good product or service provided, while improving environmental quality. The EU energy policy seeks essentially three fundamental goals: sustainable development, competitiveness and energy security.[1]

2. The Objectives of the EU Energy Policy

Energy crises, which became significant in the first part of the eighth decade of the last century, have become a problem that the EU has never faced before, namely the supply security. Special efforts have been made for the funding of alternative energy resources programs. The International Energy Agency was established in this regard.

The growing importance of globalization at the end of the previous century caused a general liberalization of the economy, including in the energy sector. There was, in this context, a transfer of responsibility from the state to the private sector, representing the parallel profile government agencies designed to regulate and control activities in the energy sector.

The three targets mentioned above, contained in the strategy "An Energy Policy for Europe" prepared by the European Commission in 2007, were completed in the same year by the targets set by the integrated policy regarding the climate and energy policy. It states that by 2020 the following issues should be attained:

- The reduction by 20% of the greenhouse gas emissions compared to the values recorded in 1990;
- The increase in the use of renewable energy by a 20% share increase of this type of energy in the total produced energy produced;
- An increase of 20% in terms of energy efficiency.

The EU energy security and solidarity action plan was elaborated in 2008. [2] This action plan covers five targets towards complementing the EU policy, namely:

- Improving the energy infrastructure by creating an integrated European energy network which meets the new requirements in the area;
- Developing relations with neighboring countries in the energy field through agreements at a governmental level, but also through better cooperation on the security of supply, competition etc;
- Creating preventive plans to ensure oil and gas stocks during crises. Each EU country must continually have oil stocks equivalent to average imports for 90 days or for 61 days of internal consumption. Of the two options the best coverage value should be chosen;
- Increasing energy efficiency so that the objectives set for the year 2020 can be achievable;
- Improving the use of EU energy resource, with an increasing emphasis on renewable resources;

Currently the EU is the largest importer of energy on a global scale. Approximately 50% of the EU consumption of energy is imported, and this value is expected to reach 70 % in 2030. [3]

3. Romania: present and perspectives on the energy sector

Throughout the period between 2000 and today, the average annual growth rate of the primary energy consumption in Romania was below the average of the annual growth rate of GDP. This is due to the closing of many energy-intensive industrial firms which were established during the communist period, and due to the technology improvement of existing units made and due to the creation of new energy competitive firms.

According to the information in the Table no. 1, Romania disposes of only coal as significant primary energy resources. The coal exploitation underground activity is subsidized by the Romanian state. Through its commitments, Romania has slowly given up on coal mining subsidies, which puts a question mark regarding the volume of activity in this area.

At the moment of the creation of Romania's energy development strategy for the period 2011-2035, the estimates on the oil and natural gas production development in Romania were showing a decline in the average annual rate of about 3%. We should note that the discussion on shale gas was at an early stage.

Due to the entry into force of the H. G. No. 638/2007 on 1 July 2007, Romania's energy market was liberalized. The National Agency for Energy Regulation was the institution designated by the Romanian government to regulate this sector.

The liberalization of the energy market is based on two fundamental principles: transparency and competitiveness.

Table no. 1 The situation of national primary energy resources in 2010

Primary energy resources	Reserves						Annual estimated production	Period		
	reserves		Exploitable -leased		In new perimeters			Geological reserves	Leased exploitable reserves	In new perimeters
	mil tons ¹⁾	mil toe	mil tons	mil toe	mil tons ¹	mil toe		mil tons ¹	years	Years
1	2	3	4	5	6	7	8	9=2/8	10=4/8	11=6/8
Coal										
-pit coal	755	422	105	38,8			2,5	229		*)
-lignite	1490	276	445	82,4	1045	133	3,0	47	15	30
Oil	74	72					4,5	14		
Natural gas ¹⁾	185	159					10,5	15		

Source: http://www.minind.ro/dezbateri_publice/2011/strategia_energetica_20112035_20042011.pdf
Romania's energetic strategy for the period 2011-2035, Draft 1

Note: 1) exclusively natural gas in bill.m³

2) the duration of a lease is of at least 2 years

*) it depends on the EU Commission's regulations in the field

Table no. 2 Romania's oil and natural gas reserves estimates until 2020

Year	Oil Million tons	Natural Gas billion m ³
2006	80	170
2007	76	162
2008	72	155
2009	68	148
2010	64	141
2011	60	134
2012	56	127
2013	52	120
2014	48	114
2015	45	107
2016	41	101
2017	38	95
2018	34	89
2019	31	83
2020	28	77
Estimation hypotheses	Given the depletion of reserves, the oil production can register annual decreases of 2-4%. The percentage of the exploited reserves replacement will not be greater than 15-20%.	Given the depletion of reserves, the gas production can register annual decreases 2-5%. The percentage of the exploited reserves replacement will not be greater than 15-30%.

Source: http://www.minind.ro/dezbateri_publice/2011/strategia_energetica_20112035_20042011.pdf
Romania's energetic strategy for the period 2011-2035, Draft 1

In the oil sector, Romania is the only country in Eastern Europe that holds significant reserves.

As the price of oil on foreign markets has increased significantly in the last ten years, it has become profitable to exploit deposits where extraction incurs high costs. Companies like Zeta Petroleum Romania, Petrom, MOL etc. did not hesitate to start investments in oil exploration and exploitation of different perimeters in concession from the Romanian state. We should mention that these companies are required to comply with Romanian and international regulations, including those relating to the environment.

Compared to other countries in Eastern Europe such as Bulgaria, Slovakia, Czech Republic and the Baltic countries which are dependent on a scale of 80-100 % of gas purchased from abroad, Romania's imports

provide only 24.32 % (for the year 2012) of the gas consumption.[4] In this context, conventional oil exploitations in Transylvania prove as a factor of prime importance for Romania's energy sector.

Seen as a solution for solving Romania's energy problems, the exploitation of shale gas seems to represent a double-edged sword. On one hand, Romania can to INCREASE its energy security and generate a number of jobs, but on the other hand the impact on the environment could be disastrous.

The extraction of shale gas requires vertical wells at several thousand feet down, which are followed by horizontal drilling that can reach 1500m down. For the efficient collection of shale gas in addition to natural cracks, other cracks will be formed by the use of a mixture of sand and water under pressure. Experience has shown that

eachwater well can require up to several thousand tons of water.

Although it has been suggested that the use of shale gas in power plants reduces by half the carbon emissions in comparison to coal use, the study prepared by DG Climate Commission emphasizes that the entire process involved in the extraction of shale gas generates more carbon into the atmosphere in comparison to regular gas exploitation.[5]

The enormous quantities of water are used and then recovered from fracturing operations can on one hand cause a deterioration of underground water reserves, and on the other can have a negative impact on the environment by the distribution of these surface waters. The actual water losses should be taken into account in the context in which many people around the world cannot be provided the necessary minimum level of water.

Neither should the seismic hazards caused by the fracturing process be overlooked. In areas of the U.S., where the technology of shale gas extraction has been applied on a relatively wide scale, we have seen a multiplication of seismic activity due to the opening of new cracks in rock layers. This has led to temporary stop of drilling activity.

Romania, and especially Poland, are the Central and Eastern European countries with the greatest potential in the extraction of shale gas. The main areas covered in Romania are those of Bihor and Dobrogea, which besides being quite populated present special tourist interests. The shortcomings related to risks of environmental pollution and seismic hazards, have pointed out that the fee charged by the Romanian state to firms in order to exploit shale gas rises, according to information circulating in the media, only to 3.5 % of their value, a figure which is net lower than the one received by the Polish state. This value is extremely low if we consider that its level in Poland amounts to 80%.

Romania was in recent years, among the favorite destinations of foreign investors targeting renewable energy. In a ranking for 2012, Romania ranked 13 among the preferences of foreign investors in renewable energy, noting that strictly speaking in the wind energy sector our country ranks 10. [6]

The Romanian government's initiative to postpone the payment of green certificates to renewable energy producers until 2017 led banks to reduce funding for investors in this field.

The largest and most controversial electric energy producing company in Romania - Hidroelectrica - aimed to launch investments to attract green certificates in the near future. The investment was of almost 900 million RON for the construction of seven hydropower plants and other investments were of about 400 million RON for the development of solar and wind projects.

After the project of achieving a regional energy exchange with Bulgaria and Serbia failed, Romania took part alongside the Czech Republic, Poland, Hungary and Slovakia in a memorandum that aims to achieve a connected electricity market. Romania will have the opportunity to sale part of its produced electricity to the already mentioned countries. Also Romanian companies will be able to purchase electric from the other countries which signed the memorandum. The functioning of this regional market alongside other EU markets will make possible creating the unique energy market in future.

The Romanian state has decided that from 01.02.2013 to tax at a 0.5 % rate applied to the revenue of companies operating in the natural resource extraction, except for the companies which are operating in natural gas extraction. Businesses that are involved in both the extraction of natural gas and also in its distribution are subject to a higher taxation rate of 60 % applied to the additional revenue obtained as a result of the increase in natural gas prices due to market deregulation. The transport and distribution activities of electricity and natural gas is also taxed, the taxation being done per Mwh transported or distributed.

It is estimated that for 2013 the revenues generated by these measures will be more than half a billion RON. This amount is considered to be a contribution to solving Romania's economic problems from the economic agents who hold a monopoly in the operation and distribution of non-renewable energy resources.

4. Conclusion:

Compared to the other countries of Central and Eastern Europe, Romania has natural resources - oil, natural gas, coal and so on - that have allowed the country some energy independence from industry leading producers such as GAZPROM.

At the same time we should mention that the restructuring of the economy occurred later in Romania than in the Czech Republic, Poland or Hungary. There is no exception being made in the energy sector which is along way from the completion of its restructuring and where a large investment is necessary in this regard.

Prospecting new deposits, using advanced extraction technologies, modernizing the transport infrastructure and storage capacities, using the reactors 3 and 4 at Cernavoda and expanding the renewable energy production are the primary objectives

of the Romanian institutions in the energy sector.

Given that the scarcity of energy resources in the global market will increase in the future, it is required to adopt common international regulations designed to achieve a balance between the demands of consumers and the expectations of energy producers.

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The Global Dimension of Poverty

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Abstract

The problem of world poverty is always of importance. In the last 20-30 years ideologies that glorified globalization appreciated that from the accentuation of globalization all the countries in the world would benefit as much as possible, and in each country as many citizens as possible would benefit. We now realize that poverty reduction not only did not occur at the anticipated level, but also, in some aspects, the problems facing the poor have widened.

The differences between the rich and the poor have widened on a global level and Africa, which has been the primary supplier of raw materials for developed countries, currently occupies first place in the world regarding the share of the poor in the total population.

The evolution of poverty, its causes and its impact on the population are the main issues that I have tried to capture in this paper.

Key words: poverty, GINI index, malnourishment, economic growth, extreme poverty

J.E.L. classification: F54, F59, F63

1. Introduction

Poverty has been an omnipresent phenomenon throughout human existence. In the 60s, the U.S. President (Lyndon B. Johnson) identified poverty as the oldest enemy of human society.

The attitudes towards poverty and wealth have been different from one geographical area to another along history. In ancient Greece many Greeks which possessed significant wealth lived a modest way, while in medieval England special regulations were set to improve the situation of the poor. These approaches are totally different from

the opulence exhibited by the nouveau-riche of Central and Eastern European countries. The short period in which they managed to get rich and their lack of proper education negatively marked the behavior of the richest people in many former socialist countries, while the share of the poor in these countries has increased substantially in the last twenty years.

Poverty is a complex phenomenon that involves a multiple perspective approach. In its most expressive form, poverty is defined by insufficient income to ensure regular food, clothing, household heating, healthcare, education etc. Regarding food intake, the World Health Organization proposed a program of 2300 kcal per day for an adult, the people falling below this value to be considered in the category of those living in absolute poverty.

According to World Bank Standards, a person who has an income of less than \$ 1.25 per day is included in the poverty class.

2. The causes and effects of poverty on a global level

It is estimated that the planet produces sufficient food to feed the all the people, that there is enough water and enough land in order to not have more conflicts, that there are sufficient energy resources to ensure the development of all countries etc.. However there are many extremely poor countries, there are classes of poor people in the most advanced countries of the world, in other words a good portion of the world's population is living in precarious conditions, all in a period of increasing globalization. The causes that have generated poverty are multiple and we will try to summarize the most important in the following paragraphs.

International conflicts related to territorial disputes , government control generally in countries possessing natural resources , trade, but also ethnic , religious or ideological have

triggered in many cases **wars**. Apart from the loss of life and substantial material damage, military conflicts have caused significant numbers of refugees. The immediate consequence has resulted in a greater poverty. Apart from the two world wars, military conflicts have involved mostly poor countries. We can say that almost all military conflicts in the last 60 years were held in the Southern Hemisphere.

Studies undertaken in the field have shown that countries plagued by repeated violent conflict in the past 30 years have a 20 % higher poverty rate. The citizens of these countries are twice as likely to be malnourished. In 2010 the number of refugees in Africa was 13.5 million.[1]

The **colonization** of different geographic areas has been carried out mainly by European countries starting with the XIV century and ending in the late nineteenth century. In addition to the negative impact exerted by the colonists over the local culture of the occupied territories, we should not neglect the questionable consequences on their economies. Mineral resources were exploited, agricultural lands were cultivated, products were intended mostly for export, infrastructure was geared to ensure the transportation from the place of production to the ports for export without taking into account the real needs of the colonized population and access to education was almost exclusively awarded to the settlers.

The decolonization movements that occurred after the end of the Second World War led to the emergence of a new wave of independent states which had in common a poor economy, depleted natural resources, and a poorly educated population which was mostly illiterate.

Thus were created the conditions for a **postcolonial domination**. The power structures of the newly independent states had no leadership skills and were often corrupt thus in many cases, they became puppet governments which acted in the interests of their former colonists. In these conditions the economic development differences between countries increased, so that in some states that gained independence in the 60s poverty became acute.

Although economic developments have been recorded in some poor countries, mostly Asian, during this period of increased

globalization, the fact that much of the world's population is still living in poverty has led a series of economic and political personalities to identify the **globalization** of the last years as **neo-colonialism**.

On a global scale, about half of the world's population does not benefit from shelter or is living in unsanitary conditions, with no access to normal living sources or potable water sources. The share of illiterates in the total world population is approaching 50%, with only one in 100 having university education. About a third of the population is not properly nourished, while one person in seven is chronically undernourished.[2] All figures are indicative of the full dimension of poverty in the era of globalization.

For the active population, **unemployment** is an important determinant of poverty. It is estimated that the risk of poverty for an unemployed is five times higher than for a working person. Globally, the unemployment rate was 8.4% in 2011 and 9.2% in 2012, these values being considerable for the situation of the last 10-15 years.[3] We should stress that according to data published on the World Bank blog, if in 2005 the unemployment rate in developed countries was more than 3.5 percentage points higher than that of developing countries, in 2010 the unemployment rate in developing countries approached that of the developed ones, sometimes even exceeding it. We can say that in recent years the specter of poverty has concerned to an increasing extent population of developed countries.

Corruption is more or less present all countries. The negative impact of corruption is much stronger in poor countries. Small revenue generated in these countries are substantially diminished by corrupt officials, the effects of these conditions leading to increased impoverishment of the population.

Regional or global economic **crises** have been another phenomenon which has over time generated poverty. Referring to the last global financial crisis which started in the U.S. in 2007, in addition to the fact that the bill caused by the reckless behavior of banks was supported by national budgets, thus from public efforts, the ordinary citizen also had to bear the shortcomings caused by negative economic growth which resulted the diminishing of his living standards.

The effects of poverty on people are multiple. A person living in poverty usually has a tense family environment and his behavior towards other community members is affected. Also the poor are likely to eat less food than necessary.

Currently there are over 900 million malnourished globally, about 62% live in Asia and the Pacific, 25% in Africa, and the remaining 13% in other parts of the world. We should note that the lack of food supply does not lead to malnutrition, but the lack of financial means needed to buy food.

An undernourished person has a weakened immune system and is therefore vulnerable to diseases that ultimately lead to death. Diseases such as malaria, tuberculosis, AIDS are specific to a large proportion of the undernourished population. For example, nearly 70% of all people infected with HIV live in Africa and are concentrated in poor countries such as Mozambique, Botswana, Zambia, Zimbabwe etc.

Those living in poverty are twice as likely to be depressed than to those living in normal conditions. Depression often leads to suicide.

According to a study undertaken by researchers at the U.S. Center for Disease Control, the U.S. suicide rate was 0.12 per 100,000 people in 1997-2007, increasing by over 4 times since the onset of the global crisis.[4]

Poverty also affects people's intelligence, so that once they are poor, it is very difficult for them to manage to reach a decent standard of living. Anand Mani, a researcher at the University of Warwick conducted a series of studies on this issue. In a study he subject farmers before collecting the harvest, during the period in which their available income was extremely low, to an IQ test. A second IQ test was completed by the same farmers in the aftermath of harvesting and revenue collection the sold grain. The results were significantly higher for the second test, which meant that people exhibit more

intelligence when they have financial comfort.[5]

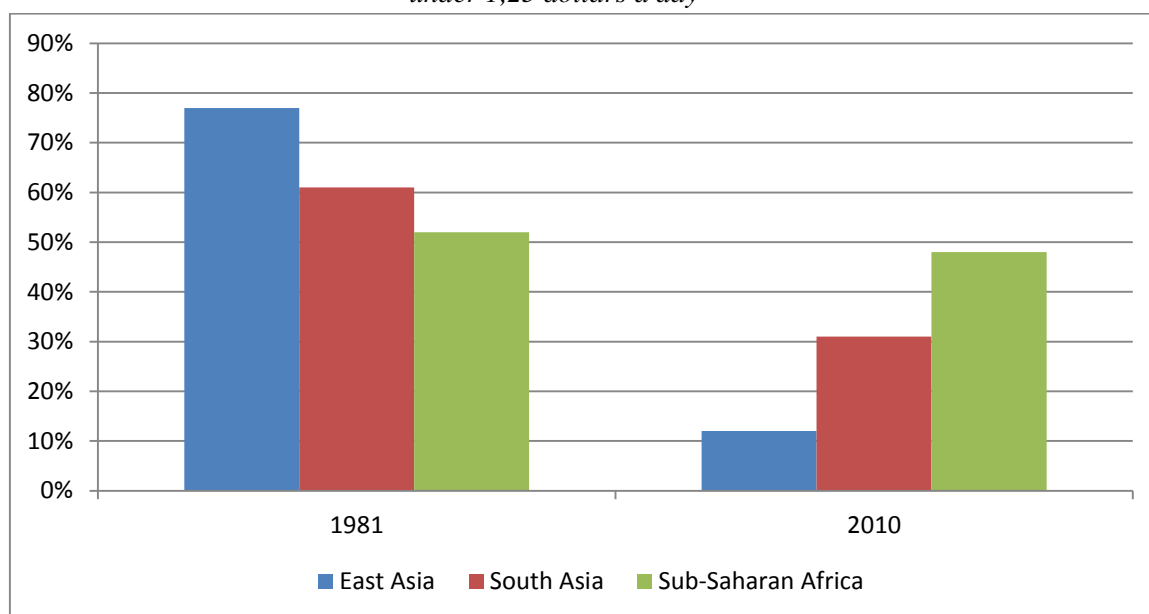
3. Poverty – an extremely relevant current issue

Finally the spread of poverty in the world is on the agenda of the most powerful people on the planet, more than 150 heads of state and government officials who attended the Millennium Summit in 2000, had as a primary objective poverty reduction. During the Summit it was agreed that in the next year 15 years to have a reduction of 50% in the number of citizens living in poverty.

During the period since the Second World War the majority of poor countries asked for assistance from the International Monetary Fund. Unfortunately, the IMF has put at the center of its economic policies increasing taxes and reducing government spending. The consequence was a reduction in household income and poverty. The IMF has estimated that poverty reduction issues lie with the World Bank. Today we are witnessing a change in attitude IMF which has a tendency to become more involved in alleviating poverty trends.

According to a study conducted by the World Bank that analyzed the situation in 145 developing countries, the population living on less than \$ 1.25 a day decreased from 1981 to 2010, from 1.94 billion people 1.22 billion people respectively. Significant progress in reducing the number of people living in extreme poverty, both in terms of relative numbers and in terms of absolute numbers, was recorded on the Asian continent. We find a less happy situation in Sub-Saharan where the share of those living in extreme poverty in the total population has registered a slight decrease, but in absolute terms the number of population living in extreme poverty has increased.

Figure.no.1 The evolution of the geographic area structure of the population with living with under 1,25 dollars a day



Source: <http://www.worldbank.org>

Between 1981 and 2010, the number of those who left the extreme poverty area is 723 billion on a global scale, out of which 680 billion are Chinese. The economic progress made by China in the last 30 years has led to an evident increase in living standards, China being the country that has the highest numerical transition from the category of persons living with an amount of less than 1,25 \$ per day to the superior category. The population living on less than \$ 1.25 per day is geographically distributed as follows: 507 million people in South Asia, 414 million people in Sub-Saharan Africa, 251 million people in Eastern Asia, with the remaining 50 million people living in Latin America, Middle East, North Africa, Eastern Europe and Central Asia.

The level of poverty in a country depends significantly on the economic development and growth trends in each country. Not coincidentally poverty is particularly present in the countries with the lowest GDP/capita. Not coincidentally the 48 least economically developed countries - GDP/capita below 992 \$ - are in the poorest areas of the world, Africa (33 countries), Asia (9 countries) and the Pacific (5 countries).[6] Although in recent decades the countries in this category have experienced growth in exports and GDP, implicitly due to increased demand for raw materials from China, starting with 2012

we have seen a reduction in economic growth over the previous year, which is due to the Eurozone crisis and the reduction in incoming remittances.

High levels of GDP/capita are not reflected in the prosperity of the majority of a nation's population. For this reason we should consider the GINI index which expresses the distribution of income among the members of society. A GINI index value close to zero implies an almost equal distribution of income between citizens of a country, and a value close to 100 % means that the vast majority of income of a country is held by a small number of people.

Most countries recorded a growth in income inequality during the 2006-2011 period. In developed countries this phenomenon was due to the increasing share of retired people living in the total population and excessive government borrowing, and in developing countries this was due to insufficient economic regulation which had negative consequences on public money spending. The country with the most unequal income distribution is South Africa (the GINI index is 63.6 %) similar values were recorded for Ecuador (59.2 %), Colombia (58.3 %), Brazil (51, 7%) and China (51.7 %). At the opposite pole we can find the Nordic countries led by Norway (25.6 %) and generally the Western European countries . The U.S.A. contradicts the situation in Western European countries due to a high

GINI index, namely 41.4% , the figures being valid for 2011.[7]

In the ranking of the top ten poorest countries in the world we can see that all of them are in Africa. The poorest country in the world is Zimbabwe and it is followed by Congo, Liberia, Burundi, Somalia, etc.. Establishing the ranking was done on income per capita and the availability of factors which satisfy the basic needs of life.[8]

4. Conclusions

A poor man is prone to disease, is poorly clothed and is ignored by civil servants, doctors, neighbors, etc. Actually, once having reached unemployment a person has opened the way to poverty. Becoming poor is synonymous with entering a vicious circle from which it is extremely difficult to get out. This is why some people who have managed to leave poverty compare it with prison release.

The causes which have provoked poverty have mostly occurred in the past, but some are of current importance.

The effects of poverty on people are diverse and extremely harmful. The fact that the mortality rate reaches the highest levels in poor countries is not accidental.

The question is what to do?

First, I believe that it would require a democratization of the global institutions as the World Trade Organization, the World Bank and especially the International Monetary Fund. These institutions are called

to contribute to the sustainable development of the poorer countries.

Second, developed countries must give up the barriers, which in many cases unjustly put in disadvantage imports from poor countries. It is also required to increase financial aid provided by the developed countries to the poorest countries in the world.

Third, the governments of poor countries should take measures to reduce corruption, the amounts thus obtained could be used for economic development and social problems.

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The Common Historical Basis of the Exception for the Non-Performance and Termination of Contracts

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Abstract

The exception for the non-performance of contracts is a legal institution that has a wide practical application but which, in the absence of express provisions in the Romanian Civil Code from 1865, could not be considered as a whole, giving rise, over time, to many theoretical controversies. The appropriateness of this mechanism is shaded by the jurisprudence, with varying interpretations, as its legal basis is not yet discerned with certainty, being considered by some authors as an indirect way of execution.

Therefore, it is extremely difficult to perform a thorough and original analysis of this legal mechanism, whose origins are uncertain, but which has a common historical foundation with the exception for the termination of the contract, as we show in this study.

Keywords: contract termination, exception for non-performance, civil obligations, good faith.

J.E.L. classification: K

1. Introduction

Furthermore, both the exception for the non-performance and for the termination of contracts are true remedies for non-performance, i.e. the rights of the creditor in the event of the non-performance of the debtor's obligations. Modern codifications that have also influenced the new Romanian Civil Code have given up the old terminology where the creditor's rights were considered as non-performance "sanctions", aiming rather at the practical utility of these legal institutions.

The analysis of the theoretical controversies regarding the legal basis of the exception for the non-performance and termination of contracts leads to the conclusion that there is a common historical foundation of the two institutions that have emerged in the canon law.

2. The basis of the exception for the non-performance and termination of contracts

The legal basis for the exception of the non-performance of contracts represented a permanent concern within the French legal doctrine and its proposed solutions were found in the Romanian private law. The most popular theory on the foundation of the exception for the non-performance is the *cause theory*, which was built and supported in different ways by many authors of scientific prestige. They believe that the foundation of the exception for the non-performance of contracts is the reciprocity and the interdependence of the obligations arising from synallagmatic contracts, therefore, from the idea of cause. This theory is based on the idea that not only does the cause represent an element for the validity of the contract, but it is also a condition of its continuation, the presence of the cause being required during the performance of the contract [1].

In this respect, it was shown that not only does the legal will of parties involve the idea of consent, but it also triggers its determining goals. It was stated that "the idea of purpose is at the basis of the concept of cause, which is relevant in the performance of the contract" [2]. In other words, the parties fulfill the purposes for which they concluded the contract only by the performance of the contract; the provisions stipulated within the contract are achieved only to the extent of its performance; thus, if a party performs its

obligation, the other party must perform its own obligation.

In essence, according to this theory, in synallagmatic contracts, the cause of the obligation of any party resides in the performance of the obligation of the other party; if an obligation is not performed, then the cause of mutual performance is missing; therefore, the absence of the cause for the performance of the obligation of one party entitles the debtor not to perform it [3].

Thus, the idea of cause in performing the contract explains the reciprocity and the interdependence of the parties' obligations in synallagmatic contracts.

Although shared by law, this theory has been criticized by some theorists [4]. In this respect, it was clearly shown that the cause is a condition for the validity of the contract and its absence can be an obstacle to the formation of the contract and to the establishment of the obligation and not to its execution; but since the cause exists when the valid commitment is established, it cannot disappear later in order to justify the non-performance. Moreover, it was said that such a foundation is not only technically incorrect, but it is also unfair because it would mean that the scope for the application of the exception for non-performance should be restricted to synallagmatic contracts; or, it was emphasized that the law has converted the *exceptio non adimpleti contractus* in a general rule, applicable both to perfect and imperfect synallagmatic contracts and to situations consisting in the refund of the mutual benefits following the cancellation or termination of a synallagmatic contract [5]. Also, the exception for non-performance was applied in simple synallagmatic relationships that may arise both from contracts and from legitimate legal facts, such as business management.

Another argument used by these authors in order to reject the foundation of the exception for non-performance on the reciprocity and interdependence of obligations is as follows: asserting that the lack of the performance of the services by one party prevents it from requiring the performance of the services by its contracting party implies that the right of that party did not arise from the convention, but from the fulfillment of what it had promised. Thus, the force of the contract does not arise from the

wills of the contracting parties, but from the material achievement of this will. It is argued that, in the case of a partial non-performance of the contract or of its defective performance, one cannot speak of the absence of the cause, but of a retrospective assessment, independent of the contract cause [6].

The two obligations should be performed exactly, at the same time, if the creditor does not give a performance deadline to his debtor, since, when the contract is concluded, not only does each party seek to obtain the commitment of the other, but it also pursues the achievement of the correlative obligation. Thus, there is a shift in the concept of cause and at the level of contract performance. Therefore, if one party does not achieve its incumbent services, the other's obligation remains without a cause, which justifies the refusal of its performance; the reciprocity and interdependence of obligations, the fact that each of them is the legal cause of the other involves their simultaneous performance, therefore the possibility of invoking the exception for non-performance if it is not respected because it represents the will of the contract. The situation in which a party is required to fulfill its obligations before the other is equivalent to a modification of the contract. Therefore, the temporary suspension of the implementation of the contract is just the means to achieve its performance as intended by the parties at the moment of its conclusion.

On the other hand, some authors have argued that the basis of the exception for non-performance would be the principle of good faith and equity, according to which any contracting party may request the other to perform its obligations without performing its own obligations [7]. However, in the legal literature, it has been shown that the principles of good faith and equity, in some cases, are legally too imprecise to substantiate an institution by themselves, and, on the other hand, these principles are at the foundation of all other legal institutions [8].

Other authors have envisaged the analysis of the exception for non-performance as an analogous way to the lien, which grants the creditor holding a good belonging to his debtor to refuse to deliver it as long as the

debt arising in connection to that good is not paid [9].

As shown in the literature, the solution is objectionable because, although we are in the presence of two mechanisms for achieving private justice, they are not identical and the analogy between them is misleading; the lien can only be exercised on a material good by a person who is holding it, and between the holder's claim and that good must be an objective, material connection, which is usually accompanied by legal connection. The lien is a real, legal, accessory and indivisible right. Conversely, in the exception for non-performance, a legal connection should exist between the two mutual obligations; the excipiens may refuse to execute any positive obligation, even if it does not consist in the remission or delivery of a good. Thus, the lien only occurs in the case of a material connection; when the retention is based on a legal connection, it is only a manifestation of the exception for non-performance [10].

On the other hand, the exception for non-performance was founded on the same basis as the termination of the contract, which did not take shape in the Roman law, but in the canon law, the canonists emphasizing the connection between the obligations mutually arising from synallagmatic contracts. They also deduced the rule that the contractor who does not keep its promise loses the right to request the execution of what is owed to it by the other contracting party - *frangenti fidei non est fides servanda* [11]. Therefore, the contracting party which can not obtain the performance of its due service is entitled not to perform its own obligation, invoking the *exceptio non adimpleti contractus*, or requiring the resolution of the contract by the court. Thus, the canonists believed that the foundation for the termination of the contract lies on the same moral reasons justifying the exception for non-performance, to which there added the idea of *tacit commissoria lex*, stipulated in all synallagmatic contracts [12].

This theory on the termination of contracts, belonging to canonists, is highlighted by the idea underlying the regulation on the termination of contracts in the French Civil Code and, therefore, in the old Romanian Civil Code, according to which the termination can always be invoked in the event of non-performance, on the basis

of alleged tacit resolutive terms (article 1184 of the French Civil Code, articles 1020 -1021 of the old Romanian Civil Code) and associating the termination to the idea of penalty.

In our case, we believe that the theoretical basis of the exception for non-performance is legally connected to the mutual obligations of the parties in a synallagmatic legal relationship. The legal connection exists when the mutual obligations have a common origin, arising in the same legal relationship. In this case, the mutual obligations are interdependent, which makes their performance simultaneous, i.e., if one of them is not performed, the other party may legitimately refuse to pay its own debt, invoking the exception for non-performance [13].

This solution does not contradict the idea of cause in the area of synallagmatic contracts; moreover, it explains the application of the exception for non-performance both in the sphere of perfect and imperfect synallagmatic contracts and in the case of lawful legal acts and of the legal relationships arising from the termination of certain synallagmatic contracts that were not executed [14]. Furthermore, the possibility of invoking the exception for non-performance is also recognized when the mutual obligations occurred in different legal relations, which find their support and existence within a general agreement, under which several legal successive operations have been conducted. However, the community of origin between two mutual obligations conveys the very idea of legal connection.

As it has been correctly argued, the binding force of the contract requires that the performance of the mutual obligations of the parties be carried out in good faith and equitably, being contrary to good faith and fairness to claim to receive a benefit without performing what you owe.

3. Conclusion

For all these reasons, we consider that the basis of the exception for the non-performance of the contract mainly resides in the legal connection between the mutual obligations of the parties, arising directly or indirectly from their contractual will, based

on the underlying principles of good faith and equity.

Similarly, the legal termination is based on the community of origin of the mutual obligations, as each obligation from the content of the same legal synallagmatic relationship is affected by the exact achievement of the entire relationship. Thus, the termination and the exception for non-performance appear as a remedy to the legal situation created by the non-performance of one party and, at the same time, as a mutual guarantee of the mutual obligations. If one party does not perform its own obligations, the connection of contractual solidarity, which should exist during the contact period between the contracting parties, may be broken; the non-performance of an essential contractual obligation compromises the requirement to maintain the balance between the interests of the parties, which often can not be reconciled, which justifies the termination action of the creditor whose interest was not achieved.

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The Exception for the Non-Performance of Contracts and the Exception for the Compensation of Claims and Related Liabilities

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Abstract

The compensation of claims and related liabilities is an institution consecrated by the French jurisprudence and it can operate without having met all the conditions set by the law for the legal compensation. This form of connection encountered in the field of obligation relationships in business law is admitted on the idea of a connection between certain claims and liabilities, being circumscribed, at first, to the obligational relationships arising from the same synallagmatic contract. In this study, we analyze this legal mechanism in comparison with the exception for the non-performance of the contract, which also functions as a warranty for the creditor which did not fulfill its contractual obligations.

Keywords: contract, exception for non-performance, claim, compensation, related liabilities.

J.E.L. classification: K

1. Introduction

In legal literature, it has been stressed out that there cannot be compensated the main claims and related liabilities which are part of an obligation relationship arising from a perfect synallagmatic contract because the parties could not get the benefits which they pursued upon the conclusion of the contract, so that it would be totally ineffective.

2. The exception for the non-performance of contracts and the exception for the compensation of claims and related liabilities

The compensation, covered by articles 1616 - 1623 of the New Romanian Civil

Code, was defined in the literature as a means for the redemption of two mutual obligations of the same nature, between two persons, i.e. each person is simultaneously the creditor and debtor of the other [1]. Thus, the compensation triggers the mutual redemption of the two obligations up to the amount of the smallest one; if the obligations are of equal value, they are extinguished entirely.

The main advantage of compensation is that this legal mechanism is a simplified means for the performance of obligations, by avoiding duplicate payments. At the same time, it is also a way to guarantee the achievement of the creditor's claim because, by compensating his claim against the debtor with his liability to the latter, he will fulfil his claim at least up to the liability to his own debtor without the risk of any insolvency of the debtor and without the consent of the other unsecured creditors.

The compensation can be: legal, conventional and judicial. **The legal compensation** is operating under the law, without the need for the agreement of the parties or by a court decision. According article 1617 of the New Civil Code, "the full compensation operates as soon as there are two certain, liquid and due liabilities, whatever their source, and whose object is a sum of money or a certain quantity of fungible goods of the same nature". This type of compensation is governed *expressis verbis* and its effects occur as soon as the legal conditions are met. **The conventional compensation** operates by the agreement of the parties under a contract concluded between the mutual debtors when the conditions for the legal compensation are not met and the parties are interested, however, to extinguish the mutual obligations by this way. **The judicial compensation** is ordered

by a competent court, usually at the request of the defendant by counterclaim.

In legal literature and case law it was held that both the conventional and the judicial compensation intervene if no conditions are met in order for the legal compensation to operate or if the latter is hindered by an obstacle provided by law to protect the interests of the parties or of others.

The provisions of article 1617 of the New Civil Code stipulate the conditions under which the legal compensation may operate:

- **Obligations should be reciprocal, i.e. they should exist between the same persons, each being both creditor and debtor, in relation to the other;**

- **Liabilities should be clear (they should have an indisputable existence from a legal perspective), liquid (they should have a specified value, well established) and payable (they should have reached their due date);**

- **Liabilities should be aimed at giving money or a certain quantity of fungible goods of the same nature;**

- **The parties should not have expressly or tacitly waived the benefit of compensation.**

Beside these forms of compensation, the French jurisprudence also established **the compensation of claims and related liabilities**, which is analyzed in the French legal doctrine as *une compensation renforcée* because it can operate without having met all the conditions set by the law for the legal compensation [2].

This form of connection is common in the field of business law and obligational relations and it is allowed on the idea of a connection between certain claims and liabilities. The French jurisprudence first used this term in connection with the settlement of mutual obligations by compensation, for the collective proceedings taking place in case of a trader's insolvency, being possible in order to settle the related claims prior to the opening of insolvency proceedings, if the conditions of the legal compensation had not been met in their entirety at the time.

The idea of connection expresses the strong link between the mutual claims and liabilities between two persons, being circumscribed, at first, to the obligational relationships arising from the same

synallagmatic contract, such as the connection between the insurer's obligation to pay the insurance indemnity specified in the contract and the policyholder's obligation to pay the insurance premiums [3].

However, the question of the compensation for claims and related liabilities within obligational relations arising out of a synallagmatic contract may be discussed only when there is a primary liabilities and an incidental related debt, such as: the buyer's debt to pay the price of the goods bought the seller's debt to indemnify the buyer for the damage to goods before delivery; the debt of the beneficiary of an undertaking contract to pay the price of the work ordered and the undertaker's debt to indemnify the beneficiary for performance of work with specific defects; the tenant's debt to pay the rent and the lessor's liabilities to reimburse the former for some works made by the tenant on the leased property, works which had to be done by the lessor. Also, the French Court of Cassation upheld as related liabilities the mutual liabilities arising from the termination of a synallagmatic contract [4].

In legal literature it has been stressed out that there cannot be compensated the claims and related liabilities which are part of the contents of an obligational relation arising from a perfect synallagmatic contract, such as the relation of the obligations arising from the contract of sale, i.e. the buyer's liability to pay the price and the seller's liability to deliver the goods sold cannot be compensated. In such a case, the parties might not get the benefits that they considered when concluding the contract, i.e. it would be totally ineffective.

Or, by compensation, the parties seek to obtain what they owe to each other, i.e. the payment. As shown in this study, if a party to a synallagmatic contract wants to ensure that it will get what it is owed to it, it will be able to use, in its relation to the other contracting party, **the exception for the non-performance of the contract**, i.e. it is entitled to refuse the performance of the due service until the other party performs its own obligation [5].

Thus, we can conclude that the exception for the non-performance of the contract does not seek the settlement of the obligations of the contracting parties, as in the case of the

compensation of claims and related liabilities, but rather the coercion of the other contracting party to perform its obligation under the contract, in order to obtain the benefit envisaged when concluding the contract, from the party invoking the exception for non-performance. Therefore, the different purposes of the two legal institutions is evident.

In legal literature, it has been shown that, for this compensation to operate, the idea of connection has been extended beyond the scope of the obligational relations arising from the same synallagmatic contract. Thus, according to the French jurisprudence, the label of "related" is granted to those mutual claims and liabilities which exist between the same persons from separate contracts, but which are part of a contractual whole, such as the contracts concluded in the execution of a framework contract, setting out the conditions for the future progress and development of the business relations between the contracting parties [6]. Also, in reverse, it was stated that, in order to be related, it is important that the mutual claims and liabilities have originated under the same legal relationship, even when, for example, one liability is contractual and the other is delictual, provided that the delictual one arises in connection with the same contract concluded by the two parties [7].

In French law, the idea of the connection of certain claims and, respectively, of mutual liabilities, represents the basis for the acceptance of this form of compensation whose legal regime is more favorable than the one which applies to the legal and judicial compensation. According to the French Court of Cassation, this compensation is mandatory and the judge is bound to rule it, on the ground that it constitutes a warranty for the parties; due to the connection of liabilities, the liability of each party represents a warranty for the payment of its claim. Thus, the compensation of related liabilities derogates from the regime of the legal and judicial compensation, and it can be invoked and admitted in many situations when the common compensation is not possible, such as after the opening of collective proceedings or insolvency [8].

From this perspective, the compensation of claims and related liabilities is similar to the exception for non-performance, which

requires no special procedural formalities in order to be invoked; as shown in this article, the exception is invoked directly between the contracting parties, without the need for court intervention. Instead, it is sufficient for the two mutual obligations to arise from the same synallagmatic contract; however, they should also meet the other requirements related to: the non-performance of the obligations of the contracting partner should be of a certain severity; both mutual obligations should be exigible; the performance of these obligations should be simultaneous and the non-performance should not be due to the act itself of the party invoking the exception. Therefore, it is easier to invoke the exception for the non-performance of the contract, but it requires the fulfillment of several conditions of exercise, unlike the compensation of claims and related liabilities, which is possible without the mutual obligations of the parties to be simultaneous and the claims to be liquid and exigible and the pronouncement of the compensation is mandatory for the court.

Another similarity between the two exceptions is the function of warranty that each satisfies: in case of connection, the liability of each party is affected, since its occurrence, in order to guarantee the payment of its own claims against the other party; as regards the exception for non-performance, the temporary suspension of the performance is the means to obtain the performance of the contract under the terms of its conclusion [9]. Thus, the exception for non-performance is an indirect means, used by party to whom the obligation is not performed, in order to compel the other party to fulfill this obligation.

Turning to the legal regime of the compensation of claims and related liabilities, in the legal literature, it has been shown that this form of compensation is different from the legal compensation, because it is possible without the mutual obligations of the parties to be simultaneous and the claims to be liquid and exigible. Also, it differs from the judicial compensation, which is optional for the court, the latter having the power to determine whether it is appropriate or not, whether such claims and liabilities are related or not. In contrast, the pronouncement for the compensation of claims and related liabilities

is mandatory for the court, which does not have the power to assess the appropriateness of compensation; whenever it found that between the parties there are claims and related liabilities which, at least originally, had a mutual nature, the court is required to pronounce their settlement by compensation. In these circumstances, it was considered that, in the French jurisprudence, the compensation of related liabilities is an original and autonomous institution, in relation to the legal compensation under the Civil Code, which applies only to settle the claims and liabilities that are not connected to each other [10].

3. Conclusion

We conclude that the exception for non-performance differs from the compensation of related liabilities by the different purposes of the two legal institutions. Thus, by compensation, the parties seek to obtain what they owe to each other, i.e. the payment. Instead, the exception for the non-performance of the contract does not seek the settlement of the obligations of the contracting parties; on the contrary, it seeks the coercion of the other contracting party to perform the obligations that it undertook in order to obtain the benefit taken into account when concluding the contract, from the party invoking the exception for non-performance.

On the other hand, the compensation of claims and related liabilities is similar to the exception for non-performance, which requires no special procedural formalities to be claimed; it can be achieved directly, between the contracting parties, without the need for court intervention. However, as we have seen, there should be met the other requirements relating to: the non-performance of the obligations of the contracting party should be of a certain severity; both mutual obligations should be exigible; the performance of these obligations should be simultaneous and the non-performance should not be due to the act itself of the party invoking the exception. Thus, it is easier to invoke the exception for the non-performance of the contract, but it requires the fulfillment of several conditions of exercise, as opposed to the compensation of claims and related liabilities, which is possible without the mutual obligations of the

parties to be simultaneous and the claims to be liquid and exigible, and the pronouncement of the compensation is mandatory for the court.

The compensation of related liabilities resembles the exception for non-performance by the function of warranty that each of them satisfies: in case of connection, the liability of each party is affected, from its occurrence, in order to ensure the payment of its own claims against the other party; regarding the exception for non-performance, the temporary suspension of the performance is the means to obtain the performance of the contract under the terms established at its conclusion. Thus, the exception for non-performance is an indirect means used by the party to whom the obligation is not performed in order to compel the other party to fulfill this obligation.

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Sovereign Wealth Funds and the New Dynamics of Globalization in the Context of the Current Financial Crisis: International Competitiveness Through Outsourcing in Emerging Countries

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Abstract

At global economy level, changes occurred, consisting in transferring production abroad, owing to the comparative advantages of moving production to China or other developing countries, which translate into cost reductions at production level and, implicitly, into price advantages. The undeniable comparative advantages of China's economy lead to the acquiring by China, from its exports, of important USD amounts, of which a big part are reinvested through investment funds, public investment vehicles widely used by the BRIC emerging countries. Although the present financial crisis has a global nature, emerging countries dealt with it much better, adopting policies able to render profitable their internal potential, which led to spectacular economic growth rates that exceeded the developed states' economic growth rates. These economic realities also gradually generate developments in international political relations, which are able to induce changes in global politics to support the formation of a multi-polar international political system.

Keywords: financial crisis, globalization, international competitiveness, outsourcing, economic growth

JEL Classification: F01, F23, F30, F59, F63, G01

1. International competitiveness in the context of globalization

The arena of international competitiveness has changed forever with the achievement of exponential efficiency and

profitability gains as a result of outsourcing [1]. The transfer of production to China or other developing countries is due to the comparative advantages that translate into cost cuts at production level and, implicitly, into price advantages.

Technology and the economies of scale have enabled a fragmented production chain, with the fragmentation of production due to globalization being just an intermediate step towards its concentration in the areas with the greatest efficiency gains and the formation of industrial clusters. At the beginning of the outsourcing phenomenon, the first phase exported was the assembly of the final product, as the greatest savings and gains were obtained there. Gradually, more and more phases were globally dispersed, with the owners of the various production operations being fragmented and specialized, with a view to eliminating the increasingly greater number and volume of economic costs involved in each intermediate phase and component of the product that has to navigate the global environment to reach the next work point (actual transportation costs and organizational efficiency costs). This production system, called "just in time", which was created and is successfully used by Japan, and according to which the economic coordinate of significant importance is not space, made irrelevant by globalization, but time, requires that companies keep minimum stocks of materials and base themselves on a distribution system of extreme accuracy in order to constantly have production materials, without storage costs.

The "integrated factory" concept is a current and future trend of globalization, with the concentration process being a self-perpetuating one, which means that an

already formed cluster is able to attract more production agents. This explains the logic of creating special economic areas or industrial parks that generate immense value added.

Thus, the global economy experienced changes consisting in transferring production abroad, due to the comparative advantages resulting from the movement of production to China or other developing countries.

American researcher J. O'Neill highlighted the relatively steady pace of economic growth reported in 4 very different countries, but which are similar in the size of their economic power – Brazil, Russia, India and China (BRIC). These countries now make up a new world force.

Fig. 1a Ranking by GDP size (according to the statistical data)

GDP in 2007		
PLACE	COUNTRY	GDP (USD m)
1	USA	13,843,825
2	JAPAN	4,383,762
3	GERMANY	3,322,147
4	CHINA	3,250,827

Source: O'Neill, J., 2007, "BRICs and Beyond", Goldman Sachs Investment Bank

Fig. 1b In 2050, the situation is expected to be the following [2]:

GDP in 2050		
PLACE	COUNTRY	GDP (USD m)
1	CHINA	70,710,000
2	USA	38,514,000
3	INDIA	37,668,000
4	BRAZIL	11,366,000

Source: O'Neill, J., 2007, "BRICs and Beyond", Goldman Sachs Investment Bank

According to the estimates, in 2050 China will have a GDP of USD 71.0 trillion, while the GDP of the United States will only reach half this value (USD 38 trillion), which leads us to the conclusion that the achievements of the USA will be equaled and then surpassed not in 2050 but many years before that. It is rather in 2030 that China's GDP will equal the GDP of the USA. Dealing with the whole group of emerging countries, Jim O'Neill concludes by saying that "the BRIC phenomenon will probably remain the most important economic topic of our generation" [3].

With regard to the dynamics of the economic power of the countries, China's economy could eclipse that of the USA sooner than one expects [4]. Japan will also have to accept that its place in the triad of world trade next to the USA and the EU is taken by the BRIC states.

2. China's ascension

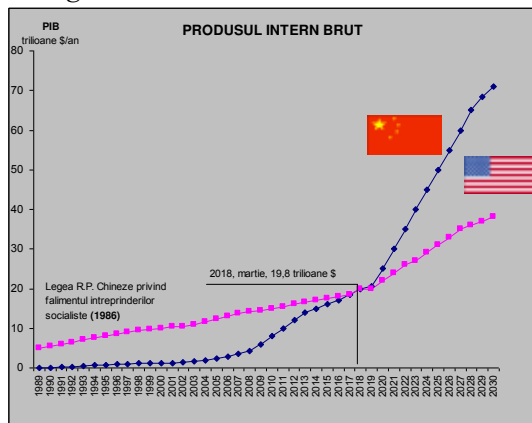
China's spectacular economic growth in recent years has turned it from a simple developing state into an increasingly stronger competitor for the title of world's greatest economic power.

Through the constant promotion of the market orientation process, China stands as a strong and prosperous country [5], whose GDP has increased from RMB 26600 billion to RMB 51900 billion (approximately USD 82.8 thousand billion) in the last 5 years, raking second in the world, with an annual average GDP growth of 9.3%, significantly greater than the increase rate of the global economy and of the emerging economies during that period, but with a much smaller inflation.

The superpower status of the People's Republic of China is more and more acknowledged and proven by contemporary thinkers and analysts, who estimate that China, which is already an economic and political power, will also become a military power. Nevertheless, although China's economy ranks second in the world, the major gap between China's GDP per capita and the average global GDP continues to exist. So there is still a long way to go to ensure the prosperity of the country and of the Chinese people, something for which an international peaceful and sustainable climate

is required. That is why China says that, although it will grow and become a powerful state, it won't claim hegemony and won't engage in expansions.

Fig. 2 China's economic ascension



Source: [6] Neagu, F., 2012, "The Chinese zodiac. Is it really the dragon's year? But, afterwards, what kind of epoch awaits the great nation?", in "The Economist" Journal, Issue 2/2012

The important moments that could explain the dynamics of China's economy in the last 30 years are [7] the reforms for adapting the Chinese Soviet-inspired socialist economy to the Chinese realities, which started in 1978, and the Law of the People's Republic of China on the bankruptcy of socialist enterprises (1986). According to the graph, the economic power of the USA will be equaled and surpassed in March 2018, when the two powers, the United States and the People's Republic of China, after following their own historical paths, will both have an annual GDP of USD 19.8 trillion.

3. China and the world

Meanwhile, China has become the world's greatest producer as well as the world's greatest developer and provider of new technologies [8]. As a producer, developer and exporter, including in arms sector, China uses the sale of arms as a foreign policy tool. Thus, China's interests are more complex than getting a revenue from arms that are accessible to Middle Eastern, African and Latin American states, as it targets both preferential access to the rich energy resources of these areas and the expansion of its relations and influence

beyond Central Asia, by getting involved in partnerships and investments that translate into outlets and international power. In Sub-Saharan Africa, China's interest is mainly related to the great oil reserves that are available in the area. Sub-Saharan Africa also is an important market for the country. Africa provides China with two important things: the chance to earn world respect, to which it feels entitled due to a spectacular economic growth, and friends that do not judge it or that at least have few reasons to fear its ascension. The votes of African states are potentially decisive when it comes to decisions that are made at international level with regard to international events and that are important to China (e.g. the Shanghai Expo, the Olympic Games or Human Rights). As a consequence of this situation, after China's ascension, the United States has become interested in limiting this ascension, by making alliances with states surrounding China, in the framework of trade and regional cooperation.

China's long upward trend in the last 40 years is a major event in the economic history of mankind. China's impressive economic growth is visible in numerous international markets [9]. China's economic achievements are even more obvious when we compare its economy to other transitional economies, with a 9-12% growth per year reported in China.

The quick, steady and considerable ascension was due both to the trade balance and to the great importance of the investment balance. The decisive correlation between trade flows and investment flows explains China's increasing economic and political dominance as an important promoter of Asia's development and the country's place in the international community [10].

The broadening of economic opportunities was made possible through an increase in the degree of economic freedom provided by the implementation of the institutional reforms towards a market economy. In addition to the assimilation of new technologies and their use to improve the quality of the products, the combination of Chinese labor force (characterized by high quality and low costs) and managerial talent has boosted the increase in China's internal and international competitiveness, turning China into the greatest beneficiary of foreign

investments [11] (for instance, American foreign direct investments in China amount to approximately USD 50 billion, while Chinese foreign direct investments in the USA only amount to approximately USD 800 million; part of the Chinese exports to the American market are exports of the branches of American transnational companies located in China).

Thus, the undeniable comparative advantages of the Chinese economy make China obtain important USD amounts from its exports. A large part of these USD reserves are reinvested through sovereign wealth funds or even directly by the Chinese state into the American public debt; thus, China is the greatest owner of American debt securities, with an amount of approximately USD 1200 billion, ahead of Japan or Great Britain. With such an amount the Chinese government could have bought at least a few great American or Western corporations. It is obvious however that such a strategy would have met public opposition from Washington and other developed states, which do not want to see great Western industrial entities become property of Chinese state companies or be strongly influenced by Beijing. If China were to decide not to buy American public debt anymore, that would create difficulties for the USA. If China were to decide to buy great Western industrial corporations, that would generate adverse political reactions from Western states. Anyway, China's fundamental advantage, an advantage that cannot be ignored, is the Chinese labor force, namely its high quality and its low costs. The political strategy that China will adopt as regards the use of the major financial resources generated by this advantage will be decisive. Considering the fact that the huge USD amounts thus obtained cannot be used internally, the Chinese sovereign wealth funds will continue to play a significant role.

China's development has strongly boosted the growth of the world economy. Since the 21st century China's economy has been quickly and steadily growing, with a contribution of more than 20% a year to the world economy.

After the onset of the international financial crisis, China twice provided the International Monetary Fund with the amount of USD 93 billion, which made it an important force in the recovery of the world

economy and the promotion of the reform of the international financial system.

4. The forecasts of the International Monetary Fund on the world economy

In its spring 2013 issue of the report on the world economy, *World Economic Outlook*, an issue entitled "Hopes, realities and risks" [12], the IMF points out several fundamental aspects: the economic divergences between the main economic blocks of the world (developed states, emerging and developing states) and within these blocks in the first half of 2013. A more moderate perception of the risk factors on the globe is also mentioned (the euro area has survived the challenges, the USA has averted the fiscal cliff), adding however that the medium-term levels of the risk factors are still high, although, after the slowdown of 2012 and the weak start of 2013, the macroeconomic indicators have globally stabilized due to the positive feeling in the financial markets, and the adjustment of the global macroeconomic imbalances continues.

According to the IMF, competition in the world economy towards its potential pace will be ensured by emerging and developing states (growth of 5.3%/year/year in 2013 and 5.7%/year/year in 2014). The economies of China and India could accelerate to 8%/year/year and 6.2%/year/year, respectively, in 2013 and 8.2%/year/year and 6.2%/year/year, respectively, in 2014.

In developed economies the pace of growth is expected to stagnate in 2013 (1.2%/year/year) and to accelerate in 2014 (2.2%/year/year). The IMF forecasts a gradual acceleration of world trade in 2013 and 2014 based on the contribution of trade flows from emerging and developing countries, in the framework of implementing economic policies that are meant to reduce the dependence of these economies on the climate in developed states. The exports of emerging and developing economies could accelerate to 4.8%/year/year in 2013 and 6.5%/year/year in 2014. The IMF estimates that in 2013 and 2014 corrections of the international quotes for crude oil and other goods might be made due to the economic potential issues that both developed economies and emerging and developing economies have to deal with.

Fig. 3 Forecasts of the IMF

IMF forecasts				
Apr. 13	2011	2012	2013	2014
GDP				
World economy	4.00%	3.20%	3.30%	4.00%
Developed countries	1.60%	1.20%	1.20%	2.20%
USA	1.80%	2.20%	1.90%	3.00%
Euro area	1.40%	-0.60%	-0.30%	1.10%
Japan	-0.60%	2.00%	1.50%	1.40%
Great Britain	0.90%	0.20%	0.70%	1.50%
European Union	1.60%	-0.20%	0.00%	1.30%
Emerging and developing countries	6.40%	5.10%	6.30%	5.70%
Central and Eastern Europe	5.20%	1.60%	2.20%	2.80%
CIS	4.80%	3.40%	3.40%	4.00%
Asia	8.10%	6.60%	7.10%	7.30%
China	9.30%	7.80%	8.00%	8.20%
India	7.70%	4.00%	5.70%	6.20%
Middle East and North Africa	3.90%	4.70%	3.10%	3.70%
Brazil	2.70%	0.90%	3.00%	4.00%
<u>Mexico</u>	<u>3.90%</u>	<u>3.90%</u>	<u>3.40%</u>	<u>3.40%</u>
International trade	6.00%	2.50%	3.60%	5.30%
Exports				
Developed countries	4.70%	1.00%	2.20%	4.10%
Emerging and developing countries	8.60%	4.90%	6.20%	7.30%
Quotes for crude oil	31.60 %	1.00%	-2.30%	-4.90%
Quotes for other goods	<u>17.80 %</u>	<u>-9.80%</u>	<u>-0.90%</u>	<u>-4.30%</u>
Inflation				
Developed countries	2.70%	2.00%	1.70%	2.00%
Emerging and developing countries	7.20%	5.90%	5.90%	5.60%

Source: [13] IMF, *World Economic Outlook*, April 2013

Looking at the risk factors that could affect the medium-term evolution of the world economy, the IMF makes a series of economic policy recommendations.

The risk factors include the slow growth or the prolonged stagnation in the euro area; public finance problems in the USA and Japan; issues related to the evolution of the

output gap, with an impact on the inflationary pressures in developed economies; the risks related to non-standard monetary policies; the deterioration of the economic potential.

The recommendations made to developed states target the continuation of the budget consolidation processes at a pace that is adapted to the current possibilities, so that they have no negative impact on the re-launch process; the continuation of expansionist monetary policies; the implementation of additional measures for the stability of financial systems; the implementation of structural reforms in order to reduce unemployment and regain competitiveness.

The recommendations made to emerging and developing economies target the recalibration of macroeconomic policies; addressing the risk factors associated with the quick pace of lending growth and the high level of asset prices; the consolidation of the space of maneuver for economic policies.

5. Conclusions

In spite of the global nature of the current financial crisis, emerging countries have dealt with it much better, adopting policies that made the best use of their internal potential and led to a spectacular pace of economic growth, which exceeded the pace of economic growth of developed countries [14]. Thus, in the context of the global financial crisis, they have become true emerging powers that contributed substantially to the dynamics of world economy and its recovery from the recession, acting as genuine driving forces of global economic growth. These economic realities also gradually generate developments in international political relations, which are able to induce changes in global politics to support the formation of a multi-polar international political system, leading to the reconfiguration of world order.

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Crisis Effects on Shipbuilding Market

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Abstract

The shipbuilding industry plays an active part in the fleet adjustment process becoming an important factor determining the supply of sea transport. Merchant ships generally take about a year to build and delivery may take 2–3 years if the shipyards are busy. This prevents the market from responding promptly to any sudden upsurge in demand. Shipbuilding market would face a difficult period of decreasing new order and worsening profitability after financial crisis in 2008.

The study provides a comprehensive analysis of current status and what were the effects of the current crisis over shipbuilding market.

In the end we highlight the market expectations for shipbuilding industry based on world economy forecasts.

Keywords: shipbuilding, transport, industry, market.

J.E.L. Classification: L62, L91

1. Introduction

Shipbuilding industry is an important element of the system of shipping. Global shipbuilding industry provides the most essential tool for carrying global trade. Therefore, as long as the world economy grows, the shipbuilding market will remain a growing sector. Ability to develop, manufacture and provide services to ships and other marine equipment is key for shipping based on competitiveness and future

perspective, but also contributes to a wide range of other business activities involving the oceans, seas and inland waterways.

Shipbuilding industry plays an active role in adapting to the requirements of fleet transport capacity demand [1]. Basically the production would have to adapt to fluctuations in demand for transport, which is happening, at least for long horizons. Adjusting the level of production in this area, however, is not carried out quickly and easily, the construction of the vessels is a business with a long cycle, the time lag between the order and delivery of vessel is between one and four years, depending on the size of the register commands claims of the manufacturer or by the customer. It is also true that all these commands must be made and executed based on forecasts and less on account of immediate reality.

Shipbuilding and marine equipment industry operating in a truly global market and is uniquely positioned to address the new challenges of economic development and environmental protection.

2. Shipyard: from overcapacity to low building prices

The continuous growth of the world fleet has led to cost control measures on each segment for shipping, charter rates remained low compared to operating costs. The current global fleet was built during an era in which fuel price was low. Fuel costs were a major cost for shipping companies, which did not allow operators to run ships at profitable levels. Also could not ensure an adequate

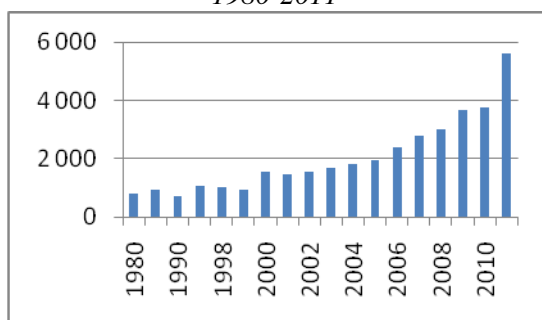
flow of cash to invest in new vessels or linked ecological energy-saving technologies.

It turned out that the global shipbuilding experienced an enormous boom between 2004 and 2008, resulting in a sharp increase in new capacity in Asia and excessive tonnage on most market segments [2].

But the collapse of financial markets has seriously affected the entire maritime sector. Signs of recovery appeared on the market in early 2011, but maritime trade volumes were not strong enough to offset fleet and generate excess demand [3].

Due to the large number of orders for the construction of ships that have been given in the previous period, deliveries planned for 2012 were situated at a high level.

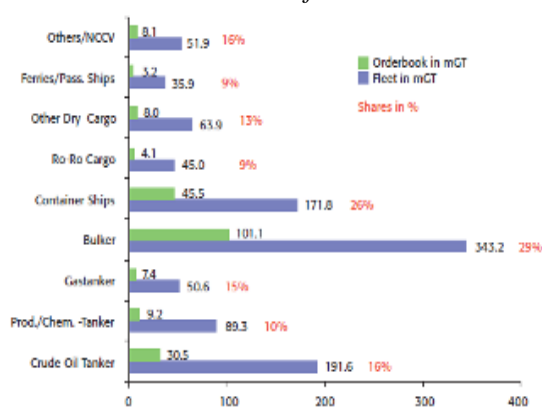
Figure 1 Evolution of ships delivered, 1980-2011



Source: UNCTAD, Review Of Maritime Transport, 1998-2012

One of the first positive signs came from liner companies that have started to report recovery after losses during the crisis. Capacity control by "lay-ups" and "slow-steaming" helped improve profit from the low of 2009. In late 2011, several owners have already suggested appetite to order new ships.

Figure 2 Orderbook to existing fleet ratio at the end of 2011

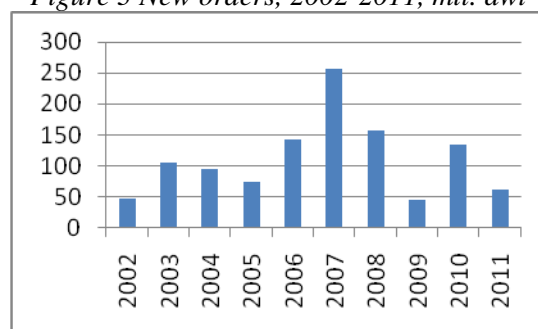


Source: Community of European Shipyards Associations (CESA), Annual Report, 2011-2012, p. 8

2011 proved to be a volatile and eventful for the global maritime market. Three events stand out, another financial crisis raised his head, continued social unrest in the Middle East (Arab Spring) and was an important year for natural disasters (tsunami, earthquake in Japan and the "flood of the century" in Australia) - having a direct impact on the shipping industry. While the effect of these events varied segments, the overall impact was negative for global economic growth and hence demands for new ships.

So, demand for new vessels has decreased in 2011 from the previous year.

Figure 3 New orders, 2002-2011, mil. dwt



Source: IHS-Fairplay and UN data, 2012

Shipbuilding industry is dominated by players in Asia: South Korea, China and Japan. The world's emerging nations such as India, Vietnam, Brazil, Philippines and Turkey, have experienced significant growth in shipbuilding for their domestic market.

Korea and China have 90% of the shipbuilding market. Korea has 80% of world containership, while China possesses 80% of market share in bulkier market [4].

Shipyards in Korea have been most aggressive in 2011, poaching nearly half of all new orders, while the Chinese were given a third of the total. Japan had a 10% share of the total.

Associations of the shipyards in China and Japan, have acknowledged they face an overcapacity of production to a twice as demand of new ships and no decline it sees in the near future. Therefore, the global shipbuilding industry will continue to face a crisis of overcapacity. Its consequences are felt globally up and down on almost all maritime sectors.

2012 was another year of decline in value of assets shipping companies, but rates of decline have slowed and productivity in some

sectors was higher than in 2011. The most important change was reflected in the prices of new ships that have suffered a decline of 5-10 percent for most types of ships.

Table 1 Price new ships ordered in shipyards in Korea, 2008-2013, USD

Type of ship	DWT	May 2008	May 2009	May 2010
VLCC	300.000	145.000.000	85.000.000	82.000.000
SUEZ	150.000	96.000.000	58.000.000	62.000.000
AFRA	110.000	74.000.000	44.000.000	42.500.000
PANA	75.000	58.000.000	38.000.000	37.200.000
Type of ship	DWT	May 2011	May 2012	May 2013
VLCC	300.000	78.000.000	61.000.000	52.072.000
SUEZ	150.000	54.300.000	45.500.000	39.522.500
AFRA	110.000	38.500.000	31.000.000	27.539.952
PANA	75.000	35.000.000	31.500.000	25.388.200

Source: based on data from IHS-Fairplay

Prices for new ships had a decreasing trend in the second half of 2008, caused by overcapacity in the shipbuilding market and lower construction costs.

Productivity of the world fleet decreased in response to high fuel prices and increasing average size of ships.

One of the most important shipbuilding material is steel whose price has fallen by 40 percent in 2008-2012. The price of marine engines remained at a very low level, because since 2008 market is overcapacity in production of engines. In Korea, the prices for ship engines were maintained at about 185 USD per BHP from 2011, while prices of Chinese shipyards have been even on lower levels.

Another important factor of shipbuilding market is the currency used by the shipyard and its value against the dollar. During 2012, the Chinese yuan remained almost unchanged against the dollar, while the Korean won rose about 8 percent.

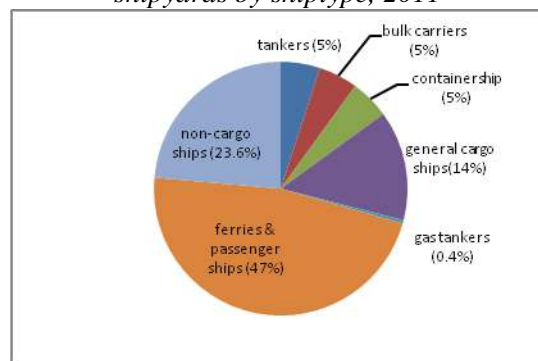
Overproduction hit very hard all shipyards around the world, but the impact on European shipyards can be significantly more profound for several reasons:

- Small size European companies make them much more vulnerable;
- The banking crisis cut access to funding in Europe more than in Asia;
- Governments in many countries in Asia have responded very quickly and consistently.

European shipyards back with solutions for various marine activities, including

fishing, offshore activities, tourism, renewable energy generation, various research activities. A promising sector is tourism, almost all cruise ships in the world market are built in shipyards in Europe. However, in transport, maritime tourism sector is seen as an operating business with floating hotels. Thus, globally, European shipyards currently contribute little to the construction of cargo ships.

Figure 4 Orderbook at european shipyards by shiptype, 2011



Source: based on data from Community of European Shipyards Associations (CESA)

European shipyards focused on building complex technology for sea activities, facilitating the creation of a European network of advanced marine equipment. Orderbooks of European shipyards covered more than 85%, with contracts for such sophisticated ships.

For 2013 is expected to increase global GDP by 3.4% which is the main driver of the shipping industry. Based on the correlation between global GDP growth and demand for the world fleet tonnage, there is a forecast of 5-6% growth in demand for new ships for 2013. We anticipate an increase in the fleet at the same level, taking into account delays and cancellations of orders for ships. As a conclusion, forecast the global fleet utilization in 2013 to remain at 84 percent of rated capacity.

These forecasts should lead to freight rates levels below the threshold of profitability for major transportation segments and this will attenuate the owners desire to order new ships.

There is a low demand in the most important segments of the industry, greater emphasis will be focused on smaller segments such as building of new ships eco-friendly.

3. Conclusion

Shipyards and equipment manufacturers in shipping serve the global market, extremely competitive with the highest technological requirements. Market conditions are under considerable pressure due to the influence of external demand such as the global economy, financial market development and technological developments in the field. At the same time, the surge in fuel costs, the pressure asked by environmental regulations to reduce emissions and increase prospects for offshore activities and renewable energy use, leading to long-term investment prospects for growth of the shipbuilding market. A strong presence of this segment of the maritime industry will substantially increase the global economy.

Shipbuilding market has seen a number of major fluctuations within a decade. Sector increased continuously from 2003 to 2007 and had a negative trend during the period 2008-2009, on account of macro - economic and financial crisis.

In 2010 and 2011, the market had a modest recovery, reflected by weak economic fundamentals, the euro zone debt crisis and the lack of credit in shipping .

In 2012, the total volume of orders of new ship decreased in tonnage. It was covered only a third of the industry's production

capacity worldwide. The most affected were small and medium-sized shipyards.

In 2013, industry outlook is grim because of overcapacity of shipyards. This is the result of two key factors: the huge leap in productivity in shipyards throughout the last 30 years, and investment in the industry.

In conclusion, the industry's center of gravity has shifted to research and innovation, attention is directed to the introduction of technologically advanced products and eco -friendly.

Finally, on short term we expect continued pressure on prices of new ships. However, we do not expect a significant drop in prices (already small), if there is no a significant change in the cost of materials or exchange rates.

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Contemporary Trends within the International Financial Intermediation System Evolution

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Abstract

The financial intermediation system is positioned in the core of every recent crisis, independently of the crisis type and its propagation particularities. The main reason of this status of facts is due to its binder vocation, the international system of central and commercial banks being in the center of transaction clearing mechanisms, both in real and nominal side of economics and finance phenomenon. The authors are willing to underpin first the present particularities of the international intermediation system in relation with real economy and, second, to highlight the new centrifugal and centripetal roles of financial and monetary transactions all over the economic world, as a globalization prior value to be assumed, but into a regulated manner. The new approaches on political global level regarding the supervision standards updating are coming to confirm these hypothesis and the offer consistency to the paperwork main ideas proposed by authors.

Key words: globalization, financial system, crises, intermediation system.

J.E.L. Classification: F62

1. Induction in financial intermediation framework

Approaching the main theme of the contemporary position and role assumed by the banking system in the international financial and monetary system, in its relation to the world economy, we appreciate the fact

that, as has been suggested synthetically into representation of Figure 1, the financial intermediation industry is the organic link of the production processes of goods in connection with the financial services market segment, taking over all tensions and irregularities in this respect [3].

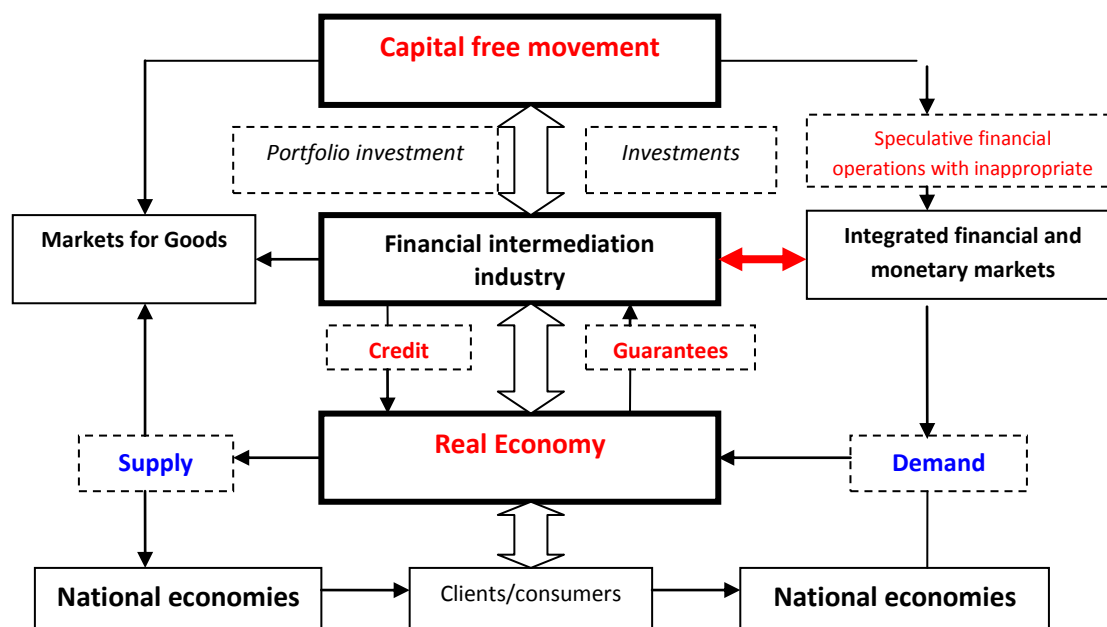
As it is shown in the figure below within the market relationships analysis, the position and role assumed by the financial intermediation system have become more essential in terms of high deepening of banking processes deregulation and no boundaries internationalization. The amplified speculative pressure within financial markets remains nowadays as the banking industry main feature, by creating a series of gaps or imbalances. As it is theoretically well known, the primary assumption of this perspective is that the banking system collects excessive savings and places it in the real economy (or households) through the different forms of direct credit, asking for guarantees instead [10].

Based on bank loans multiplication rate growth, the aggregate credit as indebt nominal rate will increase in geometric progression comparing with initial amount of investment, being limited only by the rate of short time solvency (quick liquidity) and by the level of minimum reserves established by the monetary authorities [1]. This leads to a situation where banks borrow money in significantly greater amounts comparing with their reserves or collected savings just to supply the demand for credits. For over the counter transactions banking institutions need liquidity, but whose collection is limited by

the fact that the amounts drawn should be returned on time and therefore, maturities will be rolled on a short to medium and long

terms, with a return that can cover the cost of the time limited borrowed resources [1].

Figure 1: The place and role of financial intermediation in the global economic circuit [7]



2. New perspectives of the financial intermediation system functioning

As we have stated, by this stage of financial intermediation, the functioning framework is healthy and aims to attract savings and to overtake credit placements, based on future income, guarantying with immediate security titles (pledges, mortgages). But together with competitive pressures increasing and reserve requirement relaxing, the credit multiplier will over run the growth of long-term loans based on short-term bank resources, the banking institutions becoming virtually directly dependent on maturity terms very sensitive to investors dynamic assessments and volatile perception.

The situation is considered under control as long as the prices of credit guarantees covers expected losses anticipated by investors, but just until the market game start pushing down the price of all investment goods, including those one pledged as collateral guarantees. In that case, maturity mismatch (caused by long-term loans secured on funds drawn on short term) is perceived negatively by the market actors, when the

reevaluation operations are performed by investors, who will choose amid unfavorable conjuncture, to withdraw or to refuse the maturing investments renewal.

When are amplified both the market trend of depreciation perspective of yields and, further, the decreasing of market values of collateral mortgages that support maturity terms rolling, the "leverage" is occurring by blocking the capital movement, the banking system falling into a liquidity crisis or into a functional bailout as final result. Furthermore, liquidity crisis is deforming more and more the long-term outlook, conducting to a collateral market values crisis, thus affecting first the aggregate working capital required by current business operations and second, the investment programs of the real economy and of the house holdings [7].

If the banking system would be dedicated to attract long term sustainable resources, out of speculative excesses, then a simple re-evaluation of the bank assets and liabilities should be sufficient for assuming acceptable losses for borrowers in case of a liquidity crisis. But things are not so simple, the

processes of deregulation and financial integration have degenerated based on free movement of capital, over recent decades the financial intermediation industry's primary reasons becoming motivated mainly by speculative views [10].

In this context it is necessary as a prerequisite for work analysis the resumption of conceptual thesis importance of a clear distinction between monetary and financial dimension size of the market. Not incidentally the phrase of "monetary and financial system" contains a hyphen, thereby accurately reflecting major conceptual boundaries between these the two segments, despite of the tendency to consider it just simple categories of the same phenomenon. Deregulation and financial integration does not require the inclusion of both in a single concept (under the generic name of "*financial system*"), but rather involves separating them even deeper [7].

Perhaps this confusion, related to the dilution of these two conceptual dimensions in a single phrase and market attitude, have contributed by forcing economic logic and neglecting doctrinal rationales to justify the reckless attitude vis-a-vis the maturities matching and due terms adapting principles.

Free access to money markets or to international financial system, based on free movement of capital promotion, have allowed banking institutions to deny their primary simple reason just for capital intermediation and have forced instead to chase after intense speculations, continuously supported and fed by growing competition. Thus, much of the banking firms have become regional or global financial corporations, diluting unfortunately their prior vocation as financial intermediating institutions.

These corporations have accumulated both intermediation functions, but also of investments or insurance services thus becoming involved in all levels of financial services, throughout all segments of the capital markets. Heterogeneous risks assumed by different areas of financial activity should have to support the activities of these corporations on horizontal compensation, in order to achieve expected results.

The last decades experience has shown, however that, unfortunately, at least in the

current context, the tendency to support the spread between short and long delays limits based on the growth of the market value of collateral is not only a working hypothesis but becomes also a false and harmful work premise. The bond maturity is based on the actual value of all assets pledged as collaterals, but which may know severe market fluctuations or corrections, likely to significantly affect the economic situation at regional and international levels.

3. The contemporary financial intermediation functional approaches

The supply and demand market model functioning theory, in its original approach, proves to be relevant for the banking and financial transactions as well, but not sophisticated enough sometimes, especially when we need to express the overall detailed picture of a market functioning. In terms of dynamic evolution of the market, the supply and demand curves heavily depend on the nuances of the concept of fair market value and determinations required by theory are not symmetrical univalent value [9]. Supply and demand does not result in a single direction equilibrium price but the equilibrium price in turn, is distorted by credit or other market variables that can cause changes in financial and monetary demand and supply [8]. From this perspective, the dynamics of the actual values, expressed through social optimum human achievement in moderating demand and supply of goods and services has two determinative components with opposite directions [7]:

- *income market forces as centrifugal values*, referring to that values created by arbitration according to the symmetrical theory of supply and demand, which tend to increase continuously fed by stimulating consumption through aggressive lending policies and excessive diversification and expansion of production and segments consumption;

- *outcome market forces as centripetal values*, represent social and human values that influence the opposite trends in demand and supply, respectively the price balance, by limiting or correcting the reverse trend of market prices, based on real human needs and on streamline conscious consumption.

Social and human values quantify not only the power purchasing parity or marginal utility of goods, but mostly express the subjective perception of the risks in the long term, in relation with the objective assessment of the effort allotted to such investments. The credit may distort the perception of social and human values, as it has been observed in the study households during over the last decade, "diluting" the risk and "concealing" the perception of the actual value of human effort compensation in the form of maturities rolling toward longer terms [7].

Once this trend is appreciated but artificial the market value of bank guarantees will be also appreciated. The market value increasing for these guarantees is possible into an artificial manner, but only to that point where the supply and demand cannot be further sustained by the aggregate volume of credit, the retaliation of these guarantees value occurring with the maximum return touching for the short-term placements.

The moment of market values decreasing for mortgage securities is leading to maturity "shortening", namely to the dilution of credit guarantee institution, in spite for the healthy consumption needs and for real production system financing demand. Furthermore, the clearing tendency of the open market positions in banking system portfolio will generate a short-term *liquidity deficit as financial crisis*, and later, on a long-term, will produce a crisis of confidence in the market and its real value, as the *next stage of an economic crisis* [6].

All these theoretical approaches reinforce the idea that the health of the banking system, as a main provider of credit resources has become a priority and a sine-qua-non matter of a general equilibrium of the international monetary and financial system, according to the excessive processes of deregulation and liberalization, without sufficient expertise, in lack of a solid functional framework [10]. A balanced and harmonized management of the banking system requires strengthening prudential supervision systems, strengthening regulatory processes and the rethinking of framing concepts for international financial intermediation.

4. Conclusion – new politics for financial intermediation system reconfiguration

In the light of recent economic and financial events it is assumed that in the next period of time serious discussions will start approaching different amendments to the Basel II agreement, in order to refresh it under Basel III new views, leading the supervision framework to a higher level of complexity, in range with the increasing complexity of monetary and international financial markets. In the spirit of debated ideas on latest 2010, the Basel Committee should continue to work out in strengthening and reshaping the intermediation system functioning, at least on macroeconomic dimensions, to include new and more efficient approaches for crisis prevention and its development limiting.

Among the possible suggestions recommended to be globally embraced in the future, in order to improve the financial intermediation system functionality, we would like to mention the following initiatives, agreed or by contrary neglected, so far:

- the reformation of work procedures framework regarding the management structure and capital adequacy formulas, respectively internal and external risk assessment techniques, taking into account the correction of the elements resulting from the assets and liabilities revaluation in the light of banking market prices volatility and dynamic application of these corrections adjustments, for a review of risk based reporting models, embracing a new and adapted theory of how the real market values should be assessed and expressed as unique and predictable variables [5];

- promoting transparency in bank accounting formulas, by implementing new international standards of accounting and reporting, which would allow no more the "camouflage" of the real bank assets and liabilities state, due to excessive portfolios diversification (e.g.: CDO securities that facilitated the financial crisis contagion and propagation, circulated into sub-prime collateral market, that let us first to understand the overall disadvantages of an unconsolidated bank portfolios) [10];

- the creation of a regional or international reserve funds on the basis of intermediation system functioning, correlated and objectively calculated as consistency with the level of assumed risk or diversification on market transaction in speculative approach, just against the present political optics to reduce the minimum reserve requirements – this funds should improve the banks liabilities liquidity based on real assets virtually guarantees (irrespective of the size of the institution bank), with adapted maturities or, in their absence, providing a higher liquidity consistency on macroeconomic level, releasing after case these resources to ensure the interbank market clearing operations during imbalances or alongside a crisis development [7];

- reforming the place and role of the banking system in the new architecture of the international financial and monetary system by returning to the basic rationale of the sector, namely the vocation of an intermediation chain of financial resources, avoiding as much as possible the speculative investment behavior, promoting the asset derivatives or collateral titles into the working portfolio, or other sophisticated market tools whose technique makes it makes impossible to fully assess the risks to which the credit institution is exposed;

- strengthening banking supervision policies by creating distinct and independent supervisory institutions for intermediation activities, fully dissociated from monetary authorities policies (as independent to central banks system) - banking system supervisors should be separated from any other national, regional or international bodies for financial markets monitoring or from central banking institutions, in order to set a global regulatory system of credit and financial intermediation, for carrying crisis early warning systems and an integrated dynamic risk assessment scale [4];

- creating a functional central banks system that can operate regionally and internationally integrated, in real-time and not under a political approach cumbersome and costly, with the core efforts focusing on the collective dimensions of international monetary and financial phenomena management;

Finally, becomes very important to review those assessment policies applied by rating agencies, which have become extremely important in the Basel agreement third pillar perspective. Thus, is priory important to create specialized institutions to audit these independent companies' activities, in order to implement an international rating system, possible coordinated by the International Monetary Fund and certificated by monetary and financial regional or national supervision authorities. The reviewing of the status and working of these auditing institutions can provide a solution even for early warning or market signals assessment models [7].

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The Severe Consequences of Terrorist Acts and Organized Crime on the Security of the Citizens in the European Community

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Abstract

In this article we will acknowledge the concept of security from the perspective of terrorism, in the last years. The facets of the geopolitical relations in the XXIst century are evolving continuously, leaving behind the legislative process on a national level. Firstly, we will start with the supposition that the symbiotic relations existing between Europeanization and global politics may lead to the infringement of human rights, as a response of violent threats to the democratic society. In this way, globalization, as a means of transmitting common democratic values, can build a minimal standard of guaranteeing human rights, but through geopolitical expansion, the area becomes vulnerable. In this context, we also find the European Union, as a landmark of the contemporary geopolitical relations, faced with a need to protect its borders and to engage member states in a common track regarding national security policies. Secondly, we will overview the consequences of globalization on the preservation of the fundamental rights and integrity, that may lead to the perpetuation of a set of common values which must be protected. In the last part, we shall emphasize the fact that, the European space of freedom, security and justice, along with the Europe 2020 strategy, represents a key element of the EU answer to long-term global challenges, which contribute to the reinforcement and development of the European model of social economy in the XXIst century.

Keywords: terrorism, infringement of human rights, security.

Classification J.E.L.: K420.

1. Introduction

This paper aims to address some of the long-term implications of terrorism on the rule of law, peace, stability and justice, taking into account some of the defining elements such as the significance of labelling an act as "terrorist", the complexity of the relationships between aggressor-victim groups, the legitimacy of reciprocity measures and actions of each of the members of these groups. We shall suggest that the symbiotic relationship between globalization and world politics may encourage terrorist acts in response to the economic political and social realities. Thus, globalization as a way to promote cultural identity can feed violence, large-scale violence and exacerbate tensions between minority and majority groups, each fearing that the globalization process of osmosis can produce. Facets of violence in this century are in constant evolution, leaving behind the encoding process conducted by international society. Academic literature in the field of geopolitics clearly distinguishes between the terms used to describe these events, making a clear terminological demarcation between "new wars" and "old wars". "Old wars" took place in a centralized, national, world with state hierarchy. The impact of globalization has deployed these geopolitical coordinates of the states and led to the emergence of new types of conflicts. Here the distinction between public / private, state / non-state, civil / military and economic interests / political interests becomes increasingly vague, causing states to reconsider their international interests and priorities. In this article we intend to limit our perspective on terrorism as a form of social violence.

Arguments and conclusions presented are in accordance with the dominant position of authors such as Arjun Appadurai[1], Donald Black[2] and Deflem Mathieu. [3]

In the first part of the article we will examine the conflicting relationship between the concept of terrorism as a form of social control, and the Western countries' responses to acts of aggression in relation with human rights regulations.[4] It is envisaged that in periods of instability, both at the economic and social level, humanity is troubled by the effects of previous policies that have created an antagonistic position in society and increased the social distance between individuals. The importance of this issue is stated by the new trends in political, economic and cultural globalization which has led to an increase of violence as a form of a counter-identity. Here we will reference previous studies on security that also examined the quest for rethinking the balanced between basic human rights and counterterrorism.

2. Key concepts: terrorism as product and response to globalization

Typology distinguishes between religiously motivated terrorism, left and right terrorism, ethno-nationalist and separatist terrorism, the terrorism alert and uni-causal terrorism. Different forms of terrorism make it impossible to list all the ways in which these acts take place. Terrorism can be monophasic, such as bombing, which is characterized by a short duration of action or dual terrorism, involving a long period of time, marked by armed attacks, bomb attacks targeting civilians, repeating criminal acts in a certain period of time. It is also considered by specialists (i.d Deflem) that the specificity of terrorism comes from its organized structure; where group leader has the power to build or deconstruct how one perceive its reality or environment.

Another concept is that of "predatory identity"[3], where the dynamic interdependence between labels make majority and minority groups in contrast to believe in danger of becoming a minority and to oppose those at risk of being dominated are resisting. These concerns are related to the modern concept of reciprocity that condition and fear change of position,

namely dynamic social life. In this sphere, the insidious process of globalization intervenes, as a culture overcomes another. Although, at the international level the major actors in security agree on the importance of the fight against terrorism, there are major disagreements on reaching a consensus on the definition of terrorism.[5] The variety of forms of terrorism has made the international society adopt several conventions to restrict specific aspects of terrorism.[6] If the European definition of the European Council in 2002 is one that recommended the unification of the definitions of the Member States, worldwide in recent doctrine, there are no less than 70 different definitions of terrorism. [7]

The increasing media and political attention given to terrorist acts has opened the gates for a legal reform in which the uncertainty is seen as a just reaction for a restriction of human rights. Moreover, there is no precise line between non-derogating and derogating control orders specified in the most of the post 9/11 counterterrorism legislation. As Ericson has stated, whereas in law "uncertainty has conventionally spelled innocence, within precautionary logic, uncertainty is a reason for extreme pre-emptive measures for which designated agents are held responsible, and monitored and sanctioned accordingly"[8] Those who engage in policy implementation do not see the potential to criminalize an extraordinarily wide range of activities remote from the actual preparation or planning of any specific terrorist act. Such dispositions are stated in Section 1 of the Terrorism Act 2006 (UK), that prohibits the making of "a statement that is likely to be understood by some or all of the members of the public to whom it is published as a direct or indirect encouragement or other inducement to them to the commission, preparation or instigation of acts of terrorism or Convention offenses"[3] The moral and legal ambiguity of terrorism should not serve a different propose that the responsibility to protect and provide a secure social order.

The war against terrorism is considered a just war[9]. This is a just claim made in the name of aggressive acts that unleash the rightful defensive reaction. It is necessary to begin with the right of *self*-defense in order to identify important additional

considerations that apply to the rights of defensive *assistance*.

David Rodin argues that the right of self-defense is best understood as a simple "full" liberty possessed by the innocent victim of an unjustified attack, like the 9/11 heinous attacks. Being a full liberty, it gives to the victim a right, on the one hand, to defend herself/himself forcefully when such an action is *necessary* to prevent an injury of equivalent magnitude from an attacker, under the protection of self-defense. The violence used, as an individual or institutional response, must, therefore, be *proportionate* to that which would otherwise be suffered by the victim, and the attack to which it responds must be *imminent*. *Necessity*, *proportionality* and *imminence* are thus part of the moral structure of the right of self-defence; and based on this logic it seems that using the same measure is the golden rule. Nevertheless, to exceed the terrorist organization in this method of warfare is to exceed not only the right itself but also the moral pillar of a democratic society.[10]

3. Preemptive measures and human rights infringements

Arguably the September 2001 terrorist attacks and the subsequent ones increased the importance given to national and international fight against one of the most dangerous offenses for global existence and progress of society. Indeed, by resolution nr. 1368 of 12 September 2001 the Security Council terrorist acts against the United States were classified as "acts of direct military aggression" in the proper sense of the word, which gives, in accordance with Article 51 of the UN Charter, the right to "individual and collective self-defense." We could say that there is a basis of legitimacy for anti-terrorist operation against the Taliban regime in Afghanistan, to enable art no. 5 of the Atlantic Treaty and to enable a broad international coalition to conduct a global war where the enemy is hiding behind the mask of fundamentalism. [8]

It is envisaged that the policy of preventing terrorism will become one of the major tasks of governments, regional and international organizations, requiring work efforts from governments, academic and civilian society. But efforts are hampered by

the fact that this phenomenon goes beyond the level of international, national and regional law. In addition, a deep understanding of the phenomenon requires a holistic approach to the contributions of historical studies, law, international relations, military studies, sociological and political. In addition, **our** global Counterterrorism Policy is marked both by empirical questions of political efficacy and by normative questions concerning the fairness, morality wearing of such methods. [11] Combining positive and normative analysis can determine the actual effectiveness or ineffectiveness of some of these problematic issues, such as torture, deprivation of liberty, or the use of stereotypes, profiling based on race, religion or national origin. Thus the hypothesis which states that a violent reaction may cause an exacerbation of terrorism must be carefully considered. An example of these policies is Security Council Resolution 1373 which emphasizes the place of the fight against terrorist financing regulations and the role of national or regional jurisdictions have allocated increased efforts to draw up a list of organizations that cannot be founded on these considerations [12]. The efficiency of such measures remains questionable.

The emergence of terrorism as a legal concept and defining fundamental political issues has advanced, causing the formulation of a definition that has implications for how individuals, communities, and, last but not least, the state set priorities. A first step in defining terrorism is the distinction between what is considered a terrorist act and what does not qualify as such. [12] The doctrine distinguishes between legitimate response to terrorism, between terrorism and national liberation movements, terrorism and other criminal offending acts and war crimes[13].

4. Conclusions

It can be seen that even an attempt to define terrorism *per a contrario* encountered several difficulties when human rights are the fueling the harmful action and the just reaction. What highlights the difficulty of establishing boundaries when talking about labelling an act as terrorist activity is that terrorism is an emotionally charged concept, morally ambiguous, and politically controversial that has emerged as a specific

legal reality of the international or domestic level.

One of the more significant findings to emerge from this field are found in the dichotomy of just/unjust, and the alchemy of right and wrong. In specialized literature, there is also a different approach to the phenomenon, one that appeals to the transubstantial's theory; such terrorism is considered a transubstantial crime. [3] Transubstantiation in theology suggests a miraculous transformation of a substance into another. This happens when acts of violence become morally worthy of praise, and as common knowledge says "your terrorists are our freedom fighters". This specific trait is the result of our representation in the collective memory of an act we label according to our interest as commendable or worthy of our recollection. The ever changing nature of our interests makes it possible for making an offender into a hero. Despite the unsteady nature of such a phenomenon, human rights offer some insight into our understanding of the phenomenon. Here, the concept of terrorism, as we have previously established, involves several political characters: it is violent, it is directed at innocents and non-combatants, has the purpose of coercion, violence motivations are political, religious, and ideological and terrorist perpetrators search advertising. This information can be used to develop policies to fight the invoked legitimate nature of violent crimes and the political and religious implications which, although are assessed by the strong democratic and humanistic values. Taken together, human rights and terrorists implications have the potential of building a moral axis that shares these considerations.[14]

We want to emphasize the fact that, in order to transform its substance, terrorism attracts mechanisms which present murder as moral and praiseworthy. The presentation of crime as having inherent moral value triggers a dangerous process of legitimization of terrorist acts. Some of these acts have moral authority by affecting individuals or the ideological affiliation of the person to the community. The moral value of the violence comes from the fact that the individual is part of the community that internalizes these values. A terrorist whose murder becomes a

moral example sees himself and those like him as an ethical agent, as a member of a community which shares the ideals of good / bad, right / wrong, allowed / banned. The mechanics of terrorism acts describe the criminal act of terrorism in a way that is not respected by religious and political rights of individuals. Neither religion nor secularism is theoretical grounds for terrorism. Instead, there are masks used to justify the morally what has already been achieved through the act of excessive devotion. [15]

At the same time the political and intellectual scene is a show that repositions terrorism / terror agents. These social actors are now seen as "different / exceptional" individuals motivated by a belief that escapes rational questioning. Associated with labels like "morality and immorality", "us and them" there is segregation between the members of an ethical group based on the fact that they have a strange set of moral values over other individuals.

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- [9] Smith PM. "Encyclopedia of Public International Law". Just war= After the medieval doctrine of the "just war" had faded away, for a period of several hundred years it was regarded as

the sovereign right of any ~ State or prince to pursue its or his foreign policy by any necessary means, including war, In the Middle Ages the Augustinian doctrine of "just war", which was further developed by St. Thomas Aquinas, was predominant. According to that doctrine, conquest as a means of territorial expansion was morally unjust and therefore illegitimate. That theory was later revived by Vitoria and Suarez who clearly denied the existence of any "right of conquest". The position of these writers was based on ethical considerations rather than on contemporary State practice (- Customary International Law) which *de facto* recognized conquest as a mode of acquisition of territory. Grotius, although equally attached to the ideals of his forerunners, realized the discrepancy between moral standards and the actual conduct of States in their international relations. Taking into account the efficacy of customary State practice, he was inclined to accept the case of "just war"p. 136 The doctrine of "just wars" (*bellum justum*) originated as a reaction against Christian ~ pacifism in the first centuries after Christ. It described the conditions for a legitimate war. These were, *inter alia*, a just cause in defense of legitimate interests, impossibility of peaceful solution, and - proportionality between the wrong done and the planned war. The doctrine served as a legitimate reason for wars started by Christian princes. With the development of the theory of State ~ sovereignty, it became generally recognized that the sovereign State was the sole authority entitled to decide whether the conditions for a *bellum justum* had been fulfilled.¹⁴⁹In practice this meant 134 CRIMES AGAINST PEACE that sovereign States considered the right to go to war (*jus ad bellum*) as one of the prerogatives of national sovereignty. ERICH KUSSBACH, **COMBATANTS**, in: Bernhardt (ed.). „Encyclopedia of Public International Law” [Instalment 1 (1981) p. 134

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Transport Efficiency Through Multimodalism

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Abstract

Multimodal transport is transport that ensures successful transport operations. Peter Wolters, Deputy of the General Secretary of the European Association of Multimodal Transport, indicated that multimodal transport is "a lot of golden opportunities" and the "green" savings are feasible by optimizing the individual industrial processes, the partnerships and the transparency of information flows and, above all, by changing the way of thinking.

The aim of this article is to present the efficient transport through multimodalism and the purpose of the article is focused on the development and achievement of the following objectives: the multimodalism benefits presentation, the structure and the classification criteria of multimodal transport. Through this article we try to emphasize that multimodalism is a superior form of transport that results from the harmonization of different modes of transport.

Key words: multimodal transport, efficiency, multimodal platforms

J.E.L. Classification: L9, R4

1. Introduction

Multimodal transport is essentially an international through-transport combination with various modes of transport such as ship, rail, truck, airplane, etc., primarily through the use of containers. Containers will ensure the transport of unitized cargo from its origin to its final destination, with efficiency and least possible risk (UNCTAD, 1993).

The multimodal transport won a higher share in the total transport operations. The key element of the multimodal transport is represented by the usage of at least two different transport modes, along the route from the place of loading of the goods and to the place of destination. The multimodalism is a logical and flexible commercial system in the international trade; it is a solid database and a smooth flow of information; it represents the direct sales to foreign markets as easily as at home in familiar terms to the client.

A transport mode refers to a transport method. The four main modes of transport are by sea, road, rail or air, and in the case of the transport of containers are used with preference the first three modes.

Due to the large distance between the loading point and the point of destination of the goods, often there is not the possibility of making the transport rather than by using at least two transport modes, and the combinations most used for multimodal transport being the ones by sea and by road, by air and by road and by rail and by road.

Multimodalism occurs when multiple transport modes are used for the same transport. Exporters are forced to choose the mode of transportation that best suits their requirements. Choosing a way or another may be influenced by factors such as the product life period, the planned destination and the cost involved.

What is specific to the multimodal transport is that this type of transport ensures a safe transportation of goods and hence the compliance with the transit time specified in the contract of carriage. Also, the multimodal transport offers the advantage of concluding a single contract of carriage, and the responsibility for carrying out the transport operations from the point of departure to the

point of arrival of the goods lies to a single contractor.

The globalization and EU enlargement to the East have created new challenges for the European transport. The rapid growth of freight transport contributes to the economy, but at the same time, cause congestion, noise, pollution and accidents. At the same time, transportation became increasingly dependent on fossil fuels.

The communication from the Commission states that without appropriate measures the situation will continue to worsen and to undermine even more the European competitiveness and the environment in which we live. The achievement of the EU objectives set out in the 2020 Strategy aims to maintain a balance between the economic growth and the environmental protection by reducing costs for freight logistics in Europe. In this context, the expected outcome is the improvement of the average annual rates of increasing the GDP for the EU-27.[10]

2. The literature

Along with the expansion of globalization in the economic field, that is the integration and free access of markets of goods, services and capital, the role and importance of transport, in general, and multimodal transport, in particular, increased surprising. This is due to the correlation between the economic development and the development of transportation of goods and people.

Transport development closely followed the world economic development, which required continuous increase in the volume of goods transported. This has led to an increase in road freight vehicles, additional costs, pollution, accidents and adverse social effects. The need to decouple the economic growth from the increase in transport volume, in order to obtain further benefits of the economic growth without having side effects, acquires new meanings by promoting "environmentally friendly" and safer modes of transport.[10]

The literature states that the intermodal transport notion has developed since 1960, simultaneously with the emergence and evolution of large containers. Containerisation contributes to a higher efficiency in the development of multimodal transport operations. The key elements of

containerization and multimodal transport can be represented as follows:

Table no.1
Keys elements in containerisation and multimodal transport

Containerisation	Multimodal Transport
1.Unitisation	1.System concept
2.Standardisation	2.Management and Co-ordination
3.Cellular ships	3.Control over cargo
4.RoRo vessels	4.Mergers
5.Gantry cranes	5.Multimodal Transport Operators
6.Straddle carriers	6.Modal Integration
7.Specialised terminals	7.Through rates and billing
8.Ship-to-shore productivity	8. Information system
9.Terminal back-up land	Logistics channels
10.Multi-rate structure	10. Deregulation

Source: Hayuth, Yehuda, Concept and practice : structural changes in the ocean freight transport industry, Publisher Lloyd's of London Press (London and New York), 1987

The terms 'Through Transport [12], 'Combined Transport', Intermodal Transport' and 'Multimodal Transport' are all used in the context of cargo movement, from origin to destination. These four terms have very similar meanings, i.e. the transportation of goods by more than one mode of transport and a through freight rate. However, the United Nations made a distinction between each term and introduced definitions of transportation terminology in their Multimodal Transport Handbook (1995): [6]

- *modes of Transport*: The method of transport used for the movement of goods, e.g. by rail, road, sea or air.
- *means of Transport*: The vehicle used for transport, e.g. ship, truck, or aircraft.
- *types of Means of Transport*: The type of vehicle used in the transport process, e.g. wide-body, tank truck, passenger vessel, etc.
- *unimodal Transport* [13]: The transport by one mode of transport only, where each carrier issues his own transport document (B/L[14], airwaybill, consignment note, etc.).
- *combined Transport* [15]: The transportation of goods in one and the same loading unit or vehicle by a combination of road, rail, and inland waterway modes.

- *intermodal Transport*: The transportation of goods by several modes of transport where one carrier organizes the whole transport from one point or port of origin via one or more interface points to a final port or point.
- *multimodal Transport*: Where the carrier organizing the transport takes responsibility for the entire door-to-door transport and issues a multimodal transport document.
The main definitions for the concept of multimodal transport include:
 - *United Nations Organization, 2001 Terminology on Combined Transport (New York and Geneva)*: transport system which requires the use of at least two modes successively and in which the intermodal transport unit is not divided when changing the transport modes.
 - *United Nations Organization, 2001, the Organization for Economic Cooperation and Development, 2001, Institutional aspects of intermodal freight transport (Paris)*: transport system "door to door" which uses in an integrated manner at least two modes of transport.
 - *Working Group regarding the Transport Statistics of the Economic Commission for Europe of the United Nations Organization (WP 6 ONU – CEE)*: a special case of the multimodal transport, carried out in one and the same Unit of Intermodal Transport – UIT by successive transport modes and without cargo division when changing the transport modes.[10]

3. Multimodalism – movement of goods „door-to-door”

“The multimodalism” is impressive word for this efficient transport door-to-door [1]; using a single document (Multimodal Transport Document), a single carrier (Multimodal Transport Operator) and a single liability covering all modes of transport, the transport that brought cost savings to bulk trade. It was named in a variety of ways throughout the development process: intermodalism, direct transport, combined transport.

The multimodalism is "the movement of goods door-to-door through the container, ensuring a rational cargo handling, safe

storage, faster return of ships, railway wagons, trucks and cargo, prevention of loss, theft and contamination. The multimodalism also ensures increased productivity, a transport network with an efficient effective cost thus promoting growth of international trade." [9]

The multimodal transport is one of the most used means of transport, it recording an increasing trend from year to year. The main objective of the multimodal transport consists in moving the goods from seller to buyer in an efficient manner through a rapid transit and at prices as low. The multimodal transport brings benefits, allowing exports to be placed on the world markets at low prices and thus to be more competitive. Also, the costs associated with imports will be reduced, leading to increased trade and lower commodity prices.

The multimodal transport is a superior form of transport that occurred by harmonizing the different modes that use transport means amid simplifying the operations of handling the goods at loading, reloading and unloading.

The literature presents various definitions for this complex mode of transport, according to some authors [1], it represents the goods transport (including containers, pallets or similar articles of transport used to consolidate the goods) through two or more modes of transport from the place of delivery to the destination. Other definitions consider it "as a form of travel in space of the goods, placed in handling units removable from the body of the transport mean with at least two means of transport." [16]

Through this mode of transport the proper reloading of goods is not realized, but the reloading of the handling units which consist of: the unit load and the grouping means.

The multimodalism, in terms of the law, "refers to the coordination of various modes of transport, documentation and physical and commercial aspects of the commercial transactions between the buyer and the seller." [11]

Goods in transit to foreign countries often require six or more transport links in their movement from seller to buyer. At each of these connection points, the goods may be subject to change in the transport mode, which in turn may involve multiple

procedures related to control, weighing and customs.

For freight multimodal transport operations, knowledge of the exact location and the capacity in real time of the multimodal platforms of exchange between the transport by rail, road and inland waterways should allow optimized freight operations, including traceability transmodal, on all segments of travel, of the goods transported.

Also, in the case of passenger transport is not conceivable that the information on traffic or on the traffic management to be limited to a single regional center and not to be provided to metropolitan areas or adjacent regions. Similarly, passengers on a route should have all possible information in real time (for example, those relating to trains, subways, parking, shared use of motor vehicles or bicycles), to be able to choose during the journey the best possible travel options. [7]

Based on its complexity, we find that the advantages of the multimodal transport are essentially the following: coordination with the recipient, one stop to the store, high level of personalized service, safety, transit time optimized, solutions tailored to client/flexibility as well as commitment.

The rapid expansion of the multimodal transport in Europe, in the world and in Romania is based on the coordination of the 3 groups involved actively in the international commercial transportation of that country. Governments design and implement national laws and regulations related to trade and transport; transport providers (carriers, freight forwarder agents, multimodal transport operators) that can provide multimodal transport operations, market orientation in business practices and national and international transport; transport users (exporters and importers) that can take advantage of multimodal transport operations.

The multimodal transport and the movement of goods door-to-door under the responsibility of a single carrier became successfully the concepts of recent years worldwide. This, as the reality shows, is the most popular form of the logistics transport system in the international trade for the efficient delivery door-to-door, using a single document called "Multimodal Transport

Document" (MTD) under a liability regime covering all modes of transport from the place of origin to destination.

The direct access via the same mode of transport may not be possible from the point of departure to the point of destination, i.e. the movement of goods between two countries separated by the sea or the ocean. Even if the direct access is possible via a single mode, it can be cheaper or more convenient to use another way given by geography and the relative resultant of the unit cost of the shipment on each way. For example, traditionally, the trade between India and Europe uses water as part of the multimodal support even if land transport is possible.

The presented aspects certainly affect shippers regarding the multimodal transport, especially under the influence of the transport infrastructure of various states. In terms of infrastructure development, only two of the above factors are fundamental, namely geography and cost savings (as a function of transport technology).

4. The structure and the classification criteria of the multimodal transport

In the case of international multimodal transport, freight transport is conducted on a multimodal transport contract and on a single document accompanying the goods from the country of origin to the country of destination, in the responsibility of a multimodal transport operator (MTO).

The structure of the intermodal system of transport is based on three elements: [10]

- a system of transport of goods over long distances (usually involving the transport by sea, by rail, the inland waterways and / or the transport by air);
- transport terminals that ensure an efficient transfer of the loading units from a modal system of transport to another;
- a system of collection and distribution of goods flow in the origin points, respectively the destination points of the transport chain (usually achieved through transport by road).

The multimodal transport, as shown in the practice of transport and international forwarding, is classified according to several criteria:

- based on the number of vehicles used:

combined transport using two transport modes: auto-rail, rail-auto, ship-auto, auto-air and combined transport using three modes of transport: auto-rail-river, auto-rail-ship, rail-ship-air;

- depending on the degree of specialization of the transport means: transport means unspecialized: goods wagons, trucks with normal and mechanized transshipment; combined transport simple and specialized: regular goods wagons, specialized cargo vehicles, specialized ships-cars or wagons specialized); combined transport double specialized: specialized goods wagons, specialized cargo vehicles, semi-trailers on wagon, semi-trailers or wagons on ship RORO-roll on, roll off- ferryboat; combined transport triple specialized: specialized ships, specialized wagons, specialized road vehicles, trans-containers.

From the analysis of this classification we find that one of the main aspects of this method of transport is the reduction in the logistics costs for exporters. For example, "from Salem (Tamil Nadu) to Sidney (Australia), the transport cost through a multimodal transport operator is almost 700\$ compared to 800\$ if the transport from port to port is chosen." [8]

River port infrastructure and multimodal connections are also crucial. The inland waterways network includes approximately 350 important inland ports, with large differences between the western and the eastern areas of the European Union in terms of equipment, installations, productivity and management. In many river ports in the Eastern EU significant investments are required for transshipment and storage facilities, while in the northern chain, several sea / river ports face a shortage capacity, leading to long waiting times at terminals. [7]

Practicing this method of international transport shows that multimodal transport operators charge at the destination point an additional fee of \$ 80 for unloading, but the total rate is 10-15% lower than the conventional transport, involving the separate road transport, the ship and the customs agents, according to the findings of experts in this field.

5. Conclusions and discussions

The main advantage of intermodal transport is that it can enable the sender to rely on a single supplier of logistics transport / carrier that is solely responsible for the transport of goods from the receipt time until its delivery, which eliminates the risk of sharing the contractual liability among multiple carriers. In the case of international multimodal transport, the transport of goods is conducted based on a multimodal transport contract and on a single document accompanying the goods from the country of origin to the country of destination, in the responsibility of a multimodal transport operator (MTO). [10]

Taking into account is way of conducting, the multimodal transport is characterized by the fact that it represents:

- a service activity tailored to the buyer and seller, limited by the ingenuity of transport providers that operates according to the laws of market economy based on supply and demand;
- a business to be carried out by qualified operators of international transportation and that, therefore, must have a national legal framework for ensuring the minimum standards of services and the protection of various trading partners involved;
- an activity through which goods pass from one country to another through different modes of transport with different schemes and responsibilities that should be agreed.

Among the main benefits of multimodal transport we mention: increased efficiency of the import-export operations, cost reduction, travel time reduction, ensuring safer transport conditions, etc.

The development of the multimodal transport system either national or international should aim at enhancing the transport of goods and people and improving the impact on the economic development and beyond.

In the current context, the multimodalism has come to signify, given its peculiarities: a single transport contract through a single transport document at full rate (combined) of transport and a full warranty; containerization of goods movement, removing the need for unpacking and re-

packing the goods from the transshipments points and ensuring greater protection of cargo against damage and storms; the international trade: the two components mentioned above have a great impact on the duty applied to the international load, for this reason the multimodalism was well adopted in the international trade.

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- [12] *** The HMSO (1966) publication *Through Transport to Europe* has defined through transport as: "The methods of distribution and transport which give through flow of traffic, from the point of origin to the final point of destination, with minimum transshipment delay."
- [13] *** Traditionally a "through bill of lading" is issued to cover the move from the port of loading via the port of transshipment to the port of discharge. Depending on the back clauses, the first carrier might be responsible for the entire transport, or maybe only for that part which took place on board his vessel. For the sake of clarity, it is best to restrict the use of the expression "THROUGH BILL OF LADING" or "through transport" to *one mode of transport* but covering several *means of transport*.
- [14] *** Bill of Lading
- [15] *** The International Chamber of Commerce Rules for Combined Transport has defined *Combined Transport* as "the carriage of goods by at least two different modes of transport, from a place at which the goods are taken in charge situated in one country to a place designated for delivery situated in a different country."
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The Importance of Social Responsibility Programs in International Business Development

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Abstract

The most important characteristic of companies which design and develop social programs is the authenticity. In this respect, consumers are expecting brands to show responsibility across the entire value chain, including social and environmental contributions they make. In the current economic context, it is important for global programs to be locally adapted. Thus to be relevant to the level of the community in which a company runs its business is an essential element in the development of a socially responsible brand. However many companies do not take this aspect into account when they develop global programs that are launched in their headquarters. These companies also forget to allow the existing organizations the flexibility required by local adaptation. On the other hand, each company has its own approaches and initiatives that combine perfectly with the management strategy.

Keywords: global business, local community, social responsibility, community involvement.

JEL Classification: M 21

1. Introduction

Organizations that focus on social impact, considering things from the economic perspective, develop it based on a business plan structure that offers competitive products and services to markets. In developed markets the social objective becomes an issue related to companies' way of running their business. According to the CSR(corporate social responsability)-related directives from Brussels this aspect is highly important in international business

development [1]. This aspect is relevant to all categories of products and industries and brands need to focus on building an identity aiming at social objective and based on business strategy.

Professor Rosabeth Moss Kanter from Harvard Business School, mentioned in her latest paper SuperCorp that capitalism is at crossroads. Thus the old methods of running a business are no longer efficient and the traditional business management positions fail. At this turning point companies must orient towards a new corporate model, managed by a new type of leader, a model in which creating economic value also involves creating social value. In Kanter's opinion, people are inspired by commercial opportunities that also do well – people like going to work every day believing that they have two jobs actually – one of them is "doing their job" whereas the other is "changing the world"[2].

Moreover a recent study conducted by Echo Research shows that the organizations that are truly visionary focus on measures that in time aligns the business with the society and for increased harmony, capitalism and globalization should make the transition from the investor-oriented model to the one that encompasses all expectations of the customers, employees and stakeholders. Three global trends were identified in this study that will mark CSR in the near future, namely: greater technical competition on the market for sustainable solutions, natural resources and raw material are becoming increasable expensive with positive effects on innovation, partnerships and alliances between NGOs(governmental organizations), public sector and corporations lead to finding innovative long-term solutions for the benefit of society and environment. Thus corporate social responsibility is related to management strategies, to the extent to which a company

succeeds in including the interests of the entire community in its long term policies.

2. The impact of the current crisis on CSR activities

The most important aspects that must be considered by companies carrying out CSR activities aim at the significance of the current economic crisis for the social commitment of those companies, the guidelines a company should follow in order to shape CSR to be perceived as relevant and the directions for action in the view of regaining the lost trust on the entire business. Companies can succeed on the long term only if their CSR activities are continuously developed, in accordance with the principles of sustainability and as part of the business strategy [3]. To put it differently, companies must align their CSR to their strategic business objectives, particularly in the current situation of lower budgets, affected by the crisis. Those who perceive and implement CSR as an active responsibility of the company do not wriggle out of this commitment even in this period of crisis.

The interviewed CSR officers agree that between 2010 and 2012 the effects and benefits of the CSR programs that were carried out were similar both concerning the budgets and the number of participants in these projects [4]. These projects were characterized by creativity and the need of making efficient use of the allocated amounts of money. Companies declared that they were satisfied with the way they dealt with the challenges caused by the economic crisis. Concerning the amounts of money CSR invested in projects, these vary significantly from one company to another. Thus Avon declared that 2012 investments were allocated to donations (750.000 RON) and projects for social workers (30.000 RON), Siemens Romania, mentioned that the investment designated to CSR projects exceeded €100.000, the most important project being Discovery Box, consisting of donations to kindergartens in Romania and non-profit associations that take care of pre-school children, Romanian Bank - Banca Transilvania declared that the company's programs amounted over 1.6 bn RON and the sum was invested in various programs both directly by the bank and through its

foundations, the pharmaceutical company A&D Pharma invested approximately € 370.000, money allocated to projects similar to those in 2011, namely sponsorships for (product placement) organizations the support disadvantaged people and the campaign – "Open your heart to children", that supports children in need.

On the other hand, the amount of money allocated to CSR projects by companies such as Rompetrol and Petrom exceed millions. Rompetrol Group declared that the amount of money allocated to CSR projects on the group level was approximately US \$ 1 million and the company implemented several projects; Petrom Company declared that their investment in CSR in 2012 amounted to € 3 million, and the amount of money was invested in educational, environmental and health projects. Moreover the company managed for the first time to attract European funds and € 5 million are being invested this year projects providing counselling to 25.000 unemployed people. Despite global crisis, visionary companies do not change their CSR budgets [5]. For these companies CSR is so deeply integrated into the company's mission and business operations that a change of this strategy is virtually impossible. Of course there are companies that completely give up their CSR activities or what they think CSR is, since they start from the idea that such CSR activities are to a great extent marketing measures or public relations so that between them and social commitment there is no similarity. On the whole the crisis causes significant changes in the way of thinking of the managers, employees, and the entire community. In this respect many companies declare that they re-assessed their CSR programs, giving them more importance and considering the crisis as a good chance.

In the business environment it is important for companies to become aware of the challenges that overcome the difficulties of the crisis and to establish which steps to take to the next level of economic and social evolution [6]. From this perspective, CSR officers concluded that the most relevant **lessons** learned during this period affected by the crisis were the following:

- Reaction to uncontrollable and unpredictable events that change the normal course of people's lives as well as

that of companies, situations when the speed of response and the quality of professionals are essential elements - point of view that is presented by the officials of the E.ON Company Romania impressed by the events and community solidarity caused by the flooding in Moldova in September 2013;

- „solidarity does not die during the crisis” – BRD(Romanian Bank of Development) representatives are convinced that one of the most important elements that helped the company to face the crisis was the fact that they could count on the support of the employees, clients and partners;
- Innovation in CSR is the most important lesson that RBS Bank(Royal Bank of Scotland) officials acquired during the crisis since for a company it is essential to permanently look for new ways of getting involved in the community and to provide various approaches;
- Proactive behaviour – element that must govern CSR activities and relationships with the social community.

The current crisis has provided many opportunities to CSR. However, globally, the discrepancy between words and actions has negatively influenced people's trust in companies' good intentions. However CSR is not a good topic only for "good times"[7]. To raise the social responsibility issue during board meetings is nowadays a priority of the CSR manager and will probably still be one in the near future as well. Frequently, authentic CSR efforts are regarded as simple promotion instruments. Media is still reluctant regarding CSR activities. And not without any reasons – frequently promotional campaigns are camouflaged by CSR. Even within these campaigns, people are reluctant as far as CSR programs. Cost-benefit analysis is still difficult and does not always favour CSR activities, especially from the economic perspective since companies are believed to take advantage of the social commitment [8].

3. Challenges of Romanian business environment on CSR

The CSR concept is constantly challenging the Romanian business environment. After introducing CSR programs by multinational companies in the

late 90's on the Romanian market, over the last ten years CSR has been a fashionable concept and a trend that begins to crystallize in long term, characterized by practices that are market-specific and a set of values and criteria that can help us make a clear-cut distinction between performance and professionalism and the lack of transparency and honesty.

There have been numerous controversies about advantages and risks of CSR programs on the Romanian market, about their success and shortcomings. There have been formulated regarding the role of CSR in a company's business strategy, such as: first of all whether the Romanian business environment is lucrative and whether it can carry out this kind of activities in a law-abiding way. Is there anything that is specific to the Romanian market in this field? Is social involvement specific only to great corporations, multinational companies or it can be integrated into the business strategy of any firm, including SMEs. Have Romanian companies identified a non-aggressive and positive way of communication and coexistence way with social community?

There are numerous opinions regarding the methods of social involvement [9]. Thus corporate philanthropy which involves unplanned social investments and that is not integrated in management and does not expect any benefits must be distinguished from CSR – social programs are included in the company's strategy and aim at achieving management-related objectives.

Another condition of a CSR campaign is to pursue authentic social needs. Moreover, an interesting category of CSR programs is provided by activities that trigger employees' involvement, an increasingly attractive form of social responsibility for Romanian companies. Employees are the main resource of a company; therefore these programs represent a strong argument in favour of the fact that not only big companies but also small firms have something to say concerning CSR. On the other hand employees are the ambassadors of companies and thus their involvement in community activities can only be for the benefit of their organization's image. According to Paula Apreutesei, Business Strategy Manager, Microsoft Romania, social responsibility is not the exclusive obligation of the

management and CSR officer but of every employee, to the extent that every interaction with the public shapes the message the company intends to convey.

In order to be close to community problems, there is no need of a financial force, significant long-term investments, communication power, instead a creative management is required that is aware of the problems of the community and also planning [10]. These companies must define their long-term objectives that include the concern for community needs.

4. Rompetrol's policy of social responsibility

Being a leader in regional oil field, Rompetrol is a multinational company with activities in twelve countries that owns a strong operational base in the Black Sea and Mediterranean Sea. Due to the complexity and the high number of projects executed globally over time, Rompetrol has become the best known Romanian brand internationally. Thus Rompetrol is associated with the values of modernity, success and independent spirit, a brand built with personality and vision, revealing the spirit of people who contributed to its establishment. On the other hand the rigorous alignment to the EU standards of quality of technology, products and services has determined the success of the company on the local and regional markets. Moreover, the quality of Rompetrol offer is perceived and promoted as a benchmark and also as a stimulus of the development of the business environment and of the entire Romanian society - Rompetrol representing a model of local capitalism and development. As a true corporatist citizen of the world, Rompetrol has developed and applied a complex strategy of involvement in the evolution of community to which it belongs, in protecting the environment and supporting education and culture from Romania. In Rompetrol's vision, CSR is "a voluntary contribution to development of the society, correlated with the basic activity of the company, international laws and resources of the group". Rompetrol's CSR policy is based on the following seven principles [11]:

- to respect employees and enhance their working and life conditions through

development opportunities and employment procedures based on equal opportunities and on occupational and safety best practices;

- continuous involvement;
- health and safety;
- risk management – identifying, assessing, managing and mitigating all categories of risks related to employees, community, environment and business;
- education and leadership – promoting and involvement in civic and educational activities that encourage initiatives in social responsibility and entrepreneurship;
- respect local communities – promoting activities that protect and promote the culture, traditions and values of the communities in which the group runs its business.

As multinational company whose success has been built on innovation, passion for quality and leadership, Rompetrol Group promotes higher CSR standards, aiming at improving activity and quality of life for those influenced by the group. The Group's commitment to CSR provides principles for managerial decisions, the company focusing its efforts on using the best practice in industry, encouraging the company's involvement in projects in order to raise standards in fields such as: success in business, environment, health and security, social responsibility, youth education and leadership.

5. Community involvement

The strength and evolution of Rompetrol Group does not rely on technology but on people that make this business evolution possible. Therefore priority is given to health and environmental protection, the company allowing its employees to benefit of a new dimension of their work, i.e. "energy comes from the heart". Thus in May 2009, Rompetrol Group launched the social responsibility platform "Energy for the soul", which encourages community entrepreneurship initiatives and through which two vulnerable domains are supported, health and environmental protection. The most important initiative within this platform is the annual program: "Together for each and everyone". So far Rompetrol has invested more than 1 million US\$ in order to

implement 71 projects that have had 250.000 beneficiaries[12]. Among the most representative projects in which Rompetrol Group has been involved, we mention the following:

Environment

"Greening the Chizid forest in Hunedoara" (2009) – the main objective being to green the Chizid forest in Hunedoara and to educate community in order to maintain and preserve a cleaner environment. The budget amounted to 15.000 lei, the company financing waste management equipment.

"ECO H2O"- the first organic sewage treatment plant in Romania" (2011) – the project aimed at achieving a sewage system and building a wastewater treatment plant for household water from Viscri, Braşov. The budget was of 12.000 euros.

Health

"Rompetrol in partnership with SMURD" (2011);

"Grigore Alexandrescu Hospital" (2011) – the objective was to renovate the Emergency Hospital for Children Grigore Alexandrescu, the Group donating the medical equipment and invested 75.000 US\$.

Social

"Do a good deed for Christmas"!(2010) – when Christmas was near, Rompetrol carried out an online campaign to remind the public its social commitment. Within this campaign ten acts of charity were financed that were suggested and voted by the public, activities that had 700 beneficiaries, especially children who were disadvantaged or suffering.

Education

"You can make the world evolve. We give you the energy" (2001) – an internship program intended for high-school and higher education graduates in order to complete their academic education with practical experience. Thus in beginning with 2001 up to now, more than 300 graduates have been selected and have benefited of internship programs within Rompetrol Group, and 84 of them are currently employees of the Group.

Culture

"George Enescu Festival" (September 2011) – Rompetrol Group supports the most important event of promoting Romanian cultural identity – the international festival "George Enescu"; 21st edition, which reunited in Bucharest 3.000 foreign artists, 1.500 Romanian artists, 120.000 spectators, out of which 20.000 from abroad.

6. Conclusions

All companies must re-orient their business so that their CSR-related activities will influence positively and directly all business lines, corporate governance, environment, labour, etc. In the long term this should be the vision, which is an integrated vision of respect and alignment to international standards. All CSR projects carried out by Rompetrol Group requires proactive answer and behaviour both from employees and the community in which it operates, promoting entrepreneurial spirit.

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Critically Appraise of the Specific Aspects of the Strategy for International Market

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Abstract

Strategy implementation is a continuous process – national or international. A chosen strategy must be revised continuously in order to identify and deal with strategic issues as they arise (internal and external contexts). This process has to consider the interrelationships between structures, systems, culture. This is way that theory is underlining the importance of implementing the international strategy creatively for each area and with confidence in people, products, business and market. Is obvious that to understand the strategy which changed over the years, together with the stakeholders, is mandatory. Nowadays, is not important only to focus on dividends. An organization relies on its structure to coordinate its activities and may help the organization in order to deliver a "unique mix of value". Therefore, an international company needs an active international strategy in order to have a dominant position on a lot of aspects, with the aim of expanding beyond the current locations in an integrated and coherent international system.

Key words: strategy, management, international market.

J.E.L.Classification : F42,L1,L21,M1,M21

1. Aims

The approaches of an International Strategy from the perspectives of the structure, processes and procedures inside an organisation which is following the decision of going on different international markets.

First approach is an analysis of a strategic implementation: how will different parts of the organisation work together to do what is required. I intend to present the roles of programmes, procedures, policies and practices which are guidelines for operations and control.

We aimed to present a realistic evaluation of the decision to go internationally and the problems that a company is meeting, in order to see how the structure and systems are viewed in conjunction with the culture of the organization.

In the end, Conclusions of the report will synthesize the models, concepts and theories applied for the above analyses and evaluation.

2. Introduction of the environment

From the moment that a company decided to go international, must understand the significance of leading drivers of the market, the companies and their position, due to the fact that an expansion must be not only operational but also as products and geographical[1].

As stakeholders, such a company having: shareholders (e.g. private financial investment funds, insurance companies, investment

firms, individual investors), banks, employees-staff members, high management, middle management, governments, governmental agencies, local society, universities, purchasers, public companies, media, local employment companies.

As **Rivalry** (not being the unique company on the market) the competition level, lately is directed to the capability of reinventing the business & products and having as one of the main objectives the market positioning as a source of sustainable advantage.

As **resources**, is very important the market capitalization, assets and business portfolio. Also having a very strong brand, a good reputation and image, are recognized know-how on specific operations as well as strong settled procedures and processes must be seen as very important resources.

In terms of **Human Resources**, an international company must develop in time, people with strong belief in the power of the company, good experienced employees willing to work in a dynamic environment with having no problems in moving from a region/country to another and build up new business networks. Very important is also the organization culture which must have an open multicolor approach in an integrated and communicative environment.

The above mentioned resources were able to build the **capabilities of an international company**, as follows:

- to provide sustainable returns of investments
- to be involved in deals across the specific market spectrum and not only the strength of the balance-sheet and a good cash-flow each year
- to adapt to a various types of market around the world
- to put in place and organize a well done global network
- to reinvent themselves and the business in order to have unique advantage on the market
- to face a difficult external environment which is going worse each year (global economic crises)
- to comply with the regulations in all the countries of operations.

From the point of view of the market the key success factors[2] to enter on international market, must analyzed from the following perspectives:

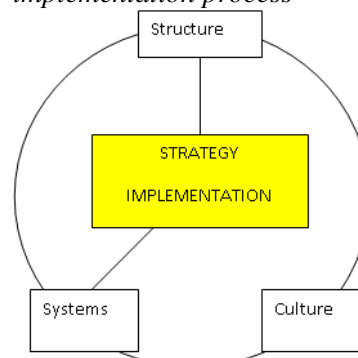
- to match local conditions
- to understand or wait for the maturity if the market
- to offer the needed localized products
- to have in place a very good distribution channel.

3. International strategy implementation

A chosen strategy must be revised continuously in order to identify and deal with strategic issues as they arise (internal and external contexts). This process has to consider the interrelationships between structures, systems, culture.

This is way I am underlining the importance of implementing the international strategy creatively for each area and with confidence in people, products, business and market.

Fig. 1. Graphic representation of the strategy implementation process



Source: unit 1-7, OUBS, Milton Keynes and "The Strategy Reader" Oxford, Blackwell (Course Reader)

From the scheme (fig. 1) we could understand that the people engaged in different roles to do what is needed, or hold different degrees of power and responsibilities depending on whether they are "managers" or "employees" (in organizational chart or more informal) [3].

Nowadays a lot of companies preferred to adopt new strategies (when they are aiming to have uniqueness on the market along with one or more dimensions that are valued by customers) integrated with cost-leadership (which means that the company have to achieve a level on the market where could offer a differentiated product /service at a low price by focusing upon keeping the costs low). The products offered must be produced both reliably and differentiated but in time they needed, in order to approach also the cost

effectively status (balance sheets are "testimonials").

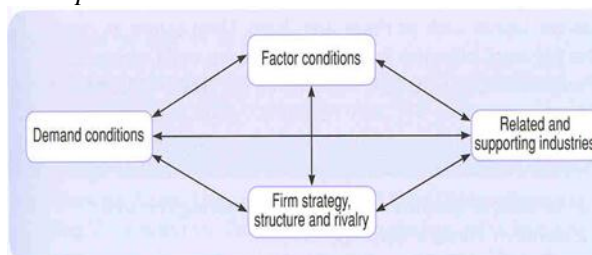
But, sooner or later, in return is required a structure which is facilitating the coordination in order to minimize the costs of products (supply, operations, distribution). Also, the structure has to minimize the administrative costs (which in lately was a real problem for European companies which are going for markets like Japan and USA) [4] and provide sufficient flexibility to delegate responsibility (local offices/subsidiaries). As Chandler [5] observed "structure follows strategy".

Essentially is not only to minimized the costs but also to motivate the employees to work together, in a global environment, where the people are inspired by making money in an stimulating environment based on various incentives and awards (e.g. "carry points", attractive pensions, vacations). Therefore a lot of companies made a compromise between the demands of international "on movement" strategy and the needs of individuals and teams in order to achieve the strategic goals [6].

Anyway the strategic decision cannot be separated from existing structures, as Mintzberg (1990) emphasize in his concept of six basic parts of the organization [7]

In the international competitive advantage we can emphasize the place of competitive advantage due to Porter (1990) concept: "the Porter Diamond" – fig. 2. He underlined the national framework to show how home base advantage works [8].

Fig.2. Graphic representation of Porter concept



Source: Michael E. Porter (1990), *The Competitive Advantage of Nations*, New York: Free Press

Now is important to understand the strengths of the national diamonds the springboard for international. But Porters agrees that global strategy is based on local roots.

As globalization drivers we have [9]:

1. Cultural homogenization foreseen tendencies in the future in USA
2. Economies of scale and scope - for the cross-selling additional products to the same group of customers/purchasers (economy of scope)
3. Technological developments – the business model would have been difficult worldwide without the support of IT&C technology
4. Deregulation and the lowering of trade barriers – here we can find in different countries protectionist laws in order to support local /domestic players (see Japan).

Multinational corporations (MNC) main challenge these days is to offer flexibility and options. As I mentioned governments and supra-national organizations erect regulatory, institutional and tariff barriers of trade. The MNC are trying hard to surpass these barriers.

Therefore they are doing 4 main of international trade:

1. exporting
2. foreign direct investments (FDI)
3. licensing
4. joint – ventures or strategic alliances

4. Conclusions

Every initiative taken by an international firm has an impact in a local market and on the market share of local organization and their ability to satisfy their customers. International market is about the pursuit of international advantage. The difficulties and benefits associated with operating across international borders. The essence of international strategy is the exercise of options and opportunities arising from the existence of different skills, resources factors in different country markets.

The management skills needed in this latest phase of international business, are for high levels of integration and coordination across borders. The rapid growth of the companies at international level (globalization is pushing this aspect) means that the managers at most levels must have the ability to adapt and learn from collaboration as well as from competition, in order to be effective in the changing environment.

The need for strategic flexibility in international operations is a must. We could

see that lately, companies try to achieve optimal balance of configuration and coordination in interoperability environment.

The organisational development determines the markets strategic pathways that locally and centrally and their distinguishing characteristic is the ability to learn from any part of the organization.

Looking at the economic trend, investments decision, the efficient flow of information and the corporate governance now they are considered to be the core of the international movement, in order to understand the factors and processes that underlie the efficiency, effectiveness, ethics and economies of any profitable organisation based on performance.

Linked to this I could say that a company must analyse the situation in order to have a real and holistic picture of the global/international market where old advantages are about to disappear and new advantages are arising. This must be done in order to choose the appropriate strategy for the industry where is activating.

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The Effects of the Global Economical Crisis on the Global Precious Metals Market

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Abstract

The present study aims to present the effects of the global economical crisis on precious metals market and to present the factors driving gold prices. Gold's bull market paused between September 2011 and September 2012, but another up leg seems to be getting underway again. Given the concern over EU and US debt and the ongoing quantitative easing, we remain bullish for gold.

The existence of the companies operating in the market of precious metals is even more difficult taking into consideration the increasing prices of the precious metals.

Gold prices rallied strongly after the initial risk reduction sell-off that followed the 2008 financial crisis. The extent to which gold prices have climbed highlights how much gold has been monetarised, not by government decree, but by investors whose faith in the fiat monetary system has weakened. The present study will analyze also the factors that lead to the crisis on precious metals market: the evolution of dollar, inflation, stagflation and deflation, central bank official sales and buying, China build up its gold reserves and jewellery demand.

Key words: global economical crisis, market of precious metals, competitiveness, strategy

JEL Classification: F40

1. Introduction

Gold prices rallied strongly after the initial risk reduction sell-off that followed the 2008 financial crisis. The extent to which gold prices have climbed highlights how much gold has been monetarised, not by government decree, but by investors whose faith in the fiat monetary system has weakened. Given we saw further broad based quantitative easing (QE) in September and that no solution has been found to either the EU debt problem, or the US budget deficit, we feel that there will be more QE ahead as policymakers continue to buy time. As money is created at will to keep the economic plates spinning we can not help but feel the value of paper money is being debased. As QE is happening in differing forms in the US, Europe, Japan, Switzerland and UK, the currency debasement is difficult to spot as the currencies of the economies doing QE are weakening in parallel. Given the situation the world's financial system is in, we feel there is still a strong reason to continue holding gold. The other noticeable development in the latest rounds of QE was that they were unlimited – although this may provide confidence to the market and may dissuade traders from betting against the central banks, it suggests the practice could gather momentum. The debt problems are now so big that the only

entity capable of paying off the debt is the global pool of wealth. One way or another, we feel the value of the debt will be reduced by devaluing the currencies the debt is priced in. As such, investors and creditors are likely to continue to diversify away from fiat currencies and that is likely to see further monetarisation of gold as investors seek to preserve wealth.

2. Factors driving gold prices

The evolution of dollar

The dollar's long term down trend seems to have halted and the dollar has been oscillating sideways since early 2008. As the dollar index chart shows, the latest medium term trend has been to the upside with the index recovering to 84.10 from 72.70, although in the past three months the index has pulled back. Given the concerns over the financial situation in Europe and the relative strength of the US economy, it is not surprising that the dollar has been stronger. Interestingly, the run up in the dollar also coincided with the consolidation in gold prices that was seen between September 2011 and September 2012. Likewise the recent weakness in the dollar has coincided with the latest up leg in gold. This suggests that the inverse relationship between the dollar and gold is functioning. That said, given the seriousness of the crisis in Europe, it has been hard to understand why gold was being ignored as a safe-haven for as much as it was. Our observation has been that up until recently, the main safe-havens have been the dollar, the yen, US treasuries and the German bund. There is a risk that the dollar could weaken in the medium term as the US struggles to tackle the budget deficit. Given the inverse relationship between the dollar and gold, we feel the dollar may well be a positive factor for gold in the medium term. In addition, we feel the other safe havens mentioned above are all looking overbought, which again could be bullish for gold.

Inflation, stagflation and deflation

In 2012 the global economy faced both inflation and deflation, with emerging markets, especially those in Asia, experiencing and fighting inflation, while developed economies were treading a fine line between stagflation and deflation. Inflation in Asia has now calmed down and continued use of QE by Western governments, in an effort to lessen the burden of debt and to provide a low interest environment to encourage economic growth, have so far avoided economies from experiencing too much deflation. QE has not, however, produced sustainable economic growth. Japan continues to suffer deflation and an 18 month rally in JGBs, yielding just 0.5% in the third quarter of 2012, attests to that. Given all the QE, which in theory debases the value of money, we feel there is a high risk that developed markets move towards stagflation, where raw material prices rise as the value of the currency they are priced in devalues. The latest announcements of QE in September lifted metal prices considerably and despite weak economic growth, fuel prices remain high. In addition, there are various side effects of QE that are also helping to keep commodity prices elevated. The low interest rate environment and abundant liquidity available to banks and trading houses are facilitating such things as cash-and-carry deals that are keeping surplus commodities, especially base metals, off market that in turn creates artificial tightness in supply and higher prices. All of which boosts PPI even though demand is weak. Demand-pull inflation may become an issue once the Western world starts to recover from its debt spiral, but there seems little chance of this in the year ahead. The Fed's comment that they would not tighten monetary policy too soon after growth returns, also raises the prospects for inflation and this might become an issue if the US economy manages to see sustainable growth – this is something that will need careful monitoring in the months ahead. Overall, we feel the debt burden will suffocate growth in Europe and the region is likely to follow Japan's lead where

deflation and low growth dominate the market as debt is paid off.

How gold will behave in a deflationary environment is debatable. In theory, you would expect government treasuries to do well as even a small yield is good in such an environment, but we would argue gold would also do well. If faced with deflation, we would expect the governments to do more QE and in turn that would likely debase currencies further, whereas although gold would not pay a yield, it would stand a good chance of holding its value against currencies that are being debased. If we were to see deflation in the US, then given the different sizes of the market, even a small move out of treasuries and into gold by foreign investors could have a meaningful impact on gold prices.

Central bank official sales and buying

For many years, central banks have been net sellers of gold, but that changed in 2010, when the sector became a net buyer. In the first year of the third Central Bank Gold Agreement (CBGA-III), which ended in September 2010, disposals totalled 136.2 tonnes. (The agreement allows for sales of 400 tonnes of Gold per annum.) In the second year to 26th September 2011, sales from CBGA signatories were just 1.1 tonne, but in addition to that the IMF sold 52.2 tonnes. Sales in the third year to 26th September 2012, were just 5.9 tonnes - 5.4 tonnes of which were made by the Bundesbank to make commemorative coins. As soon as the financial crisis started to unfold, sales started to fall as governments realized they needed gold to shore up their reserves. The lack of uptake of the CBGA quota does leave room for European central banks to make further sales if they need to - that is if they are allowed to. Although the general feeling is that central banks will be very reluctant to make outright sales, it may be feasible that some central banks could put their gold to use in a way to help alleviate their debt situation. There is precedence for this as in 2010 gold swaps, amounting to 346 tonnes of gold, were arranged where money was lent to commercial banks and gold was

taken as collateral. The table opposite shows the amount and value (basis a gold price of \$1,785/oz) of gold various European central banks hold. The financial crisis and governments' use of QE has turned the trend in official sector activity from being a net seller, to being a net buyer. The demise of CBGA and IMF selling in 2011, that in previous years had more than countered official purchases, now sees official buying as the dominant trend. In 2011, the official sector bought an estimated net 430 tonnes, according to Thomson Reuters GFMS data. The buyers now tend to be emerging market economies that have trade surpluses so instead of building up just foreign exchange reserves they are adding gold to their reserves too. Mexico bought 100 tonnes of gold in 2011, Russia added 87 tonnes, South Korea added 40 tonnes and the trend continues, with central banks buying a further 254 tonnes in the first half of 2012, compared with 203 tonnes in the same period in 2011, according to the World Gold Council (WGC). Other buyers include: Kazakhstan who has stated it will buy its country's entire domestic gold production over the next two to three years, the Philippines, Ukraine, Thailand, Bolivia and numerous other countries are also increasing their holdings by small amounts - most likely as they try to keep a fixed proportion of their reserves in gold.

China builds up its gold reserves

As fewer currencies can now be called non-fiat, the attractiveness of Gold as a reserve asset has increased. In addition to the countries mentioned above, China also seems to be building up its Gold reserves. It has long been argued that even if China wanted to diversify its \$3 trillion of reserves, it could not diversify into gold without disrupting the gold market. However by stealth, China seems to be doing just this. As well as being an important gold consumer, China has become the world's largest producer of gold and is likely to be the largest importer of gold too, in 2012. In addition, it is buying gold mining companies around the

world. All in all, this suggests China is building up its gold reserves. The last time China made public its reserves they had doubled to 1,054 tonnes, that was in April 2009. If they make another update the market should be braced for a significant increase. In 2009, the market reacted bullishly to the news and we would expect a similar reaction if another update were to emerge – that is as long as it did not look as though China had built up enough reserves to slow down its accumulation. This seems unlikely as even if China doubled its holdings again it would still be below that of France, Italy, the IMF, Germany and the US (*source*: IMF September 2012). China's official gold holdings of 1,054 tonnes only account for some two percent of its reserves, whereas gold held by the US, Germany, Italy and France accounts for around 70 percent of their reserves. We feel central banks' purchases of gold will continue, driven by the prospect of further currency debasement and higher inflation down the road. As well as seeking ways to diversify its reserves, China, may also be looking to build up its gold reserves with the idea that before too long it will want to make the yuan a freely convertible currency.

Jewellery demand

Gold and silver are natural substances that people value as premium price metal all around the world. Susan Stuard (2006) stated that the natural materials that associate with power and value of wealth the most are gold and silver [13]. Such associations affected the perception that the smallest amount or even just the appearance of a precious metal has premium value. The characteristics of precious metal luxury can be both presented in tangible forms such as material, rarity, craftsmanship, and high quality [10], as well as creative, uniqueness and emotional as an intangible value [2]. The perceived value is the consumer's overall estimation of the product or service value such as tangible and intangible benefits and costs of a product based on

perceptions of what they could receive and what does the brand provides [14].

The gold industry, which also includes jewelry and silver products, is one of the traditional "Made in Italy" sectors and it is characterized by a geographic concentration of production in three clusters: Arezzo (Tuscany), Valenza Po (Piemonte), and Vicenza (Veneto); these firms represent 87 percent of the Italian gold products export. The industry is also fragmented into numerous small and medium firms that have a limited value in the global market when considered individually, but that collectively are as important as some large multinational companies in terms of size [5]. About 70 percent of Italian gold production is exported, which makes Italy the most important European country in the processing of gold from its raw form to a finished good. Despite its prominent role in world markets, Italy has experienced a significant decline in the production and exports of gold products since 2002.

The problems of Italian firms are even more evident when one analyzes the US market [11]. Between 1996 and 2005, the Italian gold industry lost 29.2 percent of its share in the US market while that market was rapidly growing. Its decline has been steady, with a 36.1 percent drop by the end of 2005.

The pull back in prices after the highs at \$1,921/oz in September 2011, surprisingly has not led to a pick-up in jewellery demand. In the first half of 2012, the jewellery industry consumed 906.4 tonnes, compared with 1,042.3 tonnes in the same period in 2011. This represents a drop of 13%. Numerous factors have negatively impacted demand. In India, demand was disrupted by industrial action at jewellers, but the main reason for lower demand in most regions of the world is more to do with less appetite to buy due to economic hardship. Slower GDP growth in both developed and developing economies has meant consumers have had less money to spend on luxury items such as jewellery. Currency factors have also had an impact, especially in India where a weaker Rupee

has pushed local gold prices to record levels. So far this year the Rupee against the dollar has averaged 53.3 compared with an average of 46.8 last year. Not only has this choked off some demand, but it has also prompted jewellery scrapping, where old jewellery is offset against buying new jewellery. Even jewellery demand in China, which has been the up and coming jewellery consumer in recent years, fell 8% in the second quarter, yoy. Where jewellery demand has been price elastic, jewellery fabricators have had to reduce the carat of their jewellery in order to keep sales flowing. This has been particularly evident in Asia. While in Europe, tighter credit limits from banks and cash flow issues have also led to a certain amount of destocking with wholesalers and retailers carrying less stock. Another trend that has hit jewellery demand in recent years is that jewellery has to compete against other consumer desirable items such as electronic gadgets, like mobile phones and high cost brand fashion items. In addition, concerns over the economic climate have led to a pick-up in the popularity of investment bars. In Asia, jewellery has always tended to be seen as both an investment as well as an adornment, but with prices moving much faster these days and becoming more volatile, investment bars have provided a more standard product to trade.

3. Conclusions

There remain a multitude of factors influencing the Gold price, but one of the main reasons we are still bullish is because of the mess the Western world is in. Europe has a debt problem that is proving all but impossible to solve and all efforts to date have revolved around throwing more money at the problem to avoid the monetary system from breaking down. That should be reason enough to be bullish for gold and we think the latest move higher in gold prices shows that it is.

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Controversies Regarding the Internationality Element in International Trade Agreements

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Abstract

Starting from the somewhat unclear provisions of the Rome Convention on the law applicable to contractual obligations (1980), now replaced by Regulation (EC) no. 593/2008, in the literature, some authors have speculated that its provisions could become applicable by the very designation, by the Contracting Parties, of a foreign law as the applicable law, this manifestation of will representing, in this view, the element of extraneity.

In this paper we aim to elucidate this theory, according to which any contract located (through its essential elements) in a single system of law could be "internationalized" simply by the will of the parties, in the absence of an objective element of extraneity.

Key words: private international law; conflict of laws; foreign element; international convention

JEL classification: K12, K20

1. Introductory remarks

Internationality is the fundamental element that makes the difference between a simple commercial contract (subject to the national law) and an international commercial contract.

Not every extraneity element present in a commercial contract can turn this contract into one of interest for the international trade law; this can be done only by those extraneity elements capable of making that legal relationship likely to be covered by at least two (national) law systems.

The specific issue of contracts with an international element is the determination of the applicable law; in most systems of private international law, the parties are given the

power to design the applicable law. This power has "inspired" some authors who have argued that the very choice of a foreign system of law could be the element of internationality, resulting in the possibility of transforming an essentially internal contract into an international one.

To this discussion, the following questions arise naturally: should the internationality element exist before the time when the parties are able to designate the law applicable to international trade? Can the parties choose the applicable law because their contract is an international one? or by such a choice can they transform the contract in one of international trade?

2. Perspectives on the internationality element

The famous theorist Jean - Christophe Pommier raised the following question: the international nature of the contract must be established previously to the functioning of the conflicting rule, or the parties can internationalize, by their consistent willingness, a domestic contract (with all the elements located within a single state) [1] .

The parties may have the interest to internationalize their contract in order to drive through certain legally binding rules of national law, which normally should govern the contract.

In the literature, some authors (for example A. Curti-Gialdino[2] or Jean-Luc Elhoueiss [3]) have argued that parties can internationalize their contract by introducing a foreign element, i.e. by subjecting their contract to a foreign law. In support of this thesis, i.e. the internationalization of the domestic contract, there are quoted some provisions of the 1980 Rome Convention on the law applicable to contractual obligations (now replaced by Regulation (EC) no. 593/2008).

Thus, it was argued that, due to the interpretation of Article 1 (1) and 3 (3), the provisions of the Convention shall apply to contractual obligations in any situation involving a choice between the laws of different states; therefore, the convention is not applicable only to international contracts in the strict sense.

The conflict of laws could be also caused by the introduction of an extraneity element, consisting in subjecting the contract to a foreign law (in relation to the state relating all the relevant elements of the contract).

According to Article 1 (1), the Rome Convention applies to the contractual obligations, in any situation involving a choice between the laws of different states; according to article 3 (3), the choice by the parties of a foreign law, whether or not followed by a foreign court, cannot affect the provisions from which the State law does not allow to derogate by the contract, hereinafter called "mandatory provisions", if all the other elements are located, at the time of this choice, in a single state. The equivalent provisions of Rome Regulation I are found in art. 9 (3): If all the elements relevant to the situation, at the time of the choice, are located in another country than the one whose law has been chosen, the choice of the parties shall not prejudice the application of the provisions of the law within the other country, which cannot be derogated from by agreement.

It thus results that, by designating the law applicable to the contract located by its objective elements in one state, the parties could internationalize the contract, the extraneity element being represented by the manifestation of their will. And since the extraneity element determines a conflict of laws, the Rome Convention would thus be applicable. According to Jean-Michel Jacquet [4] The Rome Convention does not use the notion of international contract to determine its scope. Not only does it provide a strong definition for the international agreement, but it also agrees to apply to a contract whose elements are located in a single state. [...] The true criterion used by the Rome Convention (for its application - not. nos.) is a contractual obligation occurred in a situation presenting a conflict of laws, and not the international agreement. Moreover, the notion of decisive conflict of laws is

subjective because it is based solely on the designation by the parties of the applicable law, even if the contract would not have any foreign element in the traditional sense of the term.

The Rome Convention applies to international contracts within the meaning of the French private international law (and of most other countries). But it also applies to domestic contracts for the parties which have decided to appoint a foreign law, thereby causing a conflict of laws within the meaning of the Convention.

The thesis on the internationalization of a domestic contract by choosing a foreign law cannot be accepted. The *electio juris* clause is allowed only for contracts containing a real and objective extraneity element, and not an artificial one. Both the dominant doctrine [5] and the international conventions support this view.

The 1955 Convention on the law applicable to the international sales of tangible goods stipulates, in article 1 (4), that the mere statement of the parties regarding the application of a law or the jurisdiction of a court or of an arbitration court is not sufficient to confer an international nature to the sales contract, pursuant to paragraph 1 of this Article. The Hague Convention on the law applicable to the international sale of goods (1986) includes this idea in Article 1 b.

The Rome Convention (1980), in the controversial Article 3 (3), does not offer the possibility to internationalize a contract objectively located within a single state; on the contrary, it resumes an old rule of private law - the principle of the autonomy of will. Most legal norms belonging to private law are (permissive and flexible) instruments, the authors of the legal acts being able to derogate from these rules, the only limit being represented by the mandatory rules on public order and morality.

Returning to Article 3 (3) of the Rome Convention, taking into account the above mentioned issues, we can say that it merely reproduces the principle of freedom of the contract law. In other words, the parties to a contract located in one state may remove the normally applicable rules, and may replace them with the legal rules of another state, thus embodied in the contract, but the contract remains subject to the legal system where it is located, the limit of the will of

parties being represented by the mandatory rules of that state, belonging to the domestic legal order.

3. Conclusions

In conclusion, we firmly reject the thesis on the internationalization of a commercial contract located in one state, Article 3 (3) of the Rome Convention doing nothing but reinforce the rule according to which the conflicting rules apply only to the contracts with an international element and reiterate the principle of the contractual freedom of the domestic legal order.

The *lex voluntatis* principle belongs to the category of conflicting rules, which apply only where a contract contains an internationality element sufficiently serious as to cause a conflict of laws. In other words, the element of internationality is a *sine qua non* condition for the application of conflicting rules.

It would be absurd to imagine that a contract can be internationalized by simply choosing a foreign law as the applicable law. The principle of *lex voluntatis* is meant to solve the conflict of laws not the cause it.

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The Analysis of the Effects of the Direct Foreign Investments upon the Restructuring of the Romanian Economy

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Abstract

Direct foreign investments play a major role in the process of economic restructuring of the host country both directly through the introduction of new technologies or the modernization of the existing ones, the development of new activities, the encouragement of the local suppliers for their vertical integration in the corporatist system and indirectly through the intensification of the competition between the autochthon and foreign companies. The restructuring cannot be exclusively supported by the foreign companies; it requires substantial efforts from the part of the local companies which rely upon government support in order to develop their capabilities, to compete on the foreign markets and to develop their own marketing and distribution channels. Direct foreign investments can have significant effects at the microeconomic level reflected in the productivity, efficiency and competitiveness of the activities benefiting from a higher input of foreign capital.

Keywords: foreign direct investment, restructuring of economy, econometric modeling

JEL Clasification: F 21

1. Introduction

Under the circumstances of a lack of autochthon capital correlated with

availability of capital in the developed countries, the solution of foreign investments in the ex-communist countries has become not only necessary, but absolutely indispensable for the national economies.[1] For the transition strategies the attraction and good orientation of the new private investments become an essential component for the following major goals: the economic revival, the emergence of the market economy and the assurance of its good functionality, the foundation of new private enterprises especially in the field of the production of goods necessary for the already existing domestic and foreign market, the creation of real conditions of attracting foreign investments by means of consolidating the accumulation of autochthon capital as well as the maintenance of the absolute control over the medium and long term evolution of the national economy with the purpose of assuring the economic and political independence.

2. The influence of the restructuring upon the economy of the host country

The modernization and restructuring of the national economy is a complex action which aims at all the levels of the economic activity such as: the entire national economy, its branches, the economic unit and the workplace. The activity of modernization and restructuring is a dynamic and complex phenomenon which assures the breakthrough

of the fixed capital, the creation of a complex and mobile structure of production, the introduction of the most performative working methods and techniques etc.[2]

The multinationals help with the restructuring of the economies of the host country through the introduction of new activities and technologies or the modernization of the already existing ones. There are instances when multinationals not only have any effect upon restructuring when a productive activity is replaced with another one with the same productivity, but they can have negative effects as well when they promote activities with a low added value.

For a given economy, restructuring could be achieved on three levels [3]:

- intersectorial restructuring of the national economy: starts from the primary sector passing through industry towards services with a growing tendency of the importance of the tertiary sector, thus partially reflecting the informational revolution;

- intrasectorial restructuring: presupposes the sectorial passage from activities characterized through low productivity to highly productive activities generating high added value as well as knowledge and technology;

- restructuring of the firm by the use of new modern technologies and activities producing high added value.

In the countries with a developing economy the most visible effects of the direct foreign investments are considered the restructuring ones in the microeconomic field. The Romanian economy has a few sectors allowing the identification of certain restructuring effects: the cement industry, the beer industry, the food industry, the automobile industry, the mobile phones industry and the financial system.[4]

Restructuring determined by the transnational societies in the national economy does not target only the purchased companies but also the local suppliers. Subcontracting provides the local producers of components a real opportunity for vertical integration in the corporatist system with benefits such as technical and financial assistance and courses of professional training.

3. The impact of direct foreign investments (DFI) upon the total investments in economy

In order to identify the DFI impact upon the restructuring in Romania we have analysed the connection between the total investments at national level in the interval 1990-2012 and direct foreign investments [5] using the regression relationship where Y is a dependent variable for the total investments in economy and X is an independent variable for the DFI.

$$Y = a_0 + a_1X$$

The parameters of the regression model are:

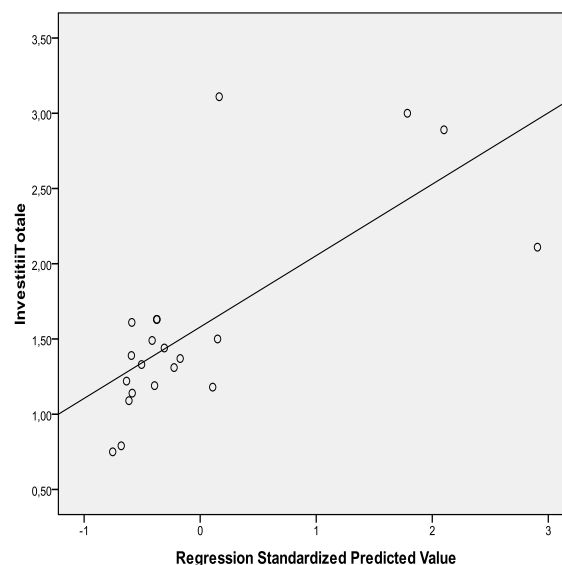
$a_1 = 0.163844$ according to the economic theory, this parameter showing that the connection between the two variables is direct;

$a_0 = 1.135508$ showing which is the value of the total investments in economy for level 0 of the DFI.

The regression equation has the following formula:

$$Y = 1.135508 + 0.163844X$$

Picture no.1 The Total Investments in Economy - DFI Regression in the Interval 1990-2012 (bil. Ron)



Source: National Institute of Statistics, National Bank of Romania

Measuring the intensity of the connection between the two variables is possible due to the coefficient of determination $R^2 = 0.487359$ which proves that the connection between the two indicators is of medium intensity. Its value proves that 48.73% from the total variation of the total investments in economy is the result of the DFI.

Chart no. 1 The Total Investments in Economy - DFI Regression in the Interval 1990-2012 (bil. Ron)

Dependent Variable: INVESTTTOTALE

Method: Least Squares

Date: 12/05/13 Time: 08:42

Sample: 1991 2012

Included observations: 22

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.135508	0.146158	7.769058	0.0000
ISD	0.163844	0.038551	4.250059	0.0004
R-squared	0.487359	Mean dependent var	1.556667	
Adjusted R-squared	0.460378	S.D. dependent var	0.670211	
S.E. of regression	0.492330	Akaike info criterion	1.511059	
Sum squared resid	4.605393	Schwarz criterion	1.610537	
Log likelihood	-13.86612	Hannan-Quinn	1.532648	
F-statistic	18.06300	Durbin-Watson stat	1.258317	
Prob(F-statistic)	0.000433			

Source: Own calculations based on National Institute of Statistics, National Bank of Romania

Chart no. 2 The ADF Test for the Total Investments in Economy

Null Hypothesis: INVESTTTOTALE has a unit root

Exogenous: Constant

Lag Length: 3 (Automatic - based on t-statistic, lagpval=0.1, maxlag=4)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-3.678728	0.0151
Test critical values: 1% level	-3.886751	
5% level	-3.052169	
10% level	-2.666593	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values calculated for 20 observations

and may not be accurate for a sample size of 17

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(INVESTTTOTALE)
Method: Least Squares
Date: 12/05/13 Time: 13:06
Sample (adjusted): 1995 2012
Included observations: 18 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
INVESTTTOTALE(-1)	-0.498080	0.135395	-3.678728	0.0032
D(INVESTTTOTALE(-1))	-0.263098	0.160289	-1.641400	0.1266
D(INVESTTTOTALE(-2))	-0.421002	0.148847	-2.828427	0.0152
D(INVESTTTOTALE(-3))	-0.165506	0.107482	-1.539846	0.1495
C	0.521683	0.212326	2.456995	0.0302
R-squared	0.761152	Mean dependent var	-0.104118	
Adjusted R-squared	0.681537	S.D. dependent var	0.410031	
S.E. of regression	0.231391	Akaike info criterion	0.150515	
Sum squared resid	0.642503	Schwarz criterion	0.395578	
Log likelihood	3.720624	Hannan-Quinn criter.	0.174875	
F-statistic	9.560312	Durbin-Watson stat	2.142307	

Source: Own calculations based on National Institute of Statistics, National Bank of Romania

The F and t tests check the significance of the entire regression. Because prob. (F-statistic) < F and prob.(t Statistic) < t-Statistic the model holds valid.

The analysis of the stationarity of the series has been made with the help of the stationarity ADF (Augmented Dickey-Fuller) test. In order to test the stationarity of the series we have applied the Unit root test. Thus for the total investments in economy the ADF has a value of 3.678728 and its p value is 0.0151. Because the value of the test is lower than the critical value for the relevance levels of 5% and 10%, choosing the most restrictive relevance level of 5% the null hypothesis is rejected so the series is stationary. This result is the consequence of the p value of the associated probability too. Thus, this is lower than the most restrictive relevance level and as a consequence the null hypothesis (the series is not stationary) is rejected.

4. The DFI impact upon the national production

At the same time we have analyzed the connection between the national production and the DFI [5] using the regression relation where Y is a dependent variable for the national production and X is an independent variable for the DFI.

$$Y = a_0 + a_1X + \varepsilon$$

The parameters of the regression model are:

$a_1 = 0.126420$ according to the economic theory, this parameter showing that the

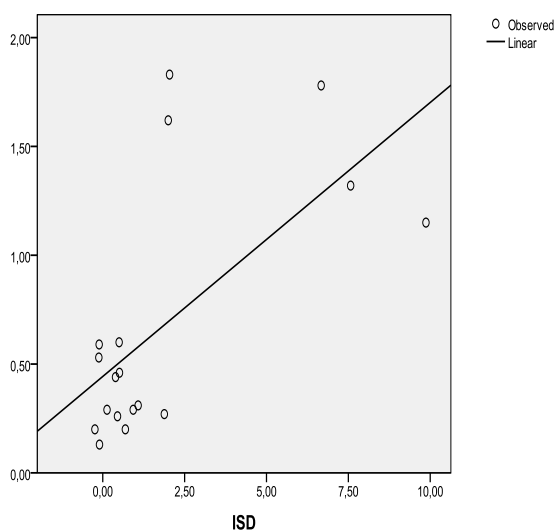
connection between the two variables is direct;

$a_0 = 0.440204$ showing the production value for level 0 of the DFI.

The regression equation has the following formula:

$$Y = 0.440204 + 0.126420 X + \varepsilon$$

Picture no.2 The Total Production - DFI
Regression in the Interval 1990-2012 (bil.
Ron)



Source: National Institute of Statistics,
National Bank of Romania

Measuring the intensity of the connection between the two variables is possible due to the coefficient of determination $R^2 = 0.4142$ which proves that the connection between the two indicators is of medium intensity. Its value proves that 41.42% from the total variation of the national production is the result of the DFI.

Chart no.3 The Total Production - DFI
Regression in the Interval 1990-2012 (bil.
Ron)

Dependent Variable: PRODUCTIA

Method: Least Squares

Date: 12/05/13 Time: 07:06

Sample (adjusted): 1991 2012

Included observations: 19 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.440204	0.129713	3.393673	0.0037
ISD	0.126420	0.037585	3.363548	0.0040

R-squared	0.414208	Mean dependent var	0.681667
Adjusted R-squared	0.377596	S.D. dependent var	0.580996
S.E. of regression	0.458362	Akaike info criterion	1.382126
Sum squared resid	3.361538	Schwarz criterion	1.481056
Log likelihood	-10.43913	Hannan-Quinn criter.	1.395767
F-statistic	11.31345	Durbin-Watson stat	0.849532
Prob(F-statistic)	0.003953		

Source: Own calculations based on
National Institute of Statistics, National Bank
of Romania

The F and t tests check the significance of the entire regression. Because $\text{prob. (F-statistic)} < F$ and $\text{prob. (t Statistic)} < t$ -Statistic the model holds valid.

The analysis of the stationarity of the series has been made with the help of the stationarity ADF (Augmented Dickey-Fuller) test. In order to test the stationarity of the series we have applied the Unit root test. Thus for the national production the ADF has a value of -5.870632 and its p value is 0.0004. Because the value of the test is lower than the critical value for any of the relevance levels, choosing the most restrictive relevance level of 1% the null hypothesis (the series is not stationary) is rejected. This result is the consequence of the p value of the associated probability too. Thus, this is lower than the most restrictive relevance level and as a consequence the null hypothesis (the series is not stationary) is rejected. Thus the integration order of the series is 1.

Chart no.4 The ADF Test for the National
Production

Null Hypothesis: PRODUCTIA has a unit
root

Exogenous: Constant

Lag Length: 3 (Automatic - based on SIC,
maxlag=3)

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-5.870632	0.0004
Test critical values: 1% level	-4.004425	
5% level	-3.098896	
10% level	-2.690439	

*MacKinnon (1996) one-sided p-values.

Warning: Probabilities and critical values

calculated for 20 observations
and may not be accurate for a sample size of
14

Augmented Dickey-Fuller Test Equation

Dependent Variable: D(PRODUCTIA)

Method: Least Squares

Date: 07/04/12 Time: 07:20

Sample (adjusted): 1995 2011

Included observations: 17 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PRODUCTIA(-1)	-0.806817	0.137433	5.870632	0.0002
D(PRODUCTIA(-1))	-0.481515	0.147926	3.255118	0.0099
D(PRODUCTIA(-2))	-0.531122	0.150329	3.533057	0.0064
D(PRODUCTIA(-3))	-0.385367	0.147218	2.617667	0.0279
C	0.157999	0.084253	1.875292	0.0935
<hr/>				
R-squared	0.834328	Mean dependent var	-	0.075714
Adjusted R-squared	0.760695	S.D. dependent var	-	0.347712
S.E. of regression	0.170096	Akaike info criterion	-	0.432452
Sum squared resid	0.260394	Schwarz criterion	0.204218	-
Log likelihood	8.027167	Hannan-Quinn criter.	-	0.453580
F-statistic	11.33102	Durbin-Watson stat	2.863761	-
Prob(F-statistic)	0.001458			

Source: Own calculations based on
National Institute of Statistics, National Bank
of Romania

The F and t tests check the significance of
the entire regression. Because prob.
(F-statistic) < F and prob. (t Statistic) < t-
Statistic the model holds valid.

The analysis of the stationarity of the
series has been made with the help of the
stationarity ADF (Augmented Dickey-Fuller)
test. In order to test the stationarity of the
series we have applied the Unit root test.
Thus for the national production the ADF has
a value of -5.870632 and its p value is 0.0004.
Because the value of the test is lower than the
critical value for any of the relevance levels,
choosing the most restrictive relevance level
of 1% the null hypothesis (the series is not
stationary) is rejected. This result is the
consequence of the p value of the associated
probability too. Thus, this is lower than the
most restrictive relevance level and as a

consequence the null hypothesis (the series is
not stationary) is rejected. Thus the
integration order of the series is 1.

The analysis shows that 48.73% of the total
variation of the total investments in economy
and 41.42% of the total variation of the national
production are the result of the DFI so the direct
foreign investments play an important role in the
economy of our country.

Taking into consideration the experience of
Romania as well as the positive examples of
other central European states we consider that
the maximization of the relationship between the
positive and negative contributions of the direct
foreign investments impose the promotion of
adequate government policies oriented towards
the intelligent use of the flows of foreign capital
as an instrument of the development strategy.

For Romania, the massive penetration of
foreign capital oriented to a great extent
towards the activities incorporating a high
amount of local resources and mainly
technology and knowledge could favor the
improvement of the quality of the existing
factors and the emergence of specialized
production factors.

In this respect, both the economic theory
and practice and the experience of the other
central and east European states prove that as
long as higher and higher flows of DFI will
emerge into the economy their impact upon
the economic, social and natural environment
will significantly depend upon the
government policies. The long term
development strategy of Romania should rely
upon the improvement of the human and
technological capabilities in order to avoid
any deviations in comparison with the other
member states of the European Union by
applying certain measures which aim at:

1) the development and more efficient use
of the human capital in Romania through
investments in education and the continuous
training of the workforce;

2) the stimulation of the research and
development activities by means of
partnerships between the public and private
sectors;

3) the consolidation of an efficient
administrative capacity by the reduction of
corruption and bureaucracy and its
involvement in solving the investors'
problems;

4) the increase of the long term
competitiveness of the Romanian economy

by encouraging the firms to invest in activities meant to increase the comparative advantages of the autochthon resources.

In order to avoid any deviations in comparison with the other European states, Romania needs direct foreign investments to complete and highlight the autochthon efforts supporting the increase of the competitiveness and efficiency of resources, actives and capabilities.

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Section I
International Affairs and European Integration

Subsection 2
European Integration

Copyright Protection in Romania and Italy

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Abstract

In European countries, copyright protection is provided independent of any formal performance. According to the Italian and the Romanian legal system, the protection of the authors' interests is prioritary. The rights of authors on their intellectual creations are protected by law in most countries. The reason of this protection of the rights of creators is given by the need to stimulate and support creative individuals and by the need to make the results of this creativity to be available by the widest dissemination. Copyright regards specific forms of creativity, primarily related to mass communication. They also relate to almost all forms and methods of public communication, not only to printed publications but also to those broadcasted by radio and television bodies, to the public representation of films in cinemas, etc. and even to computer systems, for storing and retrieving information.

Key words: WIPO, copyright, industrial property.

J.E.L. classification: K11

1. Introduction

Copyright is thus a strong incentive to creative intellectual activities, which governs the rights of creators on their intellectual creations. Most artistic works, such as books, paintings or drawings, exist only once they have been incorporated into a physical object. Others, however, even if there were not incorporated into a physical object, such as music or poetry are considered works, even if they have not been written yet by musical notation or words.

Copyright still protects the form of expression of ideas, not the ideas themselves. Copyright transformations in recent years

have seen the highest values of all other intellectual property rights. The evolution of new techniques of communication and dissemination has required the reconsideration of the protection of intellectual creation. The creativity protected by copyright is today the creativity in the choice and arrangement, the arrangement of words, musical notes (musical notes put on tones emitted by some electronic instruments for ex), shapes, colors, etc.

Copyright protects the rights of the holder of the scientific, literary and artistic works against those who "copy", against those who take and use the form in which the original work was expressed by the author, by the observance of moral (non-property) rights and property rights. [1]

2. The recognition of copyright between countries

The recognition of the obligation to comply with copyright between countries is achieved through the common adherence to one or both international conventions relating to copyright: the Berne Convention (concluded in 1886) and / or the Universal Copyright Convention / UCC 1952.

Each agreement requires a few basic rules to be observed and recognized by each member country of the Convention, through appropriate national legislation. The Berne Convention rules require a minimum period of copyright protection equal to the life of the author plus fifty years and do not provide any form of registration of copyright. These issues have led to international official debates in order to review the rules of the Berne Convention, in particular to take into account the new technologies involving copyright issues.

UCC requires a minimum protection period equal to the author's lifespan plus twenty-five years, while providing that the

notice of copyright with symbol (c) to appear in literary works.

This convention, unlike the Berne Convention allows a procedure of copyright registration.

Most Western countries are members of both conventions. Romania is a member of the Berne Convention since 1st January 1927, subsequently ratifying the revised text of that of Rome in 1936 and Articles 22-38 of the text revised in Stockholm in 1970. At the time of writing this article, Romania has not ratified the revised text of the Paris Convention or the Geneva Phonograms Convention, but is committed to adhere to both. Romania is a member of the Universal Copyright Convention.

Unfortunately, joining one or both conventions does not guarantee the copyright law; piracy is flourishing in many developed countries and in the former communist region, especially in Poland, Romania, and Russia and in many other former republics of the Soviet Union. Piracy of audio cassettes and compact discs, video cassettes, computer games and software, and cable television transmissions remains a problem to be solved [2].

3. The copyright system

The copyright system is found in the system of law applicable to the U.S. law and to other countries who are members of the Berne Convention.

The fundamental specific feature of the system is the indissoluble link between the protection of copyright works published and the completion of certain formalities.

In other words, the copyright protection depends, as in the case of industrial property right, on the inclusion in a special register, the register of Copyright. It is an essential difference between the systems of the Member States of the Berne Convention.

Even in some countries like Italy or the UK and Ireland, the copyright provides for the obligation to make a legal deposit of one or more copies of printed works; it is not a prerequisite for the protection of the work, but for performing the administrative obligations.

In our country, in order to obtain the description of the CIP National Library, provided by art. 14 paragraph (2) of Law no.

111/1995 (R2) on the legal deposit of documents, card manufacturers, serials, electronic documents, cultural value posters etc. (made by publishers, natural or legal persons, workshops, house / recording studios) are obliged to freely deliver, within 30 days of the occurrence, as legal deposit, a number of 7, 3, 2, or a copy of the first edition (art. 7.12). But, in these circumstances, the mentioned publications do not receive protection from the point of view of copyright but fulfill a legal obligation and sanctioning in the event of non-compliance, provided by art. 19 of Law no. 111/1995 (r2).

There remain the same conditions for the award of international standard numbers of books - ISBN and serials - I.S.S.N. The award of ISBN or ISSN for monographs, serials respectively, and its use do not imply, nor give rise to copyright or charges.

Also, assigning one of the two codes for a monographic publication or serial publication, regardless of the shape of the product, should not be worth as evidence concerning copyright ownership on the publications.

Awarding the ISBN for a book title does not confer any right of exclusivity on the publisher name and/ or title of the book. In order to protect the publisher's name/ title, it is necessary to register with OSIM (State Office for Inventions and Trademarks).

A monographic ISBN accompanies a publication from further editing and broadcast throughout the system.

As shown by Eugen Ulmer, the existing regulation in the UK, a member of the Berne Convention, corresponds to the principles of this Convention by regulating both the comprehensive scope of the protected works and the authors' rights to valorize them and/or to give up any formalities [3].

The conception different from the continental / European copyright law, where the author's right is a copyright, is linked not only to the result of intellectual creations as the first publication of the work, conceived as a set of provisions designed to prevent the unlawful imitation of a fixed work.

The main features of the system of copyright protection can be summarized as follows:

- The notion of "publication" has a different meaning than, generally, that provided by the continental / European law,

involving also the loan or lease of copies;

- In case of publication of the work with the consent of the copyright holder, all copies shall bear, in principle, the designation "Copyright", accompanied by the holder's name and the year of the first publication;

- Two copies of the best edition of a work or two recordings must be submitted to the Copyright Office;

- The work must be registered with the Copyright Office, and advance registration is decided after the examination of the vocation to protect the work, followed by its certification.

- The Law of 1976 provides, for the works produced after 1st January 1978, the term of protection of 50 years *post mortem auctoris*.

4. Copyright protection in Italy

Recently, by Law no. 248 of 18 August 2000 on "New rules of copyright protection" (published in Official Gazette no. 206 of 04.09.2000), Law. 633 of 22.04.1941 on "Protection of copyright and other rights related to its operation" have been almost entirely amended [4].

Thus, significant changes were introduced on civil penalties regarding procedural rules that must be respected and implemented.

Generally speaking, one can say that the procedural rules on copyright protection are governed by ordinary forms of civil process, except for specific tools provided by special regulations that refer specifically to the facts and evidence and force protection measures and this in accordance with the provisions of the Italian Civil Code (Articles 2575-2583).

The difference in legal status between the legal norms of the Civil Code and the Copyright Act derived from the contents of both documents, such as the Civil Code, provides specific protection measures while copyright, copyright law, expressly provides for conditions special specifications and a number of possible coercive measures against violations. For example, art. 156 of the Italian Copyright Act provides that when a copyright is infringed, the prejudiced author can legally get appropriate measures in order to identify and punish those found guilty of infringement.

Important modifications of the amendments are adopted under article 5 of Law no. 248/2000, which repealed Article

no. 163 of the Copyright Act, thus penalizing inefficiency measures under Article no. 162. The new text provides that the holder of a right of exploitation of a work has to request an order to refrain from any activity that constitutes a violation of the law itself.

However, in order to recover the damages for copyright infringement, the damaged party shall refer to the normal rules of compensation provided by art. No. 1223 of the Civil Code, which provides for the strict criteria for the evidence regarding the existence and the value of damages, which shall be on the burden of the damaged party.

Although art. 45 of the Agreement on intellectual property rights related to trade (TRIPS) explicitly suggested in the introduction that the prepayment penalty should be paid in favor of those who suffered when their intellectual property rights have been infringed: "The judicial authorities shall have the authority to order the infringer to pay the right holder damages adequate for the compensation of the damage which he/she has suffered by the infringement of the intellectual property rights by an infringer who indulged in such activity knowing or having reasonable reasons to have known this".

5. The vision of copyright in Romania

Until recently, the copyright of literary, artistic or scientific work, as well as of any other such works of intellectual creation, created on the Romanian People's Republic was guaranteed to authors under the terms of Decree no. 321 on Copyright, of 18th June 1956, as subsequently amended.

Copyright duration was variable, being equal to the life of the author (art.2); this period may extend to fifty years if there were direct descendants of the author (art. 2 letter B), or to only fifteen years if there were no other heirs (art. 2 letter c) .

Such provisions have led to longer or shorter periods of copyright protection than those of fifty years, stipulated by the Berne Convention. Collective works were protected for twenty years from the date of publication; artistic photography - for five years, and a series of artistic photos - for ten years. The law was allowing the ample use of the materials under copyright protection without permission or payment. It also provided for

the management of the heirless authors' moral and material rights, by the state. Moral rights were permanent and inalienable: the ownership of copyright could be assigned only by will.

After nearly six years of projects and debates, there has been finally approved a new national law: Law no. 8 of 14th March 1996 on copyright and related rights.

The new law aims to take into account the implications of new technological developments, introduces sanctions against the infringements of copyright and related rights and establishes a law adapted to the needs of the countries in transition, from centralized economy to market economy. Especially the seventy years period (after the author's death) for the economic copyright protection (*post mortem auctoris*) is one that clearly indicates Romania's intention to align with EU legislation.

Law no. 8/1996 on copyright and related rights offers greater protection and aligns with the system allowed in most European countries. The detailed regulation of the authors' rights and of collective management societies gave an ample and complete character to the law. The dedicated solutions took into account the provisions of community regulations and the need to respect intellectual property rights.

6. Conclusions

The intellectual property rights are property rights as all the other rights defined by civil law - they allow the creator or owner of a patent, of a trademark or a copyright the protection of their works in order to benefit from the work or from its investment.

These rights are outlined in Article 27 paragraph 2 of the Universal Declaration of Human Rights stating that "everyone has the right to the protection of moral and material interests resulting from any scientific, literary or artistic production of which he/she is the author".

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Intellectual Property Rights in International Regulations

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Abstract

Intellectual property law has received a final and official dedication along with the conclusion of the Convention that led to the establishment of the World Intellectual Property Organization (WIPO), signed on 14th July 1967, in Stockholm.

Within the strategy of economic, social and cultural development, the intellectual property rights represent a fundamental component of ensuring the protection of human intelligence creations and guaranteeing their valorization on the free market.

Internationally, Romania is a founding member of the World Intellectual Property Organization and of the World Trade Organization.

In the current context of economic competition, there has emerged the need to have an intellectual capital at the level of all commercial companies.

The largest share in the market value of a company's success is the value of intangible assets, consisting of intellectual property rights: trademarks, patents, utility models and designs.

Today, more than ever, knowledge and intellectual property rights are evident by the increased investment in intangibles that lead progressively to the increase of the market value of all commercial companies.

Key words: WIPO, copyright, intellectual property, industrial property.

J.E.L. classification: K11

1. Introduction

Intellectual property generally includes all legal rights arising from the intellectual activity in the literary or artistic, scientific, and industrial fields.

The idea of the defense of these rights was unanimously endorsed by almost all

countries, for reasons related both to the interests of creators and of policy makers in each state [1]. Thus, we may clearly draw two main reasons:

1. The affirmation of legality, of the moral and economic rights of creators on their creations and the rights of the public to have access to these works voluntarily;

2. The promotion of creativity by adapting legislation in order to encourage fair trade through the application and use of these rights, with direct effects on the development of economy and society.

2. The intellectual creation in the light of the Convention Establishing the World Intellectual Property Organization - WIPO Organization

Encouraging creative intellectual activity and also promoting the protection of intellectual property in the world - this fundamental reality - was achieved with the adoption of the Convention Establishing the World Intellectual Property Organization - WIPO organization - concluded at Stockholm on 14th July 1967 [2].

WIPO's stated goal is:

- To promote the protection of intellectual property in the world, through cooperation among States, in collaboration, where appropriate, with any international organization;

- To ensure the administrative cooperation between unions.

In accordance with Art. 2, paragraph viii, of the Convention Establishing the World Intellectual Property Organization (WIPO) – "intellectual property" shall include the rights relating to:

- A. literary, artistic and scientific works,
- B. performances of performing artists, phonograms, and broadcasts,
- C. inventions in all fields of human endeavor,
- D. scientific discoveries,

- E. industrial designs,
- F. trademarks, service marks, and commercial names and designations,
- G. protection against unfair competition, and all other rights resulting from intellectual activity in the industrial, scientific, literary or artistic fields.

From this general enumeration of the areas covered, concrete branches can be identified. Thus (A) fixes the branch of copyright. The areas referred to in (B) are usually called related rights - akin to copyright [3]. The areas referred to in (C-G) belong to industrial property, branch of intellectual property. We should not confuse industrial property with movable and immovable property for exploitation, generating manufacturing and services, such as plants, lines for the transport of people, goods and energy, equipment, etc.

Stricto sensu, industrial property refers to the creations of the human mind alone, such as inventions, industrial designs.

In this case, the invention is new technical field, a solution or a faster resolution of economic and technical operations.

As for the areas of industrial designs, these play a complementary role, determining the aesthetic appearance of industrial products. Not in the same way we find the appearance of intellectual creation, though existing in the factory marks, trade and service, as well as in designating names and trade names. We appreciate, however, that in this case, the right to intellectual creation typically persists through the messages transmitted for the interested parties by presenting some typical signs - tangent industry, carriers and consumer information, particularly in respect to the products and services offered in the market. The protection of intellectual property rights should be respected, as it protects against unauthorized use of these marks, which would cause confusion in the consumer market and would result in error on matters of provenance, quality and would also cause deception, in general.

The areas covered by the Convention establishing WIPO, in (D) - scientific discoveries - do not belong to one of the two branches of intellectual property [4]. There was the view that scientific discoveries should not be mentioned among the forms of intellectual property, given that no national

law or international treaty provide any ownership of scientific discoveries. Scientific discoveries and inventions are not the same. The Geneva Treaty on the International Registration of scientific discovery (1978) defines science discoveries in art. 1 paragraph (1), letter (i) as "the identification of phenomena, properties or laws of the material universe, yet undiscovered and verifiable". Inventions are new solutions to technical problems.

Obviously, these solutions must be based on laws or properties of the material universe, but these properties and laws should not be in the category of "undiscovered until now". An invention valorizes, by means of new technical uses, properties and the above-mentioned laws, whether identified ("uncovered") at the same time, or identified ("uncovered") before and independently of the invention.

3. The intellectual property law in the vision of the Agreement on intellectual property matters, concluded in Marrakech

The intellectual property law, with the legal regulations mentioned above, is also included in the "Agreement on intellectual property issues" signed in Marrakesh on 15th April 1994 - known as TRIPS - Trade-Related Aspects of Intellectual Property Rights, where art. 1, section 2, provides that for the purposes of this Agreement, the term "Intellectual Property" refers to all intellectual property categories covered by sections 1-7, Part II (Rules relating to the existence, scope and exercise of intellectual property rights) of the Agreement, namely:

1. Section 1. Copyright and related rights;
2. Section 2. Trademarks or trade;
3. Section 3. Geographical indications;
4. Section 4. Industrial designs;
5. Section 5. Patents;
6. Section 6. Configuration schemes (topographies) of integrated circuits;
7. Section 7. Protection of undisclosed information.

Creations which are the object of protection under the "industrial property", as the other creations, are protected under the comprehensive name of "intellectual property", as products of man's creative activity, the result of thought, knowledge, and rational activity, the result of man's

capacity to devise and grasp concepts, to handle abstract concepts. Unlike the "intellectual property", where both form and substance creations are protected, in the case of "industrial property", there are protected the substance intellectual creations applicable in industry and that are designated and called "utility creations". Related to these works, the conventional law (the Paris Convention of 20th March 1883 for the protection of industrial property, and the Stockholm Convention establishing the World Intellectual Property Organization) added them when it established the object of the protection, the trademarks, the geographical indications and the commercial designations as well as the protection against unfair competition, and the TRIPS Agreement has completed the list by including also the protection of undisclosed information.

The regime of "badges" is different from the actual intellectual creations, as shown above, and the "unfair competition", as well as the "infringement proceedings" are not intellectual property, but means for defending these rights. As an institution of law, unfair competition has multidisciplinary virtues, with strong ties to civil and criminal law (their penalties), to administrative law (because the application of the rules is related to administrative bodies), to commercial law in general and to that of companies in particular (the rules on competition in the conduct of business constraints), consumer law (which is required to protect it), but also to industrial property.

4. The role of human intelligence in the evolution of IP law

In the opinion of Professor Alexandru Văllimărescu, the agreement on the factors that determine the evolution of the law is far from being reached among authors [5]. Moreover, in connection to the controversy around the unity or plurality of the development factors of law, another problem should be taken into consideration, that of human intelligence, in this evolution, where the work of creating legal norms is related to the acts of intellectual creation.

Montesquieu's theory argues that human intelligence played an important role in the evolution of the law, unlike what happens with the laws of nature, which no one can

change. Indeed, human laws cannot be so clear and perpetual as the laws of physics. Laws, as products of human intelligence, are by nature immutable, just as the existence of intelligent beings - who are fallible.

The form of expression of the deep aspirations and needs of the human society, adapted to the socio - historical conditions, receive acceptable purpose by creating legal norms and rules of law appropriate for the benefit of maintaining the rule of law, progress, etc. These rules of law sum up the collective creative works of their creators: the Parliament, the Executive (Government), and so on, evidenced by adding their intelligence.

Therefore, we conclude that the evolution of law, in general, and of intellectual property law, in particular, as a sub-branch, plays an active role in the work of the creation of the human mind.

In this sense, we can assimilate all laws and jurisprudence as objects bearing intellectual property rights, placed, however, in the public domain, unlike the doctrine which represents all the opinions of juris consults, expressed orally or in writing, in their works, likely to be protected by intellectual property rights.

5. The necessity and importance of intellectual property

There are several reasons that make intellectual property protection imperative. First, the progress and prosperity of humanity depends on her creativity in technical and cultural areas; secondly, the legal protection of new creations encourages the investment and leads to other innovations; thirdly, the promotion and protection of intellectual property stimulates growth, leads to the creation of new jobs and new industries and improves the quality of life.

An efficient and equitable intellectual property can help all countries in exploiting the potential of intellectual property and it is a powerful tool for the economic development and social and cultural progress. This system contributes to the establishment of a balance between the interests of the innovator and the public interest, by ensuring an environment of creativity and invention for the benefit of all of us.

6. Conclusions

From the international point of view, the two categories of intellectual creations, i.e. copyright and industrial property, are based on the provisions of: 1) the Paris Convention for the Protection of Industrial Property of 1883 - the first major international treaty - which gives the right of a citizen of a country to obtain the protection for his/her intellectual creations in other countries of the Convention, in the form of industrial property rights and 2) the Berne Convention for the Protection of Literary and Artistic Works, of 1886, which establishes the right of the citizens of the Member States to obtain the international protection of their rights, to control their compliance and to receive payment for the use of their literary and artistic works. Both conventions are administered by the World Intellectual Property Organization (WIPO).

In time, the two categories of intellectual creations imposed the subsequent adoption of the normative acts of the two Conventions and their grouping in two specialized areas: industrial property and copyright.

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Some Problems of Jurisprudence Concerning the Difference between Delictual Liability and Contractual Liability

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Abstract

In the sphere of civil law, more specifically, in the matter of civil obligations, the notion of risk is involved for involvement in crimes or for non-contractual obligations arising out of the legal relations. Each of these types of risk are generated by nature and source of the obligation.

I chose to discuss the contents of this article some problems encountered in Roman jurisprudence in relation to the type of civil liability. Of these issues we are going to analyze the difference between tort liability and contractual liability. This difference makes the actions in justice to be accepted or rejected, if I'm correct or not well-grounded in terms of legal basis.

Key words: civil liability, delictual, contract, litigation

J.E.L. Classification: K40, K41

1. Introduction

Both forms of civil liability are taking birth as a result of a breach of obligations by which the prejudice to a subjective right of another person. In the case of delictual liability obligation breached is a legal obligation of a general nature which pertains to all persons while in the case of contractual civil liability is breached a specific obligation established conventional parties signatories to the contract. Note that the recruitment of contractual civil liability is required to exist or to exist before a valid contract concluded.

Liability for damage caused during the pre-contract phase hires tort liability. Also responsible for its disregard of obligations

she assumed through a contract hit of invalidity is a civil tort liability. Foreign contract third parties will not be able to invoke contractual liability for damage which is trying failure to perform a contract but will be able to forge an eventual action on tort liability. The solution flows from the principle of the relativity of the contract.

2. Kinds of liability civil and their comparison

Elements that train the two types of risk are the same question: the existence of illicit acts, committing with guilt of an illicit facts, injury and causal link between the injury and the Act illegal.

Delictual/tort liability common law makes civil liability while the contractual liability has a specific character derogator.

Both types of risk taking birth as a result of a breach of an obligation by which the prejudice to a subjective right of a person. In the case of delictual liability, obligation to violate is one of a general nature which returns all persons, in case of contractual civil liability obligation which violates the obligation established is a conventional contract parties.

For hiring contractual civil liability is required to be a valid contract concluded. Disregard of obligations assumed for the pre-contract phase is coached tort liability. Also tort liability is coached in the case of a contract which has been disbanded for the cause of invalidity.

From the point of view of capacity to perform legal acts, the full exercise capacity is required in contractual matters. In the case of delictual liability is not established an age limit for tort, but answer anyone acted with

tort discernment.

In the case of delictual liability, guilty of committing the deed is void, or in the case of contractual civil liability rule is that of the delay in implementation.

Stretching the repair is greater than the tort liability in contractual liability. In both cases the guilty of producing damage is kept to cover both out-of-pocket and unrealized benefits. In the case of delictual liability liability is entirely at fault for producing damage is kept to cover all damages, both predictable and unpredictable. In the case of contractual civil liability covering damage concerns the damage that has been provided or was predictable at the time of concluding the contract.

In the case of delictual liability, liability is joint and several, the rule being established by the provisions of art. 1003 civil code. In the case of contractual civil liability rule is divisible by the character of solidarity being the exception, so it runs only when it is expressly provided by law.

In terms of proof of fault in tort liability without fault of the author must be proven by the prejudiced. To contractual liability, the creditor must prove the existence of the contract and the fact that the debtor has not executed the obligation, culpa being presumed.

Contractual capacity required in the full capacity of the Office, which is usually achieved at reaching the age of 18 years. The tort liability cannot be established an age limit in principle answer to any person who has acted with discernment.

In the case of delictual liability which has committed illicit deed causing injury is as much weather delay in the recruitment of contractual civil liability rule is that of the delay in implementation of the law.

Stretching the repair is higher in tort liability than in the case of contractual civil liability. In both cases the culprit is held to cover/to repair both *damnum emergens* out-of-pocket and *lucrum cessans* benefits unrealized. Only in the case of delictual liability it is integral in the sense that the guilty party is held liable for all damages to the predictable and unpredictable.

In the case of contractual civil liability not guilty only for the damage which the answer has been provided or was predictable at the time of concluding the contract.

In terms of proof of guilt, fault in the delictual fault have liability proven not harmed. In case the contractual liability which the creditor must only prove the existence of the contract and the fact that the obligation has not been executed, and on the basis of such evidence is presumed guilt.

3. Comparison between tort liability and criminal liability

The two kinds of liability incurred as a result of the infringing/committing acts .Criminal liability does not exclude liability nor vice versa. They may act simultaneously or they can be combined.

Criminal liability is founded on the principle of legality on regulation by law, while tort liability for any illegal deed occurs causing injury (civil law establishes this as a principle, without describing any facts). The criminal is always reply by judge's decision.

In the case of legal responsibility under tort law, nothing prevents the parties to establish the Convention some clauses of the contract/the way of repairing the damage. Both forms of liability founded on guilt of him who has committed the deed. In the case of delictual liability, the degree and form of guilt does not determine the extent of liability.

Although can coexist, each of these two forms of responsibility keeps its individuality and autonomy, and there appear a series of consequences in terms of the second resolution of the action or criminal actions and civil.

From the point of view of competence, although the two actions can be judged separately, the Criminal Procedure Code, art. 14, consecrate the possibility of civil action in criminal proceedings (civil action his wish that the criminal), in which case both actions will be judged by the Criminal Court. Once the one who suffers loss, as been given a part in a civilian criminal trial, she can no longer address the same claim with separate and civil court action.

The vatamata which was established in the criminal trial as civil parties you can still initiate civil action in front of the civil court if the Criminal Court the final court ruling left unresolved civil action or claim cover of a damage which was discovered after the Criminal Court ruled.

As regards the criminal action is triggered, it automatically triggers when the action in tort liability is left to the person who has suffered the damage so that the civil action is governed by the principle of availability, and the principle of criminal officialitatii. The exceptions are situations where civil action is executed ex officio criminal court being forced to pronounce on the ruling even if the injured party has not been constituted civil part.

The situation of persons without capacity or with restricted capacity on the carrying out of judgment is governed by certain principles. If the someone has suffered an injury has introduced the application to the civil court, the civil court judgment to adjourn until the final resolution of the criminal case.

Criminal Court decision has become final in front of the civil court on the existence of the offence, the person who committed it and the guilt. The opposite is not true, in the sense that the decision of the civil court does not have the authority of res judicata in criminal court face. But the decision of the Court of criminal proceedings has become final before the civil court, and the Prosecutor and not by who has ordered removal or termination of prosecution under the criminal.

As regards the criminal decision of acquittal or cessation of the criminal process, when it's not coached criminal liability, it does not constitute a hindrance in promoting actions for tort liability.

Criminal liability is prescribed in certain time limits calculated from the date of the offense savarsirii. Liability founded on illegal deed shall lapse within a period of three years calculated from the date on which the injured party knew or had to know of the existence of the damage and of the person who is responsible for it.

4. The ability of the applicant to choose the kinds of liability

Jurisprudence has established, as a rule, the plaintiff can choose any legal basis since it promotes action in justice, in the case of the principle of formulating the demand for availability call sue. There have been and there are different opinions on this issue.

There is no possible combination of the

rules of the two forms of liability as there's no action possible in completing a tort action, after being used for contractual action based on which were obtained compensation.

By exception, jurisprudence recognizes a combination if the failure to perform the contract shall constitute at the same time a crime stipulated by the criminal law. The injured party has a choice to claim compensation, or on the motion of a liability in tort actions, either by way of an action in contractual liability.

Once opted for one of the two actions can no longer follow the other way.

If you want to give as an example the judiciary the commercial nature in which the parties have not signed a contract for services. If the services were rendered, and the contractor has delivered a quote, invoice and any other act by way of a supporting document for the services in question, the proceedings will have to be set up on contractual liability.

The invoice is a document under private signature, which includes the essential elements of a commercial operation as well as the identity of the parties, the amount of goods/services, quality, delivery/execution, and which constitute an agreement in simplified form, making the teaching sample goods/services listed in the bill. Or, for the invoice to be considered as a contract it must therein showing that the existence of mutual consent at the conclusion of the contract.

The invoice proves the existence of trade conducted between the parties, generating legal relationships that were developed under a contract in simplified form. Although between the parts has not been signed a written contract, but as long as the services were provided and for them were issued an invoice, which underlies the plaintiff's claims, we consider that this legal relationship born between the parties has resulted in a contract since the contract agreement will met.

Considering the provisions of the Civil Code, according to which the concluded legal conventions are laws between the contracting parties and according to which commercial obligations and gratuities is proved by "...invoices ...", we appreciate that we are in the presence of a civil liability contractual and not a tort liability.

5. Conclusions

Both judicial practice and in doctrine held that where between the parties existed a contract, by execution of which resulted in injuries, in principle, the path chosen is a contractual civil liability, it is not possible to draw on the tort liability, as the applicant did.

In this regard the Supreme Court ruled by the Guidance Decision no. 11 pronounced at 05/08/1965, which admits that between contracting units ... there is only one action in contract and not a tort liability.

Also note that if the damage is caused due to non-fulfillment of contractual obligations *lato senso* (in full), the injured creditor has the right to choose between contractual and tort action, motivated by the fact that the scopes are totally different. As a consequence a disregard this would lead the side to ignore the law governing contractual relations and would be contrary to the common will of the contracting parties.

The law regulates in different ways the legal status of the two kinds of liability, tort liability is more severe than the contract one. If we could admit a contractual right of the lender's option would enable it to introduce the theme tort action when action right faded contractual basis, or to claim compensation for any injury, although debtor responds only for direct and predictable damages.

When the contractual debtor has consented to signing the contract is sure he understood that it will be a liability only in the legal and conventional limits of contractual liability. Therefore, it is inadvisable to apply the rigors of a liability that is punished more severely.

Contractual obligations are specific and relative taking rise by contractors will and only to the extent established between them.

From the principle of avoiding the option between the two actions, tort and contract, exists one exception, the option is permitted in case of contract failure is at the same time an offense covered by criminal law.

Regarding the facts and the legal textes mentioned by the applicant in it's action, namely tort liability, in the legal literature have been expressed uniform opinions. Thus, for applying tort the fact situation must fulfilled some condition.

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Environmental Protection and Sustainable Development Strategy

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Abstract

Since 1970 after scientific discoveries about the ozone hole humanity began to reconsider the environment.

Environmental messages had different intensities depending on their sources

Scientific messages proved the harshest, the political ones had a powerful declarative impact, but the administrative apparatus, both worldwide and local didn't turn very perceptive.

Towards the implementation of actions to protect the environment and sustainable development economic and social factors intervened and hindered the processus.

Keywords: Environment, Environmental protection, Sustainable development

J.E.L. Classification: K32

1. Introduction

The international community was the first to react to the warning of scientists in protecting the environment through a series of conferences which led in time to timid measures applied worldwide to improve the negative impact that our existence (and especially our development) has. [14]

Global environmental actions gave rise to much speculation and some considered these actions only soap bubbles." [22]

The literature is replete with theories behind the scenes of international conferences where in the point of view of authors these economic interests were crossing in front of environment giving rise to long delays and interpretations regarding adoption and especially the practical implementation of the conventions, protocols and other measures of this kind. [7]

2. Implementation of sustainable development concept in Constanta Metropolitan Area

EU takes into account when elaborating its strategies specific documents worldwide, consequently many of the conventions and protocols adopted worldwide are part of the European strategy. [14]

Unlike global space where there is no obligation for International actors to participate in environmental action at EU level environmental protection is a must, which facilitated the implementation of measures to protect the environment with greater ease. [8]

Beyond the legislative recommendations, the EU has been involved in the implementation of environmental protection measures with financial instruments which gave an impetus to improve quality of life and creating common standards for action. [9]

European Union arrived in time to be the strongest supporter of environmental policy and sustainable development although at the time of its foundation, its purpose was different. [21]

The Union has diversified the approach to the needs of environment and development, supported the approach to environmental policy and tried as much as possible to bring sustainable development to a higher level on its territory and continues to do so to this day minding that our evolution brings new challenges to be solved without having solved all existing problems. [2]

The challenges the global environment is facing today are becoming increasingly complex.

European Environment Action was felt down on its territory and largely contributed to its improvement. [11]

Sustainable development must be assessed taking into account the human needs

of economic and social policy decisions affecting environmental impact. [12]

A brief description would present the system like this: " 'environmentalists will support environmental policies, consumers will support consumption, those who work want support, capitalists and socialists have their own vision, sustainability requires more and at the same time is required a lot " and everyone is losing sight of the common good. [12]

However economic and social management today is supported only in terms of sustainable development perspective because all previous work led to the steady degradation of environment both worldwide and in the study area and threatens the future. [18]

Changing the current system is undoubtedly a costly action, but medium and long-term benefits are enormous in relation to the prospect the consumer society offers today. [9]

In light of all these human and natural realities the mechanism of implementing a sustainable development evolves sluggishly but despite gaps there is improvement. [19]

In Romania local development was done unevenly; however the collective picture offers the image of supported sustained developments in recent years. [17]

Romania had environmental legislation before expressing a desire to be an EU member but that has improved considerably since we joined.

Efforts that Romania has made in this respect were important and supported but needs in this area is still far from being met. [8]

Local implementation of actions for sustainable development involves the formation of local, European national and even international forces. [6]

The success of EU funds absorption is caused rather by managing the human resource capacity of local government.

In Romania the responsibility for poor absorption of funds is due in our opinion to internal and European bureaucracy and failing to train appropriate staff. [13]

Sustainable development in today's terms and conditions can be applied only in accordance with economic and social needs of each area. [1]

Constanta City Hall recently materialized a regional sustainable development project that has evolved to benefit the area and sustainable development despite bureaucratic and administrative obstacles. [16]

Constanta Metropolitan Area project is a way of bringing together cities and municipalities in the same area with the same specificity for better absorption of EU funds. [4]

Implementation of sustainable development has a fundamental document that includes all aspects of the natural environment and the area's development imperatives.

Agenda 21 is the glue in between mechanisms to assess, investigate, correct or implement the principle of sustainable development in society regardless of policy areas.

Local Strategy for Sustainable Development follows progressive compliance with EU environmental standards our country should fully implement over four years. [5]

Constanta City Hall Park replaced with European funding transportation and widened major roads to improve circulation in the area. [6]

Beyond these beneficial aspects inhabitants were faced with implementing over a longer period than expected for this project due to administrative shortcomings. [11]

Water in the study area is also within the ranges.

The development of environmental protection in the water sector has experienced a significant boom in Constanta as on the whole metropolitan area. [17]

Constanta City Hall with the main operator of water and waste water networks in the area have accessed European funding and implemented the most consistent field project involving revamping the treatment stations and evacuation routes change. [16]

Threats Constanta is facing in this area are the harbor and new research projects in petrol area , which strengthens our belief that human evolution puts sustainable development to new tests

The soil in the study area in 2007-2013 benefited from projects to improve environmental quality and living conditions of citizens. This is the only resource that we

found information showing exceedings of the limit values. [11]

For example in some places in the county we have found cases of excess nitrate values.

We have found The main interventions supported locally nationally and especially European, to improve the environmental situation in the context of sustainable development in the collection and recycling program in agriculture. [24]

How waste is still selected on the territory of Constanta is in our view still poor, although there are actions that have been made in this regard and there is a minimum improvement in the situation. As of radioactive waste, it remains a serious problem for the globe and especially for us, because as long as we can not properly manage other types of waste we can not bring into question the management of radioactive waste from other states. [3]

Beyond this Dobrogea is a specific area that should not be subject to any risk of contamination. [7]

Vegetation and fauna of Constanta city is not particularly rich being deeply influenced by anthropogenic factor. However, the sea has an important flora and fauna potential, being tied to the Danube, which enhances its value therefore the need to protect it. [14]

The area has experienced in recent years isolated pollution problems and the introduction of invasive species that have caused imbalances in flora and fauna. in recent years legislation to protect flora and fauna and habitats in this area has changed being supported by European instruments in particular. [6]

Sustainable development although failed to permanently halt harmful effects of human activities largely allowed environment to better self-manage. Proof stand late measurements of all indicators for water, air, soil, vegetation and fauna.

3. Conclusions

The study of sustainable development phenomenon leads us to asses it as well, although partially, applied It is difficult to change an old mechanism with a new, totally sustainable one over such a short period of time.

That is why we support the assessment of environmental action after at least an average

period of time before considering them ineffective and replace them.

The EU impact is present in all sectors of local development for the study area , manifested through legislation, funding and specific tools to permanently act to the sedimentation of sustainable development matrix.

In recent years there has been a significant improvement in all these segments, however, to achieve the goal of sustainable develop our constant need to be able to maintain these activities and develop new ones to meet future challenges.

The role of sustainable development is not to stop the activity and human evolution but to guide the process towards achieving increasingly larger performance able to sustain us over long term.

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Environmental Policy in the European Union and Their Implementation in Romania

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Abstract

Environmental protection in the European Union is today a policy with a principal role in the development and implementation of all Community Member States policies and. The integrated approach is about developments in the overall strategies of integration in the last decade of the last century who gradually adapted to the model of sustainable development.

The Maastricht Treaty raises environmental protection at the "rank" of policy for the Community and the Treaty of Amsterdam includes the principle of sustainable development as one of the Community's objectives and establishes the principle of environmental integration into sectoral policies

Through the six environmental action programs, the Union has developed a complex system of horizontal Community legislation and areas (air quality, waste management, water quality, nature protection, industrial pollution and risk management, hazardous chemicals and genetically modified organisms, noise, civil protection, nuclear safety and radiation protection), went on to the integrated sector approach, developed principles and tools for action and the external dimension of international cooperation.

Keywords: environment, environmental policy, sustainability

J.E.L. Classification : K32

1. Introduction

By its nature the sustainable development is the need for accountability and environmental education, and this is reflected

by the evolution of EU policy in recent years, marked by political shift from an approach based on coercion and punishment to a more flexible one, based on incentives. [10]

Thus, EU acts in the direction of a voluntary approach, in order to promote this responsibility to the environment and to encourage the use of environmental management systems. [12]

Environmental policy is not acting independently, but reflects the interests of civil society in this direction, manifested by the creation of numerous environmental movements and organizations. Moreover, in some countries creation and development of political parties "green" turned into a success in the political arena. [13]

Resistance should not be forgotten either - or, better retention and inertia that occurs when environmental objectives appear to limit industrial competitiveness and economic growth, but this only serves to emphasize once again the need for a concerted approach to European level and the need for active and integrated environmental policies, able to meet the challenges that arise in economic terms.

It has been over three decades since the EU adopted its first environmental action program. From a sectoral approach, Europeans took the development of strategies for sustainable development, integrating all the components of Community policies; Union has adopted more than 200 laws, developed a more complex system of instruments to promote research and technological innovation to find clean technologies developed ecological markets, tried to act in the consumer behavior and production (appreciated today as a key determinant of systematic degradation of the environment and ecosystems), has been active in global action towards economic

policy reorientation, towards sustainable development in all countries. [9]

2. Implementation of environmental policies

The Study examines environmental issues as part of the European strategy for sustainable development, and then presents the basics of European Environmental Policy (EEP), development of institutional and community actors of environmental policy, objectives, principles and EEP instruments system, the European programs of action for the environment. [15]

The best, the most effective strategy is to prevent pollution and environmental harm of any kind. Prevention involves both evaluation of all potential risks and actions that are based on knowledge of the current situation to avoid, to the greatest extent possible environmental degradation. Recognition of environmental risk prevention and damage as a general principle of environmental law is a major step forward to environmental protection. Prevention of environmental destruction can be achieved only by using in all sectors of the economy, cutting edge less polluting techniques, through strict observance of laws and the use of filters or other specific devices that reduce the amount of pollutants released in the environment. [16]

Pollution by toxic substances or other substances, and global warming must be stopped in order not to cause serious or irreversible effects on ecosystems. Least developed countries should be helped in the fight against pollution, as environmental impacts always have a global effect.

Earth's natural resources, including air, water, soil, flora and fauna and especially representative specimens of natural ecosystems must be safeguarded for the benefit of present and future generations through careful planning or management, depending on the individual situation. [8]

Ecosystems and organisms and marine atmospheric, soil resources used by humans are to be used so as to maintain optimum sustainable productivity, but not so as to endanger the integrity of ecosystems or species man coexists with. Nature protection against degradation caused by warfare or other hostile activities is also important [7]

Conservation of biodiversity and ecosystems can not be done without effective monitoring to early detect any damage or degradation. The time at which the negative effects begin to occur is in most cases, the last moment when action can occur before damage becomes irreversible. [5]

The biodiversity is defined as "natural plant and animal diversity. Sometimes habitat diversity (the variety of places where organisms live) and genetic diversity (the variety of genetic characteristics of a species) are also considered types of biodiversity". [4]

Another constitutional provision, that of art. 134, para. (2) lit. c) requires the State to ensure the restoration and protection of the environment and ecological balance. [14]

The notion of environment means, as Romanian law defines it "all conditions and natural elements of the Earth: air, water, soil and subsoil, all layers of the atmosphere, all organic and inorganic materials and living things, natural systems interacting including the items listed above and material and spiritual values".

Most human activities are generating pollution. According to the legal definition, pollution is "any introduction by man into the environment, directly or indirectly, of substances or energy with deleterious effects, likely to endanger human health, to harm living resources, ecosystems and material property, reduce benefits or prevent other legitimate uses of the environment". [18]

Governments and public authorities have a responsibility to protect the environment and promote health insurance in their jurisdiction. [19]

To improve environmental quality, however, it is necessary that any action taken at national level to be designed and implemented in line with global programs as environmental protection can not be achieved, but through recognizing its global character. [3]

Community shall take action on the environment, only when the objectives referred to in paragraph (1) may be better achieved at Community level than at the level of individual countries (it's about the following objectives: to protect and improve the environment, protect human health, ensuring rational use of natural resources). Without inflicting prejudice to certain measures of a Community nature, the

Member States shall finance and implement the other measures.

In order to protect the environment, environmental education and public awareness in environmental issues and especially respecting access to information, participation in decision-making and access to justice in environmental matters are needed. [11]

Environmental problems can be easier solved with the participation of all concerned citizens, at the relevant level. Anyone can have access to national public authorities in environmental issues about hazardous materials and activities in his community.

Public participation in environmental decisions, is more than transparency regarding such decisions. [21]

Thus, citizens have even the right to participate in decision-making, participation encouraged and facilitated by the state. Citizens are granted access to judicial and administrative proceedings and get guaranteed the right to environmental damages they have suffered.

3. Conclusions

In over 30 years of Community action in the field of environmental protection, the Commission considers that the main results are: industrial waste reduction, limiting or prohibiting the use of toxic substances with high-risk on environment and health, diminishing water acidification, improving waste management, improving the quality of water, air and soil.

To improve the impact of EEP, the coming years interest will be shown to those strategies and tools that will promote a better correlation between environment and the free market (especially by changing production and consumption behaviors) and will pursue a more effective integration and consistent environment in sectoral policies.

In addition, one of the major challenges will be the implementation of environmental policy in the new member states.

In Romania, waste management issues are mostly:

- waste not known precisely due to lack weighing systems;
- there are significant amounts of uncollected waste, about 20% of urban residents have no sanitation contracts, and in

rural areas almost nothing is collected in an organized manner ; [2]

- landfilled waste contains high organic material that through decomposition generates greenhouse gases (methane, carbon dioxide) ;

- energy recovery from waste disposal practice is not common in Romania;

- a trade network is not organized for the recovery of waste, existing landfills are often located in sensitive areas, near houses, surface water, recreation areas, deposits are not properly arranged, leading to pollution . [1]

Collecting, processing, transportation and execution of new products from recoverable materials will lead to fewer pollutants of air and water, less solid waste, the use of smaller quantities of raw materials in the production process.

Moreover, the recycling pollutants were significantly lower than those of landfill and incineration in almost all categories.

In recent years the Government began to take a series of measures to help protect the environment. [17]

Thus the Government Ordinance no. 25 of 2008, introduced on 1 January 2009 a fee (eco-tax) of 0.2 lei for each plastic bag from non-biodegradable materials purchased

Eco fee is cashed in by operators who sell such packages and sales proceeds of this tax are directed to the Environmental Fund.

As a member of the European Union, Romania has an obligation to collect and recycle annually 80 000 tons of waste from electrical and electronic equipment [20]

Organized collection actions were initiated in 2007 by the National Campaign for the collection of waste electrical and electronic equipment known as the "Great disposal", initiated by the Ministry of Environment.

Citizens were called to bring in front of the house or building inoperable equipment, for sanitation companies to lift and carry them to collection centers, for there to be taken to collective organizations authorized to recycle. This campaign ran until 2009.

Following the adoption by Romania of the EU acquis, a fee payable when you purchase an electronic product (that is "green stamp") that reflect the costs of managing electrical and electronic equipment waste was introduced

Another program with ecological purpose that became very popular in Romania was renewing the national car fleet. The purpose of this program is to improve air quality through national auto renewal in Romania.

Regarding the collection of nuclear waste from nuclear power plants in Cernavoda, Romanian authorities have started the construction of a repository according to European standards in the field near the town of Saligny warehouse with a deadline for completion in 2014.

Since 1 July 2010 in Romania the program "Green House" became operational.

The purpose of this program is to improve air quality by reducing water and soil pollution caused by burning wood and fossil fuels used to produce heat energy used for heating and production of hot water.

Through a grant from the Environmental Fund project on installation of heating systems using renewable energy, including replacing or supplementing traditional heating systems, the use of renewable energy systems using renewable, clean energy is encouraged

The authorities also claimed numerous information campaigns on waste collection, campaigns promoted by the mass media (television, press)

At present, in Romania are selectively collected 30% of the packaging.

EU regulations for the country stated that by 2013 the recycling level must reach at least 55% of all waste produced and 50% of household waste and 70% of construction waste generated in 2020.

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Special Issues of Jurilinguistic Translation. Case Study: The Criminal Code

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Abstract

This study aims at analyzing the process by which the highly specialized language of the legal system is highly influenced by English, as a lingua franca. The first section of the study deals with the concept of translation and with issues regarding the relationship between law and language. The second section is focused on corpus presentation, i.e. the Romanian Criminal Code in Romanian and in English. The third section uses the content analysis instrument WordStat in order to answer its central question: What approach can the translator use in order to choose between synonymy and polysemy in the language of law in Romanian and what are the stages of this approach?

Key words: translation, legal language, Criminal Code, English language

J.E.L. Classification: Z

1. Introduction

In recent years, there has been an increasing interest in legal English which covers Common law systems and Civil law systems and, as a result, there are terminological differences in the use of the legal meaning of terms that are different across cultures, and legal systems. [1]Romania's integration in the European Union led to linguistic incurrence in translation; this has become more frequent due to Romania's obligation to translate its legal system into global languages, such as English and French, in order to provide clear and transparent rules. Kocbek [2]claims that "due to the United Kingdom's involvement in the EU, Euro-English terms, i.e. English translations of European concepts will have to be adopted by and included into the

vocabulary of the native-speakers of English as well." [3]

Translation and *juristranslation* are crucial in a multilingual Europe and when drafting legal instruments becomes a challenge, a jurilinguistic approach can become a key factor for making the European language clear and uniform in a field where precision is imperative, like criminal law. Legal translation has been understood by researchers like Garzone as a category in its own right, due to the complexity of legal discourse which combines two extremes: the terminological precision of specialized translation and the resourcefulness of the literary language used in interpreting ambiguous meanings. When talking about legal translation, one should not make the mistake of thinking it is just a matter of transcoding words from one language to the other, because a text is written for an intended receiver and when translating it into another language, the receiver will obviously change the cultural settings of language and special purposes language.

The translation of legal terminology requires certain attention, because it consists mainly of abstract terms rooted in the domestic culture and intellectual tradition. Since the birth of legal translation, experts have been debating about the role of the legal translator, about whether he should be a jurist or a linguist, about his relationship with the source and target legal texts, and the discretionary power he should enjoy. The challenging nature of the legal translator's job comes from the essence of legal translation itself.

This study aims at analyzing the process by which the highly specialized language of the legal system is highly influenced by English, as a *lingua franca*. [4] Further objectives of this study are to detect language variation in the nouns used in criminal language and phrases and verb phrases

produced by translating the Romanian Criminal Code into English using a technical English corpus. In order to achieve the aims of this study, we carried out a terminological, lexical and semantic assessment of the official translation of the Romanian Criminal Code into English, based on an English translation of the Criminal Code provided by the Ministry of Justice; thus, the study draws attention to the great number of terms used for the same notion and to the difficulties met in legal translations due to the specificity of the Romanian and English legal systems. [5]

A very important aspect that should be taken into consideration is that translation, especially of legal texts, is not simply a matter of linguistic transference, but "an attempt to communicate someone else's message through another language. It is an attempt to communicate one word in terms of another" [6] In order to perform an accurate translation, the translator has to focus on a complex network of factors, such as the context of situation, the intended use of the translation, the communicative purpose, the generic knowledge, the rhetorical context. Translators must have basic knowledge of the legal cultures and systems of the source and target languages, and he must be aware of the differences of these cultures and even of the absence of equivalent concepts[7]. In this situation, the translator usually resorts either to neologisms or to the repetition of the word in the source language, making an explanatory translator's note. Other situations which require interdisciplinary approach are the existence in the target language of more than one different concept for a single legal term in the source language, or the existence of different meanings of the same term, in different branches of law – private or public law.

Those who profess in the legal field and in the field of legal languages should be aware of the fact that the legal translation is not a process that focuses only on the linguistic side, but it also implies the understanding of legal concepts in the source language and in the target language as well. Susan Sarcevic, author of plurilingual dictionaries and of several studies on legal translation theories, states that "legal terminology of different legal systems is, for the most part, conceptually incongruent." [8]

2. The relationship between law and language (jurilinguistics)

The relationship between law and language is *sui generis* as they are both culture-bound and normative systems. Legal texts and legal discourses are, at the same time, law's main object, because "language is the medium, process and product in the various arenas of the law". The function of legal language is characteristic of legal discourse and does not exist, at least to the same extent, in other specialized domains – medicine or computing. Law has an intimate relationship with language, which means that the legal discourse produced by one linguistic community may be different from that produced by another one; many different countries use the same language to convey and make law, but each one has its own legal language, drawn from social realities.[9]

Jurilinguistics is said to be the scientific study of legal language, but Gerard Cornu argues that it is a hypothesis of research, rather than a science, stating that he prefers the term *linguistique juridique*, because it includes not only the study of legal language, but also the study of linguistic rights. A large body of research has been published on the trinity law-language-society makes legal terminology and translation a challenge, because it raises the debate on universalism vs. relativism.

3. Legal translation

It has been described by researchers as a category in its own right, due to the complexity of legal discourse which combines two extremes: the terminological precision of specialized translation and the resourcefulness of the literary language used in interpreting ambiguous meanings. [10]

When talking about legal translation, one should not make the mistake of thinking it is just a matter of trans-coding words from one language to the other, because a text is written for an intended receiver and when translating it into another language, the receiver will obviously change. The translation of legal terminology requires a certain attention, because it consists mainly of abstract terms rooted in the domestic culture and intellectual tradition. This brings us to two considerations: first of all that a

translation can either be target or source oriented, and that an aim is meant to be achieved by the translation, or that the translation strategies may change.

Since the birth of legal translation, experts have been debating about the role of the legal translator, about whether he should be a jurist or a linguist, about his relationship with the source and target legal texts, and the discretionary power he should enjoy. The challenging nature of the legal translator's job comes from the essence of legal translation itself.

Legal translation is a special purpose translation, the goal of which is to preserve the meaning of the source text and lead to the same results in practice. It falls under a specialist category, meaning the technical translation, since it involves the use of a special language (technically speaking a LSP) within a technical context, namely the one of law. Legal language is therefore distinguished both from ordinary language and from special languages of other domains.

Distinct languages divide the semantic space differently. This excludes the possibility of finding a full equivalence between terms. Theoretical approaches contribute to the opening up of a series of alternatives and possibilities in order to make the legal translation a practical possibility.

In legal translation, many scholars linked legal equivalence to the extent to which the same legal effect can be conveyed in the target (translated) text, while the fidelity is maintained in the source text. This technique is described by Newmark, as a procedure which occupies the area between the source language (SL) and the translating language (TL), and it is known as functional equivalence. According to Newmark, when dealing with legal documents, like contracts currently valid in the translated language, the translator should focus on the communicative approach, which is TT oriented. [11]

Legal translation may become necessary in more than a situation and most importantly, for different purposes. A legal text may need translation for informative and prescriptive purposes, with differences of outcome in terms of legal force as well.

Translation may be needed at an international level, during a bilateral or multilateral treaty, involving parties speaking different languages, or during the writing of a

contract, for the same reason, as well as at a domestic level, in the case of a bilingual or multilingual country, both for its law and for the regulation of disputes among people belonging to different language communities. Non-binding texts - such as judicial decisions - may be translated as well, creating a precedent in common law countries and for an informative purpose in the others.

Taking into account that the meaning of legal texts is tightly connected to the legal context, the legal criteria should be paid a lot of attention when choosing the most appropriate strategy for a translation. Beaupre supports the idea, and states that legal translation should "formulate two equal versions of the same instrument, for linguistic purity within the confines of legal equivalence" ([12])

Clearly enough, translating is not simple transposition. This is a universal statement, true for translation in general, but essence of legal translation in particular. When translating law, the translator has to convey not only a merely linguistic translation but a legal one, meaning what should be rendered is not the text *per se* but the legal message words are expressing. It is typical for legal translation to have to do with more than one legal system, so that translation should not only be terminological, but also conceptual. Translators should therefore be able to produce a text, not only understandable in terms of words, but also in terms of ideas.

A literal translation puts the stress on terminology, replacing words and phrases of the source language, with equivalents of the target one. But this cannot be done when working on legal documents since more implications are on the scene, especially context. This is why legal translation is basically a process of translating legal systems, which brings another consideration in discussion: the intertwined of legal translation and comparative law. It is hard to say which discipline is tool to the other, since legal translator's need the technicality of comparative lawyers to dissipate conceptual doubts, comparative lawyers ask for the help of translators when facing terminological or language-related issues.

Legal translation is between legal systems and so does comparative law. What is different in the approach and the aim the two have, legal translation is a comparative law

instrument, which leaves aside the role of the translator in the legislative process, and his role of producer of law when translating authoritative texts.

4. Corpus Presentation

In order to answer the central question of this study, i.e. what approach can the translator use in order to choose between synonymy and polysemy in the language of law in Romanian and what are the stages of this approach?, a corpus-driven study on the lexis of legal English was conducted in an endeavor to extract automatically the specialized vocabulary of the discipline [13] Other secondary research questions dealt with within this third chapter are: How does the translator choose between similar terms? What insights have translators in their own learning process, specifically, if they prefer to make sense of the context or remain faithful to the source language? In order to achieve the aims of this study, we carried out a terminological, lexical and semantic assessment of the official translation of the Romanian Criminal Code in English, based on an English translation of the Criminal Code provided by the Ministry of Justice; thus, the study draws attention to the great number of terms used for same notion and to the difficulties met in legal translations due to the specificity of the Romanian and English legal systems.

5. Findings and discussions

By the thematic structure of the articles for the Criminal Code, we understand what the overall organization of the punishment topics is about. The linguistic consequences are far reaching. They include the possibility of extremely long and complex sentence structures (often between 70 and 100 words), which are virtually impossible to read aloud meaningfully or to understand when heard. With written language, however, we have the luxury of multiple recasts to construct them, and multiple readings to decode them, so that they become possible, if perhaps undesirable. These very long sentences are often used to package together a number of core concepts or prescriptions, along with all the conditions in which they apply. Legal language also

tends to use long and complex noun phrases; collocation, synonymy [3]

Legal discourse is dominated by repetitions, archaic words and phrases, technical terms, binomial and multinomial expressions, long sentences containing several clauses, unusual propositional phrases and the use of nominalization. It creates an impression that receivers' schemata are not taken into account in legal writing and drafting. Thus the problem that arises in legal discourse - those laymen are hardly able to follow it. Remnants of old formulaic expressions further complicate its analysis and hinder comprehension. This is especially true of the language of Civil Law, the Romanian Code being adapted in 1864, during Cuza reign.

In addition, simplification mostly affected loan contracts, insurance policies, leases and similar types of documents dealing with commerce, banking or insurance, while in other types of legal instruments ancient formulas recur and preserved patterns remain intact. Garner [14] claims that "most of the circumlocutions, formal words, and archaisms that characterize lawyers.

There are also numerous abstract nouns, including "absence," "agreement," and "capacities." Police investigation and court proceedings can also face this issue, although to a lesser degree, since oral interaction includes the possibility of the face-to-face negotiation of meaning. The problem is that there is psycholinguistic evidence [15] that complex sentence and phrasal structures, and the use of grammatical metaphor, make texts difficult to understand

Repetition is the identical recurrence of a preceding lexical item which establishes a cohesive tie between lexical items as a referential link. A lexical item coheres with a pre-ceeding occurrence.

Synonymy is the identity of senses of two or more lexical items. In the case of synonymy, lexical cohesion results from the choice of a lexical item that is synonymous with a preceding one [16]. In semantics it is important that the synonyms have the same or nearly the same sense while they may or may not have the same referent.[14]

The vocabulary of legal discourse abounds in synonyms. It is rife with synonyms because it springs from three lexical sources: English, Latin and French, so

a number of synonyms refer to the same legal concept. They can be considered cognitive synonyms, as the notion of non-existence of real or absolute synonyms is widely accepted. Lexical synonymy in legal lexis is seen as a sense relation that holds between two or more lexical units with the same sense in the given contexts in which they are interchangeable. The synonymous lexical units also share the same conceptual meaning.[17]

When examining the law, it becomes clear that it is tightly related to the field of linguistics, as legislation is seen as a linguistic entity, placed within the field of language. Equally police investigation and court proceedings are overwhelmingly linguistic processes, mainly spoken rather than written in Common Law systems. What makes these important for applied linguistics is that the linguistic aspects of the law raise many issues and difficulties.

Some legal terms are used almost exclusively to refer to legal contexts, for instance "estoppel" and "magistrate." Others are words with non-legal meanings that are used with a particular meaning in legal contexts, such as "party" (one side in a court case), "damages," and "restraint" (as in "restraint of trade"). Legal English has borrowed a range of terms from Norman French and Latin, and many of these terms are still in wide use: for example *habeas corpus* and *voir dire*. Jargon is also characteristic of the legal language of other European languages,

The criminal law terminology is very complex because it involves a good knowledge of legal terms from the criminal law. Many terms, belonging to the lexical domains of legal language have great importance for the administration of justice by European courts and in courtroom translation. For instance, a simple misunderstanding of the legal terms in software license and copyright notions such as "binding" to mean "obliging" may lead to the risk of infringing the law. If legal jargon is in some cases unknown or poorly known to non-lawyers, it clearly has the potential to impair their understanding of and their participation in the legal process. This accentuates the problems of complexity discussed above.

The first thing we notice is that the legal language can be divided into sub-genres on the basis of branches of law. The main distinguishing criterion then becomes the specialist terminology of each branch. Essentially we need to look at a large part of the legal terminology of criminal law to see if their use is universal. It is important to realize that criminal law, for example, contains scores of terms that are almost never used in texts on the law of property or constitutional law. Equally, criminal legal terminology is extensive and highly technical.[16]

6. Conclusions

Our analysis indicates that the ambiguity of legal terminology encounters a double jeopardy: once due to legal system specificity and once due to the need to use a uniform language. So, the official translators of the Criminal Code could have used the notion of crime in order to avoid the different meaning of an apparent synonym. By choosing to use offences, acts, actions, instead of crimes as subtitles in the Special Section of the code they successfully avoided the repeated use of crime but instead created the appearance that some criminal actions punishable accord to the criminal law do not produce criminal responsibility.

The language of the law is an important arena for applied linguistics, because the law is such an important and influential institution, and due to the fact that it is crowded with language problems. Most of our common everyday activities are carried out within a legal frame. From buyer vendor contracts to commercial law and intellectual property rights our daily lives are constantly influenced by legal issues. Therefore, law intrudes into almost every aspect of modern life[11]. Translation and juristranslation are crucial in a multilingual Europe and when drafting legal instruments becomes a challenge, a jurilinguistic approach can become a key factor for making the European language clear and uniform in a field where precision is imperative, like criminal law.

When one translates from one legal system into another, the distinctions between those two systems must be taken into consideration. There are some key aspects and problem areas in official translations of

legal contracts, in terms of terminology transfer between two different legal systems. Theoretically, the most accurate official translations of legal contracts in terms of legal terminology transfer are the ones where nothing is hidden from the reader and where all the problems are elaborated and all the defects of the original are noted.[18]

The importance of meaning should be rendered equally in the target text; form and style of writing and should respect the rules laid down by the original document, and finally the fact the message should be conveyed as clearly as in the source text. All this can obviously be applied to legal translation, with some reserves about correspondence of style and form.

The most successful way to incorporate all the information into the main body of the translated contract is to make the official translation based on functional equivalents. Legal language is formalized at lexical, textual, syntactic and generic levels. The essential meaning of the legal terms is directly connected to the tradition of the legal culture they originate from, and the terminology always has to be assessed in relation to varying circumstances.

Although language and law are inseparable, language is not the only challenging factor for legal translation and terminology, because different countries, with the same language, develop distinct legal terminologies.

Dealing with legal translation, means dealing with a two sided subject, going back and forth between law and language. This is why its definition is double too. Legal translation has to be considered as a *cross-cultural and interlingual communicative process and as a complex human and social behavior*, as a subject constrained by law, on the one hand, and language on the other.

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Management of Risk Factors while Countering Terrorism

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Abstract

This article attempts to highlight the importance of analyzing the risk factors in preventing and combating acts of terrorism. International interests to prevent, combat and counter-terrorism unit require capitalization, a joint experience in order to transition to a higher stage namely organizational setup and operational institutional mechanism for preventing and combating terrorism.

Outside the risk factors (affecting democratic values, reduce access to some vital resources, environmental disasters, individual or collective actions manipulation and misinformation), countries of the world have to manage a number of vulnerabilities caused by internal structural transition process (judicial reform, the fight against corruption, social integration, regional economic differences) that can help increase the impact of these sources of risk to international security.

Keywords: strategic crime, factor, terrorism, organization, value.

J.E.L. Classification: Z00

1. Introduction

In the last period the world has been marked by fundamental political changes which caused unwanted effects on security policy. The major problems of the modern world are caused by rampant development of organized crime, political extremism and terrorism.

Today, the internationally humankind is facing a new enemy, namely, the strategic crime. This is a sad reality that includes "a

combination deeply connected to organized crime, drug trafficking and terrorism with a large expanse and wide content".[1] The security environment of the XXI century is characterized by substantial changes that require adaptation of the classic criteria of analysis of international security[2].

In this context, terrorism, as a complex phenomenon, "a social construct" that has its roots in the matrix stylistic differences between interest groups, attempts to impose demands by violent political, economic, religious, ethnic or other communities as well frightening to people, public opinion, which in turn to pressure the authorities to satisfy the alleged claims.[3]

Although the increase in violence and organized crime cases are difficult to identify and explain the existence of sensitive differences in relation the extent and intensity from one country to another, most scholars and researchers believe that the sources of this phenomenon is the perpetuation of the political, economic and normative deficit in maintenance and increased social and economic disparities between individuals, groups and communities as well as in the intensification of conflicts and social and ethnic tensions.[4]

Elucidation of the causes of crime / terrorist can only be achieved through research to exploit all sides of this phenomenon. For this reason, the investigations shall be of sociological, psychological, legal, psychiatric, biological, economic and anthropological.

The terrorist organizations increasingly hit more often in different parts of the world, terrorists are developing a worrying tendency to worship death and terror, their every action recorded an exponential growth victims

among key state institutions or innocent people.

The terrorists relies on the fact that the higher their actions recorded more casualties, the impact on the public is higher and thus the driving factors for states pursuing, in most cases, the achieve some goals political, economic or even military.

Acts of terrorism that occurred in the world since September 2001 in the United States highlight the transition from sporadic acts of individuals isolated at major terrorist actions perpetrated usually by terrorist groups well organized, together with the use of a wide modern range of methods and tools.

There is, however, an increasing trend in the number of terrorist organizations, their branching structures, with shares growing areas, strengthening their military potential, to expand the area of targets, establishing close links collaboration and business intertwined with the underworld. [5]

Although the measures and actions to prevent and combat terrorism taken by states and international and regional organizations have intensified the terrorists seem to always be one step ahead.

This explains many successful attacks lately on certain officials (12.03.2003 Prime Minister of Serbia and Montenegro; Afghan Minister of Aviation, Mirwai Sadiq, 13.02.2004; Chechen President Zelimkhan Iandabiev; president of Taiwan, Khen Shui-Bian; 09.05.200, Grozny, Chechen President Ahmad Kadırov) or on public objectives and institutions (1993 –World Trade center, New York, U.S.A. -109 dead; 11.09.2001-World Trade Center, New York, U.S.A-2.993 dead; 11.03.2002-3 stations in Madrid, Spain-191 dead; 12.10.2002 a nightclub and a restaurant on the island Bali Indomnezia-202 dead; 23.10.2002-theater in Moscow, Russia, 120 dead; 09.12.2003-National Hotel, Moscow, Russia-6 dead; 03.09.2004, North Ossetia, Beslan school-329 dead and 500 injured).[6]

There are, therefore, a number of uncertainties on current strategies to prevent and combat terrorism, the structure, organization and use in combat forces and means designed to take the fight to the terrorists. [7]

Questions evidence must knead specialists in this field:

"How can we fight against terrorism?"

"How we defend against it?"

"Which might be the best solution for effective action to prevent and combat terrorism and tactics adopted measures by now?"

"Need to tackle a new strategy?"

"What kind of forces must be designed to prevent and counter terrorism?"

Fight against terrorism can be integrated operations, when conducted within a broader joint action, conventional or, most often, self-it is conducted separately from the joint action of the whole, but strategically coordinated.[8]

Knowledge of current threats seriously means acting to prevent them. If latent threat becomes manifest or allow the spread of existing ones, the consequences will be too severe.

2. The procedure for identifying of risk factors

Within the risk management function are several procedures, techniques, steps on the identification of risk factors.

Step 1- Identification of the issues as possible risk factors.[9]

a) Questions used to identify issues: "Who", "When", "Where", "What", "Why".

"Who are the people that have problems?"

"When the problem arises?"

"Where are the people?"

"What kind of problem occurs?"

"Why does a matter occur?"

b) Evidence of the problem.

Evidence that can be brought (statistical data, photographs, medical reports, etc.).

c) Consequences

"Which would be the consequences if the problem is not resolved?"

Step 2 - Prioritization of issues

Once identified the issues as possible risk factors, they should be prioritized according to their urgency or social priorities.

Step 3 - Analysis of the causes and effects of the problem as possible risk factors.

This level should be listed the causes and effects or that may be caused by the problem identified. Detecting of cases may be responding to the question:" Why is this happening?". The effects, also, can be

identified by answering the question: "What are the consequences if it happens?"

Step 4 - Presentation / justification of risk factors

It is not enough to identify a risk factor but it is important that this be made known and try to solve it. For this to be possible must meet the following justification:

- the issue is real, oriented towards needs (evidence: statistics, surveys, studies, and so on, thus avoiding the suspicion of a "fancy" problem which is not rooted in reality);
- the issue is concrete, not abstract (evidence: concrete examples to argue the issue found);
- the problem can be solved - finding improved solutions to the problem have been solved;
- the issue has serious negative effects. Proving the negative effects of this problem and delaying resolution/improvement they can aggravate the consequences for the community/society.

We can not speak of a functional system of risk management without the aim of defining response to the identified problem. The result of proposed steps is to eliminate risk factors identified by achieving goals.

Anticipation of conflict within the overall efforts undertaken in the conflict, turbulent area to create a climate of trust, a form of cooperation procedures and institutions where there is no or to strengthen them where they are weak, the missing parts using armed methods action .

Such measures include establishing trust certain values such as democracy, minority rights, the adoption of the law or proliferation of weapons. Peacekeeping when it is necessary to anticipate the conflict may also include improving socio-economic conditions which, moreover, stimulate violent conflict. An environment ensured minimal material may be required as a condition for starting or maintaining negotiations and stopping extremist elements drawbacks from using violence as a pretext to the challenge.

Long-term preventive action should include measures to eliminate underlying causes of conflicts, their deep roots and threats that affect global society. Removing the roots of conflict is not limited to meeting the most pressing needs after conflicts and

restoring war-torn society it is necessary to eliminate those conditions that led to the conflict. [10]

The causes of conflict are different because the means of removing them should be different. Land reform, plans pooling of water resources, economic employers in common areas, joint projects in tourism and cultural exchanges can be beneficial in removing the causes of conflict. Restoring the increasing number of employees will be a strong stimulus for youth to reject illegal activities as drug trafficking, arms trafficking, human trafficking or terrorism.[11]

States, also, should consider the measures which lead to the elimination of realities as environmental degradation, overpopulation, unequal distribution of resources, and contributing causes social unrest, regional conflicts and internal contradictions.[12]

Theory and practice demonstrates the complexity and diversity of views on the sources of conflict and difficulty to provide causal priority to any particular source or a single opinion. Particularly multiple springs are on military conflicts. These contradictions may arise from political, economic, national, ethnic, social or religious nature.

The correct determination of the driving forces of the conflict will enable taking appropriate attitudes and effective in order to reduce inconsistencies in the early stage of the conflict or resolve it and bring the situation to normalcy.

3. Means to combat the causes of terrorism

The proliferation of new risks and threats – asymmetric - amplifies the insecurity of the global environment, which leads to the disintegration of the old international order so that in the next 10-15 years will look significantly different global order, while the dynamics of international relations promote efforts to build a new international balanceable to the expansion of freedom and democracy.[13]

The security environment is characterized mainly by the following major trends: the acceleration of globalization and regional integration, along with the proliferation of actions aiming state fragmentation,

convergence reasonable efforts to structure a new security architecture, stable and predictable, with the emphasis on trends regional anarchic, renewed efforts by states to preserve their influence in the dynamics of international relations in parallel by multiple forms of intervention and increase the share of non-state actors in the dynamics of international relations.[14]

In this complex dynamic and turbulent world, the confrontation is wearing between the main fundamentally different values, between democracy and totalitarianism, and is determined by increasing aggression of origin of international terrorism and religious extremism, organized in cross-border networks against democratic states and political forces rational states engaged in the democratic process.[15]

The major tendencies, that govern global developments in the aftermath of the Cold War, creates legitimate concerns, poses new challenges, new opportunities and the risks to national values and interests. Globalization is the main phenomenon that influences contemporary security environment, creating both growth opportunities and new risks and threats. [16]

In this environment, no country can isolate or stay neutral, no country is immune and no one should remain outside the global processes. As a result, international security tends more and more to show indivisible nature and the international community is increasingly aware of global responsibilities incumbent. Development must be the first line of defense in a collective security system that takes into account the prevention of conflicts. Combating poverty will not only save millions of lives, but it will also strengthen the capacity of States in the fight against terrorism, organized crime and proliferation. Development brings more safety among societies with a developed economy.

A special role in terrorism prevention system they have normative-legal acts of international and national. To these concerns, in particular, a number of United resolution containing the requirements and recommendations of UN Member States to refrain from financing terrorist activity and call to sign and ratify a number of

international conventions on combating terrorism.[17]

An effective strategy for fighting terrorism requires the involvement of the legal, moral, and strengthening citizen participation and employment, strengthening social solidarity of all democratic political forces, strengthening of international relations and peace.

Profound transformation of the beginning of the century is a direct proportional relationship with both the international community's increasing role in conflict prevention, management and resolution and the geographic expansion of the democratization process.

Developments that followed the attack of 11 September 2001 emphasized that strict approach to security through the military factor is no longer sufficient. An essential condition for cooperative management of security is represented only by institutional reforms, but also the principles of indivisibility of security, transparency and global and regional engagement of the international community.

The main processes generating continental security plan are NATO and EU enlarging. In addition, to these forms of regional cooperation development and trends of development of crisis management systems by coordinating organizations in the field (UN, NATO, EU, OSCE). In the new security context also, adaptation and transformation of NATO will lead to setting up new partnerships and forms of cooperation, and the creation of specific tools to counter unconventional risk.

4. Conclusions

Fundamental interests of the international prevention and fighting against terrorism require capitalization currently unified experience of solidarity in order to transition into a new phase that is superior organizational and operational setup an institutional mechanism to prevent and combat terrorism in a manner to address specific challenges in the security context of the current national and international cooperation.

Management of risk factors contribute to removing bottlenecks to resolving differences

and tensions that allow democratic institutions to generate security and prosperity by respecting human rights and fundamental freedoms and acceptance of different cultures.

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Concentration of the Banking Market

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Abstract

First, in this study we try to test whether the Structure - Conduct - Performance Paradigm holds by investigating the relationship between concentration and banking system performance in Romania. We find that is a positive correlation between market concentration and performance in Romanian banking, according to the Pearson's correlation coefficient. We observed that the competition in the Romanian banking system increases continuously in the last years, but the Romanian banking sector remain relatively concentrated. In the second part of the paper, we compared the structure of the banking market in Romania and Spain, using the Herfindahl-Hirschman and Concentration Ratio indicators for period 2005-2009. We find that the banking system in Spain is less concentrated compared with Romania and media owned by European countries..

Keyword: concentration, bank competition, the SCP Paradigm

JEL Classification: G21, L11

1. Introduction

The research on bank competition has evolved mainly in two directions: the structural and nonstructural approaches. In Europe structural factors appeared to be more important and the Structure-Conduct-Performance (SCP) hypothesis seemed to hold. In this analysis we chose the first direction - the SCP paradigm - that investigates whether a highly concentrated

market causes collusive behavior among larger banks resulting in superior market performance. Continuing the same idea, SCP paradigm suggests that higher concentration leads to higher prices which lead to higher financial returns.

The Structure-Conduct-Performance (SCP) can be defined as the relationship between market structure, firm conduct and firm performance. The SCP has been one of the most tested hypotheses in the industrial organizations literature. Almost, most of SCP empirical studies have supported the validity of SCP paradigm, by providing evidence on the positive relationship between market structure and firm performance indicators. It wasn't until the '50 when the fundamental validity of SCP model was applied in banking industry (the initial study on concentration in banking sector was done by Alhadeff in 1954).

The present analysis is based on panel data collected from NBR [9], BCE [7] and BSCEE [4] for Romania banking system between 2001 and 2011.

Further, to analyze the market structure of banking in Spain and member countries we used data provided by European Central Bank for 2005-2009. In the process of comparison between the concentration of the banking market in the EU with the U.S. and Japan, we use data valid for 2010 from the European Banking Federation.

Novelty of this research is that we apply the Structure-Conduct-Performance (SCP) hypothesis from the Industrial Organization literature to examine whether market concentration has an impact on Romanian banking performance. Furthermore, we compared the structure of the banking market in Romania and Spain, using the Herfindahl-

Hirschman (HH) and Concentration Ratio (CR) indicators.

Should be said from the beginning that we do not take explicit account of the conduct of banks and the analysis undertaken focus on the structure – performance (S-P) relationship. Our empirical approach integrates a panel data analysis regarding indicators of banking sector concentration (CR5 and HHI) and of banking performance (ROE) from Romania banking system during 2001-2011 and calculation of Pearson's correlation coefficient between structure indicators and performance indicator for the period mentioned.

2. Data Base And Methodology

Since we are interested in the behaviour of banks, it is natural to adopt a panel approach. In this study, we examine bank performance through market structure. Our empirical approach integrates a panel data analysis regarding indicators of banking sector concentration (CR5 and HHI) and of banking performance (ROE) from Romania banking system during 2001-2011. In order to capture the evolution of market concentration and performance, we used data provided by NBR Stability Reports, BSCEE and BCE. Using the data obtained, for Romania banking system we plotted the evolution of CR5, HHI and ROE, analyzing the correlation between these indicators and further calculating the Pearson correlation coefficient.

To analyze the market structure of banking in Spain and member countries we used data provided by European Central Bank for 2005-2009. The indicators that we have chosen are: HHI and CR5. In the process of comparison between the concentration of the banking market in the EU with the U.S. and Japan, we use data valid for 2010 from the European Banking Federation and we compared the recorded values of CR6.

Indicators of market structure

The concept of market concentration has been comprehensively treated and debatable in the economic literature. [8] Despite the several various approaches related to its measurement, the principal elements of concentration measures are number of banks and the distribution of bank size in a given market. Structure – Conduct – Performance (SCP) paradigm can be based on any concentration ratio.[1]

The structure indicators used in the present study are:

a) Concentration Ratio (CR5): Five-Bank concentration ratio equals to the sum of the assets, or deposits, of the largest five banks in a given market divided by the total assets of that market, as in equation:

$$CR5 = \frac{\text{The Largest Five Banks' Assets}}{\text{Market's Assets}}$$

b) Concentration Ratio (CR6): Six-Bank concentration ratio equals to the sum of the assets, or deposits, of the largest six banks in a given market divided by the total assets of that market, as in equation:

$$CR6 = \frac{\text{The Largest Six Banks' Assets}}{\text{Market's Assets}}$$

Above review of literature gives us the empirical substance to one of the theoretical advantages which is claimed for concentration ratios as a measure of market structure. Since the importance of concentration ratios arises from their ability to capture structural features of a market, these are therefore often used in structural models explaining competitive performance in the banking industry as the result of market structure. Concentration ratios are also able to reflect changes in concentration as a result of the bank's entry into the market or its exit from it, or caused by a merger. [2]

Herfindahl-Hirschman index (HHI)

It consists of the sum of squares of firm sizes, all measured as percentages of total industry size.

$$HHI = \sum (S_i)^2$$

where S is the proportion of market share for the ith firm. Scale goes from zero to 10.000, with 10.000 indicating that a single

company controls 100% of the market share in a given industry.

In present study, the Herfindahl index is calculated as the sum of the squares of all the credit institutions' market shares in terms of total assets.

A market share is the fraction or percentage of a relevant market controlled by a specific market participant. Market shares can be calculated based on: sales revenues; capacity and units. Therefore, market share calculations permit courts and agencies to determine how many sales the defendant will lose if it raises prices. The greater the firm's market share, the less likely that other firms will be able to enlarge production to defeat the unilateral price increase.

The HHI index was originally proposed and used in the field of industrial economics by Herfindahl (1950) and Hirschman (1964) independently of each other. For the first time, in 1982, the Department of Justice in US replaced the standard four firm concentration index (C4) with the Herfindahl-Hirschman index (HHI). Since then, the HHI has been used in the analysis of horizontal mergers in which parties combine their productive capacities in a relevant market to operate as a single firm. Whereas C4 adds up the market shares of the top four firms to calculate industry concentration, HHI is more complete and elaborate in that it uses a weighted average of market shares of all firms.

Unlike the concentration ratio: HHI reflects the degree of market share inequality across the spectrum of firms that participate in a market. The influence of smaller firms is lessened. The influence of larger firms is emphasized. Thus, higher values of the HHI reflect the combined influences of both unequal firm sizes and the concentration of activity among a few large firms.

Although it is best to include all firms in the calculation, lack of information about

very small firms may not be important because such firms do not affect the HHI significantly.

The HHI-Index provided some useful insights into market concentration in Irish banking. The Index summarizes, inter alia, the effects on market structure of changes both in the number as well as the size distribution (deviation from average bank size) of all banks. The inverse of the Index gives the number of equal-sized banks equivalent to a particular value for the Index, which enables policy-makers to see at a glance the direction in which market structure is changing.

Performance indicator

Return on Equity (ROE)

Indicator of profitability, ROE is determined by dividing net income for the past 12 months by common stockholder equity (adjusted for stock splits). Result is shown as a percentage. Investors use ROE as a measure of how a company is using its money. ROE is an internal performance measure of shareholder value, and it is by far the most popular measure of performance [7], since: it proposes a direct assessment of the financial return of a shareholder's investment; is easily available for analysts, only relying upon public information; it allows for comparison between different countries.

The Correlation Coefficient (Pearson's r)

Pearson's correlation coefficient (r) is a measure of the strength of the association between the two variables.

Further for the purpose of study, we have centralized in a table the data on the structure indicators: the share of top 5 banks and HHI and on the performance indicator: ROE for the period 2001-2010 for the Romanian banking system:

Table 1: Bank concentration and performance in Romania

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<i>Market share of the top five banks in total assets (%) - CR5</i>	66,1	62,8	63,9	59,2	58,8	60,3	56,3	54,3	52,4	52,7
<i>Herfindahl-Hirschmann index - HHI</i>	1.427	1.381	1.264	1.120	1.124	1.171	1.046	926	857	871
<i>Return on Equity - ROE</i>	21,38	18,27	17,72	16,79	12,64	10,41	9,4	17,04	3	-2,4

Source: author

3. Results

As we can see in the Table 1, the concentration of the Romanian banking system has been decreasing continuously from 2001 to 2010. Both indicators of market concentration have declined: CR5 from 66,1 in 2001 to 52,7 in 2010 and HHI from 1427 in 2001 to 871 in 2010. The Romanian banking sector remain relatively concentrated. Top-five banks (in terms of assets) held in 2010 52,7 percent of aggregate assets on the credit institutions' balance sheets. Herfindahl-Hirschmann index was in decline since 2006, indicating a moderate degree of concentration (value of 895 points recorded in June 2011 places the Romania under 1102 points recorded average EU).

This means that the competition in the Romanian banking system has increased yearly, especially due to diminishing of the state capital and entering of foreign capital. The main factors which have influenced this process were: the privatization of the majority of state capital banks and the perspective of accession of our country in the EU. In the first period of transition of Romanian economy banks have had very good performances due to their market share in a low competitive banking environment.

Also the performances indicator declined, being closer to the average value of this indicator. As we can see in table 1, at end-2008, the key profitability indicator ROE showed a significantly higher level 17,04% due mainly to the sale of participating

interests held by four banks in the equity capital of an insurance company, on the one hand, and to the higher net interest income, on the other hand.

After a solid financial performance during the boom years, mainly due to large profits generated by intense credit activity, the Romanian banking sector was put under stress in 2009. Although the banking sector has been resilient to the crisis so far, the financial results are significant lower comparing with the similar period of the previous year. The banking system ended 2009 with profit (net profit of 816 million lei) and despite the unfavourable context on the global and local market, the Romanian banking system succeeded to preserve the positive trend in terms of profitability even in the first quarter of 2010 (net profit of 440 million lei) [4].

Further, applying the Pearson's coefficient of correlation to the indicator of market structure CR5 and the indicator of performance ROE for the period 2001-2010 we obtained the following value:

$$r = 0,788930386$$

Using the same calculation, but comparing the evolution of HHI and ROE, the result is:

$$r = 0,774157776$$

Further, in order to draw conclusions about the evolution of the three indicators that we have study, we centralized in a table the Pearson's correlation coefficient values recorded:

Table 2: The Pearson's coefficient

Indicators	2001-2010
CR5 - ROE	$r = 0,788930386$
HHI - ROE	$r = 0,774157776$

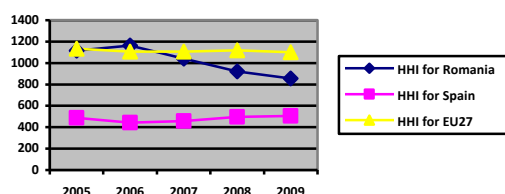
These values, relatively close, suggest a positive correlation between market concentration and performance in Romanian banking system (the same conclusion as graphical analysis). Therefore, the SCP paradigm holds when we analyze the impact of market structure (through HHI and CR5 indicators) on Romanian banking system performance (expressed in our study by ROE indicator).

4. Comparative analysis of the concentration of banking sector

In the previous analysis we concluded that the banking system in Romania is still relatively concentrated, but what can we say if we compare the existing situation in Spain and in EU?

In figure 1, we showed the evolution of banking market concentration in Romania, Spain and EU-27 using Herfindahl index. This index is calculated for credit institutions only and banking subsidiaries and foreign branches are considered to be separate credit institutions. Domestic branches and subsidiaries resident outside the EU are not captured, while EU-resident branches and subsidiaries of third-country credit institutions are included.

Figure 1: Evolution of HHI in Romania, Spain and EU27



Source: author, upon date from European Central Bank 2010

In Figure 1 we can see the difference in the level of banking market concentration between Spain and Romania. We conclude that the banking system in Spain is less concentrated, compared with media owned by European countries. This index value is higher for the entire period in Romania compared with Spain, which actually strengthens the idea stated above: in Romania banking market is relatively concentrated.

Same conclusion is drawn from the analysis of the Five-Bank concentration ratio (CR5) in tabel 3, that also reflects the situation of the banking market structure. Five-Bank concentration ratio for Romania and Spain banking markets equals to the sum of the assets, or deposits, of the largest five banks divided by the total assets of that market. Banking subsidiaries and foreign branches are considered to be separate credit institutions.

Market concentration, as measured with the Herfindahl index and with the share of total assets held by the five largest institutions, increased over the aggregate period 2008-09, in line with the increased consolidation in the EU banking sector. Both indices peaked in 2008 and decreased slightly in 2009, although remaining well above the 2007 levels.

For a better understanding of the results of our study, we further compared in tabel 4 the concentration of the EU banking market with the existing situation in the world (in this sense we chose two major countries).

Table 4 reveals that the EU banking sector is the least concentrated of the three jurisdictions. The Top 6 banks in the USA and Japan hold around a half of the entire banking system's assets, whereas the figure for the EU is just below a quarter. The increasing level of concentration of US banks has become apparent ever since the new regulation was adopted to liberalise the financial sector. This has been causing concern to analysts and policy makers alike.

Tabel 3: Share of total assets of the five largest banks

	2005	2006	2007	2008	2009
CR5 % <i>(Romania banking system)</i>	59,4	60,1	56,3	54,0	52,4
CR5% <i>(Spain banking system)</i>	42,0	40,4	41,0	42,4	43,3
EU-27 <i>unweighted average</i>	59,3	59,0	59,5	59,6	59,5

Source: European Central Bank, 2010, *EU BANKING STRUCTURES*

Tabel 4: Size of the EU-27, USA and Japanese Banking Sectors (2010)

	EU27	USA	Japan
Number of banks	6825	6530	204
CR6 %	24,3%	49,6%	52,4%

Source: European Banking Federation , *EU Banking Sector: Facts and Figures 2011/2012, December 2011*

5. Conclusions

The first purpose of this study was to test whether the SCP hypothesis holds in Romanian banking sector. In this respect, we compare the indicators of market structure (CR5 and HHI) with the performances indicator - ROE. Comparing the evolution of these three indicators in a graph and calculating the Pearson's correlation existing between market structure (CR5 and HHI) and the indicator of performance (ROE) we find that is a positive correlation for the period 2001-2010. These values, relatively close, suggest a positive correlation between market concentration and performance in Romanian banking system, therefore, the SCP paradigm holds. [3] An important finding from this study is that bank concentration has a significant impact on bank performance in Romanian banking sector.

Analyzing the HHI values for the period 2005-2009 in Romania and Spain, we conclude that the banking system in Spain is less concentrated compared with media owned by European countries. For the entire period, this HH index is higher in Romania

compared with Spain, which actually strengthens the idea stated above: in Romania banking market is relatively concentrated. Same conclusion is drawn from the analysis of the Five-Bank concentration ratio (CR5).

The EU banking sector is the least concentrated of the three jurisdictions because the Top 6 banks in the USA and Japan hold around a half of the entire banking system's assets, whereas the figure for the EU is just below a quarter.

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How Does the Economic-Financial Crisis Affect Our Education? Study on EU-28 Countries

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Abstract

During the last global financial crisis, the unemployment rate grew significantly, reaching dramatic accents among youth. Unemployment phenomenon hit various segments of population with different levels of education, but especially those without an upper secondary education.

This paper examines how the latest global financial crisis has influenced major developments in education and training, using, on the one hand, indicators that reflect the general economic picture in EU countries, and, on the other hand, indicators that reflect aspects of the education sector. Also, the paper analyzes the relationship between financial and the non-financial sides of education and training sector. The following indicators were included in the analysis: Participation rate in education, Early leavers from education and training, Total public expenditure on education, General Government Deficit

Keywords: financial crisis, education, correlation, non-parametric test.

JEL Classification: I21, I24, I25, J64, C12, C14.

1. Introduction

Last global economic crisis has had consequences on the entire economic picture, including the educational sector. After a period with negative real GDP growth rate (with a minimum of -4.5%, reached out in

2009), the EU-28 experienced - in the next two years - a positive economic growth. In 2012 - according to EUROSTAT - real GDP returned to a negative growth rate (-0.4%), turning in 2013 to an economic growth forecast equal to zero [1].

Amid the last global financial crisis, the unemployment rate grew significantly, reaching dramatic levels among youth. Thus, according to EUROSTAT, in 2009, in EU-28, the unemployment rate among young people (less than 25) grew by more than 4 percentage points compared to the previous year. The indicator has remained at high levels on an upward trend, up to the value of 23% in 2012. In the period prior to the economic crisis, the average annual unemployment rate for young people (up to 25 years) was about 2.4 times higher than the population's age segment 25-74 years. During and after the crisis, the ratio has increased to 2.6. An OECD study shows that in 2008-2009, the unemployment rate hit various segments of population with different levels of education, but especially those without an upper secondary education [2][3]. In Romania the share of early leavers from education and training declined slightly over the past three years, while enrollment in educational system increased slightly during the same period. This demonstrates that young people realize that increasing the level of education and training might ensure a greater chance to the "employment" status on

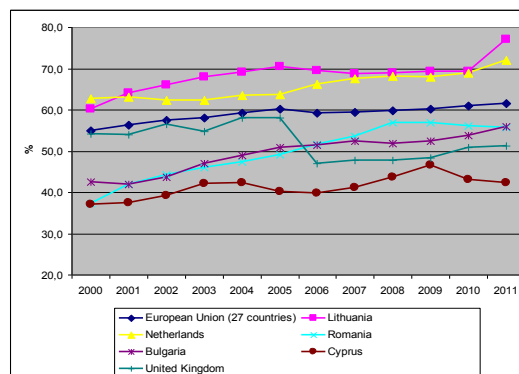
the labor market and minimizes the effects of the economic crisis [4].

This paper examines how the latest global financial crisis has influenced major developments in education and training, using, on the one hand, indicators that reflect the general economic picture of EU countries, and, on the other hand, indicators that reflect aspects of the education sector. Also, the paper analyzes the relationship between financial and the non-financial side of education and training sector. Among the indicators included in the analysis there are: Participation rate in education, Early leavers from education and training, Total public expenditure on education as % of GDP, General Government Deficit.

2. Participation rates in education (ISCED 1-6)

Countries that have experienced a decrease in the participation rates in education, at the beginning of the global financial and economic crisis, and that have recovered after the crisis are: Czech Republic, Germany, Estonia, Greece, France, Italy, Latvia, Luxembourg, Poland, Slovenia, Finland and Sweden. Countries that have experienced a decrease in the rate of participation in education, during the entire period of the global financial crisis (decrease being maintained until 2011, the last year of our analysis) are: Ireland, Cyprus and Romania. In most European countries there has been an increase in the participation rate in education, for a long period including the global financial crisis period; in these countries the population and the authorities have realized that the key to overcome the crisis is access to education, raising the educational level of each citizen.

Figure 1. The evolution of the participation rate in education in E.U. countries, during 2000-2011



Source: developed by the authors, based on EUROSTAT data

Countries with the highest degree of participation of the population to education above the EU average are: Lithuania (77,1% in 2011), Netherlands (72,1%), Slovenia (71,7%), Poland (71,2%), Denmark (70,2%). Countries with the lowest degree of participation of the population to education - below the EU average - are: Cyprus (42,4%), Luxembourg (48,7%), United Kingdom (51,3%) Malta (52,6%), Croatia (55,3%), Romania (55,8%), Bulgaria (55,9%), Italy (56,4%), Slovakia (58,5%). Some low levels of the indicator originate in those peoples' culture. School participation rates of young people aged 15-24 are higher among women than among males, in most E.U. countries. The average level in E.U. is 59,3% for males, and 63,9% for females.

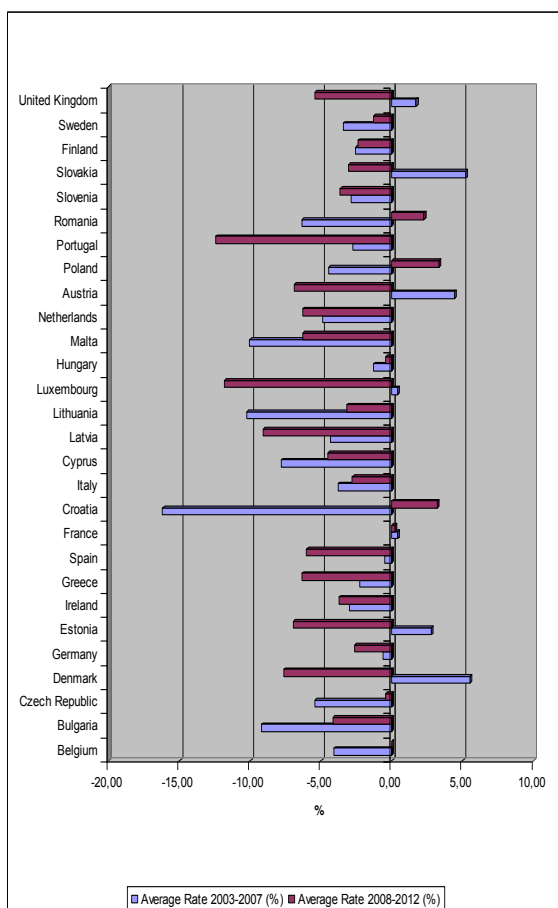
3. Early leavers from education and training

Between 2003 and 2007, the average percent of early leavers from education and training was higher than the average percent of early leavers between 2008 and 2012 for most of the European countries. The difference between these two figures (levels) was more significant for Malta (12,28% difference), Portugal (11,22% difference), Bulgaria (5,64% difference), Cyprus (4,54% difference), and Luxembourg (4,46% difference).

Regarding the dynamics of the percent of leavers from education and training, in most European countries there was a descendent trend along the entire decade 2003-2012. Some countries maintained a significant decrease of the indicator-level before and after the global financial crisis (Bulgaria, Malta, Netherlands, Greece and Portugal).

Others experienced a change of rate-sign between the two analyzed periods (in Croatia, for instance, the percent of early leavers from education decreased in 2003-2007 by an average annual rate of 16,18%, then it increased in 2008-2012 by an average annual rate of 3,22%; in Denmark the percent of early school leavers increased by an average annual rate of 5,53% before the crisis, and it decreased by an average annual rate of 7,63% after the crisis). There were some E.U. member countries where the negative average annual rate was more pronounced in the period after the crisis, compared with that before the crisis (Ireland, Greece, Spain, Latvia, Netherlands, Portugal and Slovenia).

Figure 2. The average annual rate of the percent of early leavers from education and training, 2003-2007 and 2008-2012, in E.U. countries



Source: developed by the authors, based on EUROSTAT data

4. Total public expenditure on education as % of GDP

Regarding *Total public expenditure on education as % of GDP*, the maximum level of the indicator was recorded in 2011 in Denmark (8,8%), followed by Cyprus, Sweden (6,98%), Finland (6, 84%) and Malta (6,74). The opposite - Romania, with the lowest level of public expenditure on education (only 3.53%), preceded by Bulgaria (4,1%), Slovakia (4,22%), Czech Republic (4,24%) and Croatia (4,27%).

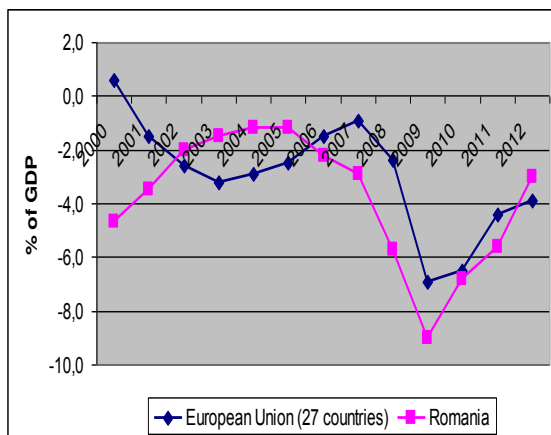
Analyzing the dynamics of Total public expenditure on education as % of GDP for the period 2000-2010 , we noticed that in almost all European Union countries (with some exceptions : Belgium, Germany, Spain , Portugal and France) the indicator decreased in 2007 (the first year of the global financial and economic crisis), compared to the previous year . In some countries the indicator-level rose slightly in 2008 or in 2009, but in 2010 registered a further decline in most countries. Among the countries which have experienced this dynamic, (countries which have reduced the share of total public education expenditure in GDP during the economic downturn), there are: Germany, Belgium, Netherlands and Finland and Poland. Countries which - after the 2007-2008 decreasing - gave a great importance to education, relying on its contribution to overcome the crisis - were: Denmark, Estonia, Ireland, Slovenia, Slovakia and the UK. All these countries have managed to increase the level of the indicator.

5. General Government Deficit and the Total public expenditure on education

Regarding the *General Government Deficit*, one can observe - from EUROSTAT data - that the years at the beginning of the financial crisis were marked by a deepening / widening government budget deficits in EU countries. Most countries have managed a comeback, an improvement of their deficits, after the first wave of the financial crisis, while in others the deficits have remained at high levels (Spain, Greece and Ireland). Thus, in 2010, the General Government

Deficit of Ireland reached -30% of GDP, falling by more than half next year. Greece, another country with high budget deficit in 2009, reached a level equal to -15.7%, maintaining the deficit level quite high next years. Spain's government deficit fluctuated slightly around -10% of GDP in 2009-2012. In contrast, countries with low government deficit were Luxembourg (-0.6% of GDP in 2012), Sweden (-0.2% of GDP in 2012). Next graph shows the evolution of Romania's general government deficit compared to the EU average, along the 2000-2012 period. It reveals a deepening of the government deficit in 2008-2012, with a minimum level reached in 2009 (-9.0% of GDP). Thereafter, the deficit was reduced, reaching -3.0% in 2012.

Figure 3. Dynamics of General Government Deficit in Romania and European Union, 2000-2012



Source: developed by the authors, based on EUROSTAT data.

For a comparison of the general government deficit before and after the global financial crisis, there have been calculated average levels of the indicator for each country of the European Union, for two periods (2000-2006 and 2007-2012). After applying nonparametric tests for comparing two means, for paired samples, it was revealed that there is a significant difference between the average budget deficit before the crisis and after the crisis, the second being higher than the first.

Figure 4. Results of the Wilcoxon Signed Ranks Test

Wilcoxon Signed Ranks Test

Ranks		N	Mean Rank	Sum of Ranks
DEF_NEXT - DEF_PREV	Negative Ranks	21 ^a	14,19	298,00
	Positive Ranks	5 ^b	10,60	53,00
	Ties	1 ^c		
	Total	27		

a. DEF_NEXT < DEF_PREV

b. DEF_NEXT > DEF_PREV

c. DEF_PREV = DEF_NEXT

Test Statistics^b

	DEF_NEXT - DEF_PREV
Z	-3,112 ^a
Asymp. Sig. (2-tailed)	,002

a. Based on positive ranks.

b. Wilcoxon Signed Ranks Test

Sign Test

Frequencies		N
DEF_NEXT - DEF_PREV	Negative Differences ^a	21
	Positive Differences ^b	5
	Ties ^c	1
	Total	27

a. DEF_NEXT < DEF_PREV

b. DEF_NEXT > DEF_PREV

c. DEF_PREV = DEF_NEXT

Test Statistics^a

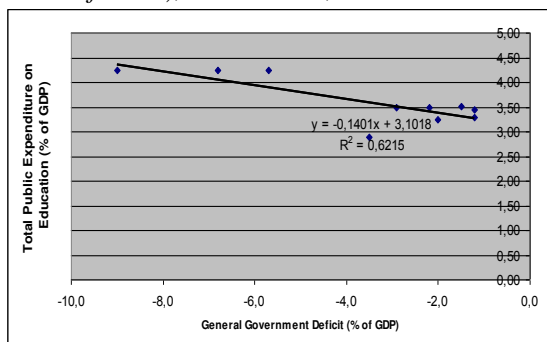
	DEF_NEXT - DEF_PREV
Z	-2,942
Asymp. Sig. (2-tailed)	,003

a. Sign Test

Source: developed by the authors, in SPSS.

Some studies have shown a correlation between the budget deficit and the level of spending on education [5][6]. In the next graph we have represented the general government deficit (as a percentage of GDP) and public expenditure on education (as a percentage of GDP) for the period 2001-2010, in Romania. The values of the second variable have been lagged by one year.

Figure 5. Correlation between General Government Deficit (% of GDP) and Total Expenditure on Education - 1 year lagged (% of GDP), in Romania, 2001-2010



Source: developed by the authors, based on EUROSTAT data

The scatter diagram indicates a negative correlation between the two variables, and the correlation coefficient shows a relatively high intensity of this correlation.

6. Conclusions

The impact of the global financial crisis was felt both on the non-financial and financial sides of the education and training sector. Thus, the analysis detected sensitive changes in the levels of financial and non-financial indicators, characterizing in a quantitative way the educational sector. Amid the last global financial crisis, the unemployment rate grew significantly, reaching dramatic accents among youth. Thus, according to EUROSTAT, in the EU-28, the unemployment rate for people up to 25 years has remained at high levels on an upward trend after 2008, reaching a value of 23% in 2012. It is worth mentioning that the unemployment rate was higher for people without upper secondary education.

In most European countries there has been an increase in the participation rate in education, even along the period of the global financial crisis. People in these countries realized that a higher educational level might give them a better chance to overcome the crisis. Romania is among countries with the lowest degree of participation of the population to education (below the EU average).

Between 2003 and 2007 the average percent of early leavers from education and training was higher than the average percent of early leavers between 2008 and 2012 for most of the European countries. Analyzing the dynamics of *Total public expenditure on education as % of GDP* for the period 2000-2010, we noticed that in almost all European Union countries (with some exceptions: Belgium, Germany, Spain, Portugal and France) the indicator decreased in 2007 (the first year of the global financial and economic crisis), compared to the previous year. In 2011, Romania had the lowest level of public expenditure on education, only 3.53% of GDP.

The beginning of the financial crisis was marked by deepening / widening government budget deficits in EU countries [7][8]. Most countries have managed a comeback, an improvement of their deficits, after the first wave of the financial crisis, while in others the deficits have remained at high levels (Spain, Greece and Ireland). After applying nonparametric tests for comparing two means, for paired samples, it was revealed that there is a significant difference between the average budget deficit before the crisis and the one after the crisis, the second being higher than the first. The analysis reveals that in Romania there is a significant correlation between the level of Government deficit and the Total public expenditure on education (as % of GDP).

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The Notion of "Curator Litis" (Third Curator) in New Civil Legislation and Correspondence with Similar Notions in the EU Legislation

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Abstract

Starting from Trusteeship institution, as it is the most common, we watched to capture most situations of such notions. I managed to find a correspondent of curatorship in several branches of law, such as: civil law theory, theory of General obligations, contracts, inheritance, family law, commercial law, administrative law, criminal law and law of civil procedure.

I had the opportunity to compare the old notions of this regulation with regulation of the new civil code and I found the interest of the legislature into two main Plains: the to regulate matters considered less legislation, but also to adapt the legislation to European novels.

Key words: curator litis, curatorship, guardianship, civil law, litigation

J.E.L. Classification: K12, K40, K41.

1. Introduction

About the notion of curatorship and know that she is related to the roman empire, in the sense that, in antiquity, the Romans were neat to ocroteasca goods and individual, in that order. Thus, the Trusteeship was established, which could be established in several cases, of which the most important were: Bishop and curatorship, curatorship or prodigului rags and minor curatorship for 25 years (the latter meaning as it was about majorul unable and which is not necessarily a recognized State of madness).

Making a leap back in time and nowadays, we notice that in the practice of courts of law shall be ordered arbitrarily the appointment of curators special in having as object causes the insolvency procedure. This happens in the hypothesis in which the attendance could not be fulfilled because the

debtor company no longer has a real and current address of the registered office.

In view of this situation, the courts have ordered the appointment of curators referenced special representation of interests of legal persons, the creditors of good faith being forced to pay the fee established to avoid application of the sanction of suspension of applications on the initiation of the proceeding.

2. Curatorship. Origins and interdisciplinary approach

Curatorship is concept or institution that we're used to meet in family law or civil law, along with the guardianship. In this area it is defined as a means of Defense of the person, as well as a form of representation of a person, in particular situations, to another natural person, when we talk about conclusion of legal acts by minors or incapacitated persons.

According to the previous rules, the curatorship shall be issued for the safety of a person capable of but which, due to batranetii, illness or a physical disability, is unable to personally manage the only property or to defend their interests in good conditions. It is issued on request or *ex officio*.

When we talk about the notion of trusteeship, we think of a legal term in civil law and administrative law, where we meet the administrative tutelage. In the first case the guardianship was defined as being of minor utility that is deprived of parental care, as well as with the person with psychical repression, health problems, but especially to the person who, because of age, cannot defend itself. Tutor to exercise rights and fulfill obligations incumbent upon him in order to protect the interests of such persons.

Administrative guardianship consists in the right of protection (administrative) authorities to approve, cancel or suspend certain acts of decentralized authorities, for reasons of legality.

Scope of representation by means of a curator or curatorship is more restricted than guardianship institution. In this latter case, the representation of the person in need is provided for the entire range of rights of the represented.

A similar concept is that of Trusteeship mandate, power of attorney or proxy. This applies, more often than not, in the matter of contracts and is used only for people who have full capacity to exercise and that, at some point, they need to be represented.

The term represents the civil Convention during which a person, called an agent, is empowered by another person, called the principal, to represent it in the face of authority to do certain acts of a legal nature in the name and on behalf of the client. Procure or mandate in the sense of the test tool (*instrumentum probationis*) is the Act of proving a mandate contract conclusion and explain the source/source of the report of the mandate.

Such an act may be represented by a document authenticated by a notary public or a power of attorney a lawyer profession shows Court, after having previously completed a legal contract under which they can qualify for this.

The new regulation of the Trusteeship of the given application of this institution in the field of commercial law, more specifically, in terms of trusteeship of the legal person. The circumstance is one less detailed, in the context of the project a research performed by practitioners in the field standing.

In the present study we will stop on a newly introduced institutions in civil legislation, namely, the institution of the third curator. This notion is addressed to lawyers, who manifest express intention to be appointed in this capacity, in some cases flying towards resolution on the role of the courts. The manifestation of intention is materialized through written request of lawyers interested in that address bar associations who belong to them, in order to be enrolled on the special lists prepared in this regard. lists are communicated to the courts later.

Before the entry into force of the new civil code (civil code and code of civil procedure), the Romanian law, the code of civil procedure (art. 7 of the 3 and art. 44) and the law on the organisation of the profession of lawyer. 51/1995 (art. 3) knew and regulate the concepts of trust and trustee. They had an area of application is limited to representing the interests of companies or associations to professional activities specific to the profession of lawyer and notary.

3. Curator litis (Third Curator) in the new code of civil procedure

So how attractive and above, the new code of Civil Procedure regulates the trusteeship requirement or the appointment of a curator, the third article. 58. with the advent of legal rules, this institution has been associated with the notion of a lawyer ex officio in civil matters, which, up to a point, it is not untrue. Still, there are some special features of each of the tires, so that it cannot be said that the two terms are confused or are synonyms.

In terms of the notion of a lawyer ex officio, it shall specify the matter of criminal law. Here the law requires the imperative that research for certain offenses to designate a lawyer (ex officio), if the person surveyed or judgment does not want or cannot afford to hire the services of a lawyer to defend him.

The notion of third curator is regulated in the provisions of art. 162 of the Civil Procedure Code 3, where it looks like the quote's assent through advertising, the Court will appoint a trustee attorneys Bar Association, according to art. 58, which will be quoted in the debates for representing the interests of the person against whom the action is formulated in justice.

Art. 58 regulates special curatorship. Thus, the legislature has determined that in case of emergency, if the individual ability of free exercise of civil rights has no legal representative, the Court, at the request of the interested party will appoint a special curator to represent until the appointment of the legal representative, in accordance with the law. Also, the Court will appoint a trustee in the event of a conflict of interests between the legal representative and the represented or when a person or a legal entity of the

specified in art. 56.2, called to sit in judgment, not representative.

At the same time, the legislature has provided that roman naming of these curators will be made by the persons who process?, attorneys are appointed for this purpose by the bar for each court. Special curator has all the rights and obligations stipulated by law for the legal representative.

The creator of the law has envisioned and that the remuneration of the trustee so appointed on a provisional basis shall be fixed by the Court, by the end, settling also method of payment. At the request of the Trustees, with the termination of its quality, taking into account the work carried out, the royalties could be augmented.

Jurisprudence, although not too rich, managed to cover reasonable remuneration to be awarded both the amount of the special trustee, as well as the date on which it is granted and the person making the payment in favor of the trustee. Remuneration is provisional, as one court to judge of the special trustee and to supplement the amount.

The rule is that the courts pay him special curator right from the beginning. The initial interpretation of the text of the law does not distinguish between people who are obliged to pay the trustee-lawyer. In this respect, Member of the bar became involved in the intent of the legislator of our consultants.

Additional remuneration may be made all over the judgment. As regards remuneration, settlement source it originates from the Ministry of Justice, although initially provide for the obligation of payment of the patrimony represented. When the Court finds this payment method, especially when the representative is not found, not only makes lawyers to be uninterested, their withdrawal of attorneys on the lists drawn up by bar associations, he preferred variant of pre-payments.

4. Conclusions

Through the material which we have prepared about the notion of third curator tried to subject the attention people interested in an institution that you meet in the jurisprudence more often.

Note that the lawyer-trustee is not a representative of conventional the person against whom the action is formulated in

justice, impossible-to-quote, but a legal representative thereof, as they result from the 58.3, second sentence Civil Procedure Code.

The notion of third curator exist in the law or the jurisprudence of other countries, including from the European Union's borders. One of the practical applications of this knowledge is manifested by the States that care meet and recognize the principle of free access to justice, as well as the principle of equality before the law, the principles enshrined in the Constitution as fundamental law even.

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Europe and the Constitutionalization Process of EU Member States

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Abstract

We can speak about a true "constitutionalization of EU Member States" only after the integration of all states in the old continent in the natural boundaries of a European social, cultural, economic and spiritual-religious union. Of course, a future European Constitution could contribute to the effective realization of the process of constitutionalization of the European Union.

Keywords: European Union, European Community, European Constitution, The Treaty

J.E.L. Classification: K33

1. Introduction

According to the Greek mythology, Zeus would have brought Europa, the daughter of Phoenix, from Tyr, and took her to the island of Crete (Homer, *Iliad*, XIV, 321), which is located in the geographic area of the Thracians.

Through this transfer - in Thrace, called Europe - the European territory encompassed therefore the Thracians and the Greeks. Moreover, among the Thracian tribes, there were also the Dacians from the north of the Danube. Thus, geographically, the north - Danubian territory of today's Romania was part of Europe since the time of our ancestors. But - beyond this reality - through its reintegration into the European Union, our country returns to the Europe wherefrom it had been expelled by the Soviets after the Second World War.

Since the early centuries of the first Christian millennium, the word "Europe" has been used by different writers, as, for instance, by Venerable Bede and Isidore the Younger. For the latter, Charles Martel's soldiers, who fought against the Arabs at Poitiers, were "Europeans" [1].

The Treaty establishing the European Community – version of 1999 – states that this Community aims at "establishing a common market and an economic and monetary union ..." (Article 2). Furthermore, the Treaty of Rome of 25th March 1957 had established the European Economic Community. This Treaty has been reviewed by: a). The Single European Act, signed on 27th and 28th February 1986; b). The Treaty on the European Union, signed in Maastricht, on 7th February 1992; c). The Treaty of Amsterdam, signed on 2nd October 1997, which entered into force on 1st May 1999. Finally, it has been changed in some provisions, in the Treaty of Nice, of 26th February 2001.

However, the term "European Community", as well as that of "common market" were in circulation since 1930, in Aristide Briand's Memorandum; nevertheless, only after the Second World War they become reality.

2. Towards the Creation of a Constitutional Law of the European Union?

On the agenda for the debate on the future of Europe there is also the so-called "constitutionalization of the European Union". This process of "constitutionalization" implies – from the EU Member States – "not just a simple change, but a real change in the Constitution", engendering the "less visible, but nonetheless quite penetrating" phenomenon "transforming the constitutional system of the Member States" [2].

The constitutional structures of the European Union have evolved with the establishment of the European Community, which took place over half a century ago. Formed initially as an international organization, the European Union would evolve into a constitutional union of states,

which inevitably led to the creation of a constitutional law of the European Union. The draft of a „Constitutional Treaty”, presented to the European Council in 2003, was approved and published in Rome, in 2004, under the title "Treaty Establishing a Constitution for Europe". However, the constitutionalists of some EU countries specify that this treaty led to a failure. Following the negative referenda, the Constitutional Treaty is suspended [3]. Indeed, afterwards, the EU gave up the idea of a Constitutional Treaty and, as such, was unable to achieve the idea of a substantial revision of the existing treaties [3]. This actually was achieved by the Treaty of Lisbon, signed in December 2007 and entered into force in December 2009.

This process of transformation of the constitutional system of the European Union States requires, first of all, a “national constitutional review for a better suitability for integration” [2]. In some countries, this national constitution review process was, however, hampered by the fact that the Draft Preamble of EU Constitution did not expressly mention the Christian spiritual heritage, the Christian values that have been used in the European art and culture.

3. The Declaration of the Moscow Patriarchate for External Church Relations

Referring to the text of the Draft Preamble of the European Constitution, the Moscow Patriarchate Department for External Church Relations said, *inter alia*: “It is regrettable to see historical incorrectness made in the Draft Preamble. Pointing to the civilizations which nourished the cultural, religious and humanist inheritance of Europe, the Draft enumerates Greece and Rome, as well as the philosophical currents of the Enlightenment, completely ignoring the historical period from the 4th to the 18th centuries when Christianity was the dominant influence in the development of European nations. How the presence of magnificent cathedrals in Europe and the reasons why great composers, artists and writers used biblical and church subjects in their creative works can be explained to the younger generations of Europeans? The approach proposed in the Draft means a reshaping of history according

to certain ideological patterns. We know only too well from the history of Russia what the dictate of one particular worldview implies.

Unfortunately, a special reference to the philosophical currents of the Enlightenment also reveals an ideological bias of the Draft. In our opinion, the ideas of the Enlightenment played an important role in some countries, but they are not universal or commonly accepted, since many people do not share them fully. A reference to the ideas of the Enlightenment is no more ideologically neutral than a reference to a particular religion.

In addition, anthropocentric formulations included in the Preamble to the Constitution of the European Union may provoke a negative attitude of many religious Europeans including Orthodox Christians to the integration processes.

We believe that the philosophical currents of the Enlightenment may be mentioned in the Preamble only along with the Christian inheritance and perhaps that of other religions visibly present in Europe. A reference to an abstract "spiritual impulse" does not remove this problem.

We hope that our opinion will be taken into account in finalizing the text of the Preamble[4].

4. The Monotheistic Religions and their Contributions in Creating and Shaping the Cultural and Spiritual-Religious Identity of Europe

It is widely known that, apart from the view of the Russian Church, there were also many other opinions belonging to European States and churches which had not been taken into consideration; thus, the Draft Preamble of EU Constitution remained tributary only to secular humanist political and philosophical ideas and not to the ones of religious and humanist origin, that the two monotheistic religions, Judaism and Christianity, have provided in the text of their sacred Books, i.e. the Bible of the Old Testament and of the New Testament. Indeed, both the Treaty establishing a Constitution for Europe, i.e. the EU Constitution, published in Rome, in 2004, and Treaty from Lisbon, published in 2007, make a vague mention of the spiritual and religious, Jewish-Christian, heritage of

Europe, hence ignoring or obscuring them in the text of the constitutions of the European Union. Moreover, in Lisbon (2007), not only did the European Union legislator disregard the opinion and express request of churches or religious organizations to clarify and define the contribution of the Christian religion in creating and shaping the spiritual and religious and cultural identity and unity of Europe, but instead it modified the text of the Preamble to the Treaty of Rome (2004). Thus, this text reminds only about "... the cultural, religious and humanist heritage of Europe, from which there have developed the universal values which are inviolable and inalienable human rights of the person, such as freedom, democracy, equality and the rule law" (Preamble 1) [5]. It can be easily seen that both the cultural and the humanist heritage of Europe was openly dissociated from religion, which was, in fact - for centuries - the only or the main factor of its creation.

Regarding this Draft Preamble - seen as deficient through the lack of understanding of the Christian "religious dimension" - the Polish President, Al. Kwasniewski said that "... there are no excuses to refer to the values of ancient Greece and Rome and to the Enlightenment, without mentioning the Christian values that are important to the development of Europe" [5].

In his turn, Rev. Al Giordano, Secretary General of Council of the Bishops' Conferences of Europe (CBCE), said: "Given that it makes reference to the roots of Europe, is unthinkable not to make any mention of Christianity..." [6]. In his opinion, it is a "big disappointment" that the "Christendom of Europe" is not mentioned, thus proving a lack of understanding of what constitutes the "religious dimension", in general, and "the importance of the Christian dimension", in particular [6].

However, this lack of understanding of what represents "the religious dimension" and, ipso facto, the Church's role in creating and shaping the cultural and spiritual-religious identity of Europe [7] - which have been proved by the authors of the Treaty of Lisbon (2007) - has a negative impact on the integration process of EU Member States [8] and, of course, on the achievement of the required "Unitas in Diversitas" (Article 6 of the Lisbon Treaty).

Of course, among others, this lack of understanding also proves that it is still operating "with a picture of the past on the relationship between religion on the one hand, and philosophy and science on the other hand" [8]. Then it was caused simply by ignoring the reality of religious life and, ipso facto, of its history without which one is not able to know any real and effective contribution to the "utilitatem publicum" (public good) of the City, which must be expressly provided by the Constitutions of the EU Member States [9].

A Declaration, entitled "Declaration on the Western European Union", signed by nine Western countries (Belgium, Germany, Spain, France, Italy, Luxembourg, Netherlands, Portugal and the United Kingdom), speaks of "the role of the Western European Union" (WEU) and of "its relations with the European Union and the Atlantic Alliance" [10]. According to that declaration, we are dealing with a "Western Union" and with "a European Union", which, in reality, would be only the instrument of the Western one. Moreover, in a subsequent declaration of the same type, it is specified the role of WEU (Western European Union Member States) "as part of the EU's defense..." [11]. Also, "EU members States" were "invited to join the WEU... or to become observers ..." [11].

By this Declaration it was revealed - in the most eloquent way possible - that the European Union is the WEU's trailer which otherwise identifies with "the European identity in matters of security and defense" [11]. Undoubtedly, by the integration of new states (such as the ten ones, on 30th April 2004), future Declarations - of this kind - would overcome the political climate originally created by the "union" of Western European States, so that the European identity will be also expressed by Eastern European countries.

5. The Principle of Subsidiarity and the Federalism

Since the fourth century, the principle of "subsidiarity" has been stated in the canonical legislation (cf. Can. 4, 5 and 6 I oec.). European jurists recognize, moreover, that, "undoubtedly, the principle of subsidiarity is of religious origin, before being secularized in the sixteenth century"

[12]. Indeed, it is "a religious concept, developed especially by German and French authors, used by Germany in the late nineteenth century and inseparable from federalism" [12].

Regarding this federalism, some jurists wish to point out that "... Christian Democracy has always supported European integration, based on the Franco-German relationship and aims at establishing a Federation of European States" [12].

The principle of subsidiarity - set by the (Latin and Byzantine) Canon Law - is currently present "in the doctrine of federalism" [13], considered even the cornerstone of any federalism and of the new European judicial architecture [14].

Originally, the "subsidiarii officii principium" (officii principium subsidiary) - mentioned by Aristotle and Thomas Aquinas - was intended "to protect the individual against the omnipotence of the State" [12].

The idea of subsidiarity (autonomy) has inspired not only the proponents of decentralization, but especially those of federalism. German federalism, for example, is inextricably linked to the principle of subsidiarity, which already made express reference to the 1871 Constitution. The same principle appears in the "Fundamental Law" in Bonn (Grundgesets) of 23rd May 1949.

French jurists stated, moreover, that since 1951 "the European Communities, created at the initiative of France and Germany, in a federal perspective, referred to the principle of subsidiarity" [12].

Within the secular world, it has been said that "the first" [12] who guided himself by the principle of subsidiarity was Johannes Althusius (+ 1638).

Since the eighteenth century, this principle was used "by most of the supporters of federalism, first in Germany, then in the heart of Europe, where it was first introduced by Altiero Spinelli, in its draft on Treaty on the European Union, adopted by the European Parliament in 1984, but rejected by most states. We had to wait for the Single European Act of 1986 for the principle of subsidiarity to be explicitly mentioned in a treaty..." [12].

The principle of subsidiarity was, however, established by the Treaty of Maastricht in 1992 as a European integration instrument.

6. Conclusions

Finally, we note that, in fact, we can speak of a true "constitutionalization of the European Union" only after the integration of all states in the old continent, within the natural boundaries of a European social, cultural, economic and spiritual -religious union, which claims its matrix in the area of Judeo-Christian spirituality and religion, where its cultural identity has been established and stated, whose values were the religious and moral excellence. However, even the "Charter of Human Rights" - promulgated on 7th December 2000 - noted that the Union is "conscious of its spiritual and moral heritage" and respects "the diversity of cultures and traditions of the peoples of Europe ..." (Preamble). Is it possible that the authors of the Treaty of Lisbon (2007) have forgotten this statement in 2000? Of course not, because the text of this book was taken, with adaptations, from the Lisbon Treaty, but they ignored or obscured it at the express request of the representatives of France, which - since the Revolution of 1789 - divorced from the sacred, religious, hence their overt allergy towards the spiritual, religious, national or universal values,.

As we know, until now, the EU Member States still do not have a single constitution, but a functioning EU Treaty. However, only such a Constitution could contain - by force of jus cogens - the obligation to affirm and protect the spiritual and religious values of the EU. Of course, a future European Constitution [15] would contribute to the effective achievement of the EU constitutionalization process. Of course, a future European Constitution could really contribute to the effective realization of the process of constitutionalization of the European Union Member States, i.e. of the process of drafting and publishing several national Constitutions [16] which provide not only the right to freedom of conscience and the right to religion [17] but also the right to submit publicly the spiritual- religious and cultural heritage of the Christian Church, in which there were born and formed almost all current States of Europe, and which have made a meritorious contribution to the economic life [18] and to the establishment

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The Right to Life. From the Prevention of Torture and Inhuman Punishment to the Abolition of the Death Penalty

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Abstract

By Protocol no. 13, signed in Vilnius, in 2002, the Member States of the Council of Europe abolished the death penalty in all circumstances. By abolishing the death penalty, the right to life was actually stated and guaranteed, and, ipso facto, "dignitas humana" (human dignity) was demonstrated.

Key words: Human Rights, EU legislation, criminal law

J.E.L. Classification: K33

1. Introduction

Over the centuries, mankind has had different ideas both about life and about the death penalty. Indeed, from Seneca's statement [1] that "sometimes the best merciful way is killing" (interim optimum misericordiae genus est occidere) and to those ideas found in the text of Protocol no. 13, signed by the Member States of the European Union in 2002, in Vilnius, there have been conveyed different ideas and conceptions on the two human realities, i.e. life and death.

It was claimed that the Italian specialist in criminal law, Cesare Beccaria, was the first jurist who dared "... to discuss the foundations and limits of the right to punish, examining it for the first time as an entity with practical reason, which can be criticized" [2]. Indeed, in his work entitled "Dei delitti e delle pene" - published in 1764 - Beccaria actually revolutionized the modern criminal law, being, in fact, "the promoter of the classical school of criminal law" [2] and "the first who successfully fought against" [3] the death penalty.

2. Right and Liberty

In the Universal Declaration of Human Rights - adopted and promulgated on 10th December 1948 - UN General Assembly ruled that "Everyone has the right to life, liberty and security of the person" (Article 3). It was, therefore, made a clear distinction between right and liberty.

In the Roman law, the first right of the person was right to freedom ("Libertas"), under which the man had the natural ability (naturalis facultas) to do what he wants (quod cuique facere libet), unless stopped by force or law ("nisi si quid aut vi aut iure prohibetur" [4]).

Freedoms belong to the human being because they are natural (naturale) and they awarded to human beings. Therefore, human beings can freely decide whether to exercise them or not. Instead, the rights are "those protected interests, on which the person to whom they belong to cannot give up" [5]. Or, the first of these rights is the right to life.

3. The Right to Life

The United Nations General Assembly, convened in session on 16th December 1966, established a UN Committee of Human Rights, composed of nationals of the States Parties to the International Covenant on Civil and Political Rights.

The members of this Committee "... must be high moral personalities", with a "recognized competence in the field of human rights" (Article 28 § 2 of the International Covenant, 1966) [6]. It is therefore taken into consideration not the legal experience, but the morality of those persons and their competence in the field of human rights.

This Committee can take into consideration a case referred to it only after it has been ascertained that all available domestic means of appeal have been used and exhausted in accordance with the generally recognized principles of international law. However, it is stated in Article 41 that "this rule does not apply in the cases where the appeal proceedings are unreasonably prolonged" (Article 41 § 1 c of the International Covenant) [6].

The same Article 41 provides that the resolution of any issue - presented by a State - must be "based on the respect for human rights and fundamental freedoms" (Article 41, 1 e).

Certainly, solving the death penalty - by abolishing it - is, first of all, based on the right to life, which is "the most fundamental" right of the person "or, to resume the phrase of the Court, it is the supreme value on the human rights scale, at the international level" [5]. This law is founded both on "Jus divinum", "Jus naturale" and "Jus positivum" (written law) of today.

The European Convention on Human Rights (Rome, 1950) stated that "the right to life shall be protected by law" (Art. 2, 1). Moreover, when the Convention banned that a human being be subjected to "torture or inhuman or degrading punishment" (Art. 3), it was regulated, in fact, "... the right of every person to dignity and physical integrity"; therefore, "the right contained in article 3 is - according to Professor Radu Chirita - one of the few rights and freedoms that the European states cannot derogate, ... being an absolute right" [5].

In Article 1, the Charter of Fundamental Rights of the European Union - proclaimed in Strasbourg, in 2007, by the European Parliament, the European Council and the European Commission - provided that "human dignity is inviolable. It must be respected and protected"; Article II states that "everyone has the right to life" and "no one shall be condemned to the death penalty or executed".

The International Covenant on Civil and Political Rights was followed by two optional Protocols. The text of these Protocols specifies that their provisions apply as additional provisions of the Covenant (Art. 6 § 1 of Protocol II).

By Resolution 2200 A (XXI) of 16th December 1966, the United Nations General Assembly adopted the first Optional Protocol to the International Covenant on Civil and Political Rights, which entered into force only on 23rd March 1976. Romania ratified the Protocol on 28th June 1993.

By means of this Protocol - whose text was written "in Chinese, English, French, Russian and Spanish" (Article 14) - the United Nations General Assembly authorized the Human Rights Committee to receive and consider "communications from natural persons claiming to be victims of violations of any of the rights enunciated in the Covenant" (Preamble).

Through this Human Rights Committee - set up "to better ensure the fulfillment of the Covenant on Civil and Political Rights" (Preamble, Optional Protocol) - The United Nations notes and investigates the complaints made by those "who claim to be victims of a violation ... of any of the rights set in the Covenant" (Article 1) [6].

Article 2 of the Optional Protocol provides, however, that the individual who claims to be a victim of a violation of any of the rights enunciated in the Covenant may submit "a written communication to the Committee" in order to examine it, only after "having exhausted all domestic remedies available", i.e. the means of appeal from his/her State (Article 2).

This Protocol also reaffirmed the "right of petition" for colonial peoples by the "the Charter of the United Nations and other international conventions and instruments under the United Nations and its specialized agencies" (Article 7).

Therefore, in accordance with international rules and regulations, both the individual (as a human being) and the human collectivity enjoy the right to petition, although it is still a form of colonial organization.

On 26th November 1987, in Strasbourg, there was adopted "The European Convention for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment", which entered into force on 1st February 1989. On the same occasion, there was established a "European Committee" which, "by means of visits, ..., examines the treatment of persons deprived of liberty in view to strengthening, if necessary, their

protection against torture and inhuman or degrading punishment or treatment" (Art. 1).

Therefore, the Member States of the Council of Europe, party to that Convention, have strengthened the protection of persons deprived of their liberty against torture and other cruel or degrading (inhuman) treatment "... through judicial means of a preventive nature, based on visits" [7].

Romania has ratified this Convention by Law no. 80 of 30th September 1994[8].

On 15th December 1989, the UN General Assembly adopted, by resolution, the Second Optional Protocol to the International Covenant on Civil and Political Rights, which aimed to abolish the death penalty. Romania ratified the Protocol on 25th January 1991.

The Preamble of the Protocol stated that the States Parties to this Protocol were convinced that the abolition of the death penalty "contributes to the promotion of human dignity and to the progressive development of human rights" and that "all measures taken in relation to the death penalty should be considered as a step towards guaranteeing the right to life".

Indeed, by such a measure, humanity progressed towards guaranteeing the right to life, which was contained both by the Universal Declaration of Human Rights (Article 3) and by the International Covenant on Civil and Political Rights (Article 6).

The international commitment to abolish the death penalty - taken by the States Parties to this Protocol - was not fully respected, because, unfortunately, there are still countries where such penalty is pronounced and executed (e.g. the case of some States of the USA).

In accordance with the provisions of this Protocol, exceptions to this international regulation are the relevant provisions of the domestic law of those States that apply it in wartime. This state of exception is regarded as a reservation by the Protocol, reservation which the State Party shall formulate at the time of its ratification or accession, and shall notify the Secretary General of the UN about the imposition or termination of the state of war on its territory (Article 2 § 3). "No reservation is admissible to the present Protocol, except for a reservation made at the time of ratification or accession that provides for the application of the death penalty in

time of war pursuant to a conviction for a most serious crime of a military nature committed during wartime." (Article 2 § 1).

By this Protocol, there was recognized to the Human Rights Committee the power "to receive and consider communications from individuals subject to its jurisdiction unless the State Party concerned has made a statement to the contrary at the moment of ratification or accession" (Article 5). The recognition of this competence to the Committee clearly demonstrates the obligation of States Parties to respect and protect human rights and fundamental freedoms, including prominently the right to life, liberty, dignity and security.

The main provision of this Optional Protocol - the abolition of the death penalty - was reiterated and reaffirmed by two Protocols to the Convention on Human Rights and Fundamental Freedoms, i.e. Protocol no. 6 - signed at Strasbourg, on 28th April 1983, and amended by Protocol no. 11, which came into force on 1st November 1998 - and Protocol no. 13, signed by the member States of the Council of Europe in Vilnius, in 2002. However, Protocol no. 6 (to the Convention) did not exclude the death penalty for acts committed in time of war or of imminent threat of war.

In June 2001, at Strasbourg, the first World Congress against the Death Penalty took place; on this occasion, persons formerly sentenced to death presented their individual cases[9].

Among other things, the Final Declaration of the Congress in Strasbourg states that "the death penalty means the triumph of vengeance over justice and violates the first right of any human being, the right to life. Capital punishment has never prevented crime. It is an act of torture and the ultimate cruel, inhuman and degrading treatment. A society that imposes the death penalty symbolically encourages violence. Every single society that respects the dignity of its people has to strive to abolish capital punishment" [9].

Since Protocol no. 6 to the Convention on the Abolition of the Death Penalty, signed at Strasbourg, on 28th April 1983, did not rule out the death penalty for acts committed in time of war or of imminent threat of war, in 2002, the Member States of the Council of Europe, "desiring to strengthen the protection

of the right to life guaranteed by the Convention for the Protection of Human Rights and Fundamental Freedoms, signed in Rome, on 4th November 1950 ...", have abolished the death penalty. By this act, these countries have shown that, for them, "... the right to life of every people is a core value ..." and, as such, considered that "the abolition of the death penalty is essential in order to protect this right and represents the full recognition of the inherent dignity of all human beings" [10].

By Protocol no. 13 - signed in Vilnius, in 2002 – the Member States of the Council of Europe, "being resolved to take the final step in order to abolish the death penalty in all circumstances" (Preamble), abolished the death penalty for acts committed in time of war or of imminent threat of war. As such, "no one shall be condemned to such penalty or executed" (Article 1). However, there were exceptions and reservations categorically prohibited under Articles 15 and 57 in the Convention for the Protection of Human Rights and Fundamental Freedoms, adopted in Rome on 4th November 1950 (see Articles 2 and 3). Consequently, any Contracting Party may take measures derogating from the obligations of the Convention "in case of war or other public emergency threatening the life of the nation..." (Article 15 Convention).

4. The Death Penalty in US

The American Convention on Human Rights - published in 1969, and entered into force in 1978 - does not prohibit the death penalty and its execution. The prohibition of the death penalty at the regional American level was made but by the Additional Protocol to the American Convention of 1969, published in 1990, and entered into force in 1991. This Protocol provides that, in the American law, the death penalty can be maintained, delivered and performed only in time of war, and only if it is "an extremely serious crime of a military nature", but even then, subject to certain conditions:

- a) "to respect international law";
- b) "to formulate by the State, when expressing its consent to be legally bound by the protocol, a statement that it reserves the right to apply the death penalty, according to national legislation";

c) "to inform the Secretary General of the Organization of American States, at the time of making the reservation, the corresponding provisions in the national legislation applicable during wartime on the death penalty";

d) "to notify the Secretary General of the Organization of American States on the beginning (respectively, the ending) of the state of war on its territory" [10].

It is noteworthy the fact that the death penalty is not prohibited yet by the Arab Charter on Human Rights, adopted in 1994 by the League of Arab States. But the text of the Charter establishes certain conditions for its delivery and execution[10].

5. The international humanitarian Law did not ban the Death Penalty

The international humanitarian law - expressed in the Convention on the Treatment of Prisoners of War (Third Convention in Geneva in 1949, which entered into force in 1950), in the Convention on the Protection of Civilian Persons in Time of War (Fourth Convention of the Geneva, 1949, entered into force in 1950) and in the two Additional Protocols concerning the protection of victims of international armed conflicts (1977, entered into force in 1978) - did not provide for "the right to ban the death penalty, but contains rules concerning the conditions and limits for the application of this penalty" [10]. For example, the death penalty may not be pronounced against a person aged under 18 years, at the time of the offense (cf. Convention IV).

Regarding the rules of criminal international law - i.e. the law which envisages the international criminal repression for international crimes (the crime of genocide, crimes against humanity, war crimes and the crime of aggression) - they prohibit international criminal tribunals to enforce the capital penalty[10].

In Romania, the death penalty was first abolished by the Criminal Code of 1864, entered into force in 1865. Indeed, this code did not provide for "... the death penalty (except in time of war), the latter being replaced with hard labor for life" [2]. Then, the death penalty was abolished by Decree - Law no. 6/1990, which brought about the amendment and repeal of certain provisions

of the Criminal Code and of other acts (published in the Official Gazette of Romania, Part I, no. 4 of 8th January 1990).

Under the provisions of this Decree -Law in Romania "the abolition of the death penalty is total, with no distinction in terms of the crimes committed or of those committed in time of war" [2].

Raising the right to ban the death penalty at constitutional level, both the Constitution of 8th December 1991 (see Article 23, paragraph 3) and of 8th December 2003 banned the death penalty completely, as "there is no exception, not even regarding the state of war" [2].

In 1990, in Romanian criminal law, there was reintroduced the life imprisonment, which is defined as indefinite imprisonment, "... in order to replace the death penalty, which was then abolished, after a period of over half a century in which this punishment, traditionally unknown in the Romanian criminal law in time of peace, was introduced by the dictatorial regimes that have succeeded in Romania between 1938 and 1989" [11].

This penalty, "life imprisonment" - provided in the New Penal Code (cf. art. 56) - is the most serious punishment in our system of criminal law.

6. Conclusions

By the abolition of the death penalty, the right to life was actually stated and guaranteed, and, *ipso facto*, "dignitas humana" [12] (human dignity) was also demonstrated, rights which EU legislation has set as the first fundamental human rights [13]. We can also conclude that the (short) analysis of the text of this European legislation has revealed that from the prevention of torture and inhuman degrading we happily reached the abolition of the death penalty, thus emphasizing the value of life and dignity, which is a sacred right of every human being.

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Internationalization of the English Language and Its Influence on the Romanian Economic Language

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Abstract

This paper deals with the issues raised by the great number of English words which have invaded the Romanian economic language. The analysis of the glossaries and terms used for learning the English language of economics revealed that, due to technological progress, an important number of English words and expressions have been borrowed from English and became indispensable in the Romanian language. Nevertheless, there are also other unnecessary English words invading the Romanian language.

Key words: translation, economics, lingua franca, English language

J.E.L. Classification: Z

1. Introduction

The contact between business people and their interrelationships generally lead to some kind of linguistic inter-influencing. Thus, the language of economics provides communities with the tools needed to discuss business issues. While being closely related to general language, the language of economics is also a sublanguage used both by specialists (see the jargon of a specialist group) and by lay people. The importance of economics is obvious. It determines much of our everyday life since we all are involved in an economic context by being employers, employees, customers/clients, suppliers, etc.

In recent decades the English language has undeniably become the language of communication at the international level, spreading itself with astonishing rapidity and thus leading to a number of linguistic, ideological, socio-cultural, political and pedagogical

implications and consequences explored by countless authors [1]

Holding the status of official language in over 60 countries and occupying a prominent place in more than 20 of them the English language is thus the primary language for writing books, academic journals, being also used in the media and sports.[2] Europe has always been culturally diversified and multilingual. The 21st century has witnessed the emergence of new forms of internationally spoken languages in addition to Sanskrit, Greek, Latin, Arabic, French and Spanish, which now serve as *lingua franca*. [3]However, Europe has become progressively less linguistically diversified just as a result of the programs or planning to ensure linguistic pluralism. Thus, the emergence of English as international language is undeniable and its dissemination in almost all fields of knowledge has undermined the efforts to maintain linguistic diversity. The efforts to stimulate the teaching for other languages, although successful to some extent, lost [and still lose] the competition against English [4]

In its turn, Phillipson speaks about the English language as part of the globalization movement at the international level. As a *lingua franca*, the English language [5] effectively served as a bridge to connect all parts of the world. In turn, as our corpus suggests [6], it can reinforce the contribution of the English language indicating that English has facilitated the political and cultural understanding between companies. Moreover, English has played a key role in understanding the different realities of the international world. The new millennium brought a new world order.[5] A series of events and changes have taken place around the world through the fall of the Iron Curtain, the end of the Cold War and the easing of the tensions between East and West, the two

Gulf wars, the terrorist attacks in September 2001. [7]

Phillipson, [5]advanced the idea of linguistic imperialism, developing and spreading ELT (English Language Teaching) all over the world. The author refers to the phenomenon of sending English teachers in order to maintain the dominance over most developing countries. A term introduced by Phillipson is that of *linguism*, which refers to the imposition of cultural, social, emotional and linguistic norms of the dominant society in the dominated society, thereby maintaining the unequal allocation of resources.

It is true that the English language has achieved a dominant or prestigious status while maintaining an unequal allocation of resources and power. A language, especially English, meets the prestigious or dominant standard while other languages are considered inferior. Consistently, users perceive the language as inferior and are becoming increasingly aware of their low status; thus, they abandon their language for a dominant one.

It is clear that English was continuously imposed by many other areas (such as public relations, international conferences, economy, trade, transportation) and used in different intellectual, political and cultural environments (international organizations, films, music, travel, publications, communications, education). We are dealing, therefore, with a high degree of globalization largely due to communications, politics, media, economy and military.

The access to key information in a number of increasingly large areas is often dependent on the possession of reading and understanding the English language. By far the most important language of scientific and academic conferences [7]English plays an important role in disseminating information internationally: for example, over 90% of the information contained in influent databases, such as the Science Citation Index [SCI], are extracted from articles in English [8]

While the United States of America know the route, other peoples are still torn between liberalism and socialism. The globalization of technologies and perspectives can be observed today. The American people created a large number of technologies. In addition, the dominance of the American culture maintains contact with resources such

as the media, involving television, world politics and movies. The fact that both movies and music are largely conducted in English has a huge impact on the young people drawn to mass culture.

This extraordinary world, with the exuberance of its main emerging forces, is characterized by non-conformism, by the abundance of the types of technologies, the challenge of sciences, cultural elitism; thus, a new and growing phenomenon occurs: the brutal invasion, the avalanche, the disrespectful offensive of the recently borrowed terms from foreign languages, but also in the everyday language. [9]

English borrowed words that are used in other languages are called *Anglicisms*. An Anglicism can be a word, phrase, or idiom characteristic of the English language. Anglicisms are adopted in the IT field and other areas where new technology is developed. Due to rapid technology changes, some countries adopt the English words for new technologies into their native language. Sometimes, the names for some new inventions are hard to translate, and therefore it is convenient to simply keep the original English name (e.g. *hardware, software, click, mouse*, etc.).[10]

2. Case study

We have conducted a study on the influence of English economics terminology on the Romanian language. The first part analyzes a glossary compiled by M. Marcheteau for learning the economics English language by using the Larousse method[11]. The book includes English words that are related to the economic field (*globalization, transport and telecommunications, insurance, legal forms of business organization, accounting*).

An overview of the terms used in computer science has led us to the conclusion that, in addition to the 67 terms and words mentioned by the authors, at least 10 are from English and are indispensable to the technological progress: CD -Rom, click , computer, hardware, hypertext, Internet, laptop, microcomputer, modem, mouse.

The second part of the study analyzes several articles from a Romanian journal specialized in economics, i.e. "Tribuna economică" [TE][12]. We have identified a

great deal of words borrowed from the English language, which can be classified into several categories:

1. designations of projects and institutions in Romania ("Navrom Business Center" [10], Aqualand);

2. a newspaper column is named "Money, Money";

3. terms related to computer technology: software, web, online, CD: "Parcul *software* din Galați, care va fi administrat de Cons Management Park al Soft Ltd., a câștigat titlul de "primul parc științific și tehnologic". Din experiența altor țări, se pare că parcurile software reprezintă o formulă de succes pentru a obține capital și pentru dezvoltarea domeniului tehnologic al informației" [6] "Galați software park, which will be managed by Cons Park Management of Soft Ltd., won the title *the first science and technology park*. From other countries' experience it appears that software parks represent a successful formula to gain capital for the development of the information technology domain'] Another example falling in this category is an article of TE no. 41/2002, p. 47, containing many words borrowed from English. These words will certainly be accepted in the Romanian language; however, some of them should be translated into Romanian especially because they are given as acronyms, for example, IT (Information Technology). The article mentioned above is a proof of the frequent use of English words in Romanian, at the companies' level: "93% dintre societăți au regulamente cu privire la comportamentul angajaților lor și în jur de două treimi dintre acestea includ, în cazurile de "nerespectare gravă a regulilor", utilizarea în mod neadecvat a *e-mail*-ului și a *Internetului* la birou", "10% dintre societăți interzic utilizarea în scop personal a *e-mail*-ului și a *Internetului* la birou", "14% dintre societăți nu au nicio politică cu privire la utilizarea *e-mail*-ului și 13% cu privire la utilizarea *Internetului*", "Este surprinzător cât de mult timp este alocat rezolvării problemelor cu privire la abuzul de *e-mail* și *Internet* la birou [...], se pare că o mai bună investiție ar fi aceea făcută în scopul îmbunătățirii sistemelor de securitate [*firewalls*] și *software*-ului, în special luând în considerare creșterea numărului de norme date prin *Employment Act* 2002 cu privire la aspectele disciplinare"

"Chiar dacă unele autorități, cât și o parte din companiile publice sau private încep să implementeze sisteme *IT*, toate entitățile trebuie să includă restricții specifice în politica *IT* astfel încât cazurile de nerespectare să poată fi rezolvate în conformitate cu legea" [6]; "*site*-ul pentru licitații" [6]; "cumpărarea avantajoasă *on-line*" [prin Internet] a cărților și *CD*-urilor" [6].

['93% of societies have regulations regarding the conduct of their employees and about two thirds of them include, in the category of "serious breach of the rules" the inappropriate use of e-mail and Internet at work '. '10% of societies prohibit the private use of e-mail and Internet in the office', '14% of societies have no policy for the use of e-mail and 13% for Internet use'. 'It is surprising how much time is allocated to solving e-mail and Internet abusive use at work [...], it appears that a better investment would be to improve security systems [firewalls] and software, especially considering the increased number of rules granted by the Employment Act 2002 with regard to disciplinary matters. Even if some authorities and some public and private companies started to implement IT systems, all entities need to engage with IT policy restrictions so that non-compliance situations be solved in accordance with the law', 'auction site ', 'advantageous online selling' [through the Internet] of books and CDs' [6].

4. terms in business or economic-financial operations such as *business* [Telefoanele "pot fi utilizate în *business* și *divertisment*" -; *leasing* ["In cazul operațiunilor de vânzare-cumpărare în *leasing* -[6]; *marketing* ["*marketingul* este o nouă abordare a activităților economice care impune necesitatea de a produce doar acele bunuri pe care oamenii le pot consuma și care sunt considerate necesare", "*marketingul* este de asemenea un concept dinamic" -[6], p. 19; *output* ["Efectele șomajului aflat în creștere asupra economiei sunt mai evidente în perioadele de *output* în descreștere. Așadar, atunci când *output*-ul descrește sub nivelul său potențial, *output*-ul indivizilor este afectat în mod direct"- [6]; *factoring* [*Factoring*-ul este "în general un efort disperat făcut de companii pentru a obține lichidități" sau "Există diferite tipuri de

factoring" – [6]; *good-will* ["*Good-will* – o abordare [...] financiară", "dintr-o perspectivă contabilă, valoarea *good-will*-ului este echivalentă cu cea a unui fond special" –[6] p. 25 [(*Mobiles* " can be used in *business* and entertainment " -idem, pp.7 – 8); *leasing* (,In *leasing* operations' -idem); *marketing* (, *marketing* is a new approach to economic activities which requires the need to produce only those goods that people consume and that are considered necessary', ,marketing is also a dynamic...' [idem, p. 19], *output* ('Unemployment effects on the growing economy are more evident during periods of declining *output*. Thus, when *output* decreases below its potential level, individuals' *output* is directly affected -[6], 64); *factoring* (*Factoring* is ,generally a desperate effort made by companies to get cash' or ,There are various types of *factoring*' – idem); *good -will* (, *Good -will* – a financial approach', ,from an accounting perspective, the *good -will* value is equivalent to that of a special fund' -idem, p. 25).[6]

5. terms on leisure activities: "anumite clădiri au fost construite: *bungalow*-uri [...], discoteci", "Turiștii își pot petrece timpul liber practicând sporturi nautice: *windsurfing*, *jet ski*, ski nautic" [6], p. 29-67; *tour-operatori* [the second part of this compound noun is Romanian]: "In ceea ce îi privește pe turiștii europeni, marii *tour operator* din UE au înregistrat cifre de afaceri scăzute" ['some buildings were built: *bungalows* [...] *discos*", "Tourists can spend their free time practicing water sports: *windsurfing*, *jet skiing*, water skiing" [idem], *tour-operatori* [the second part of this compound noun is Romanian]: 'as for the European tourists, major *tour operator* in the EU had a decreased turnover' [6].

Some words borrowed from the English language evolved, forming new words by adding Romanian suffixes. Even the Explanatory Dictionary of the Romanian Language, published in 1996, mentions and explains terms such as: *management*, *manager*, *managerial*, *a implementa* [to implement], *implementare* [implementation], *implementat* [implemented], *trend*, as reprised by international law scholars [14].

Moreover, the terms *factoring* and *good-will*, mentioned above, and other terms derived from the English language such as

escrow [contractul de *escrow*], *webhosting* [contractul de *webhosting*], *consulting-engineering* [contractul de *consulting-engineering*], *agency* [contractul de *agency*], *know-how* are frequently used in university courses and reference materials representative of the contracts and international trade, such as the academic course "Dreptul comerțului internațional" (International trade law) by Ioan Macovei and "Cartea de contracte. Modele. Comentarii. Explicații" ['A Handbook of contracts. Models. Comments. Explanations'], coordinated by prof. dr. Jorg K. Menzer, lawyer at Bucharest Bar [2008].

Moreover, such books even offer explanations and/or examples of the origin of the terms, borrowed from the English language: "Termenul de *know-how* este preluat din dreptul american și reprezintă prescurtarea expresiei *the know-how to do it*, care înseamnă a ști cum sau a ști în ce fel să faci ceva" [14][The term *know-how* is taken from American law and stands for the phrase *the know-how to do it*, which means knowing how to do something]; the same author lists in a footnote the main fields of the consulting-engineering contract: 'For example, *chemical engineering*, *electrical engineering*, *military engineering*, *naval engineering*, *commercial engineering*" or he explains the origin and evolution of the term *factoring*: "*Factoring*-ul a apărut în secolul al XVIII-lea, fiind o creație a practicii engleze.[14] Operațiunile de *factoring* au cunoscut însă un real succes în Statele Unite ale Americi" [*Factoring* appeared in the eighteenth century, being a creation of the English practice. *Factoring* operations experienced great success in the United States of America] [6].

An important aspect of using terms borrowed from the English language is the decoding of messages. Some authors give explanations in parentheses: "*Join the club*" [a face parte din grup], "*Geographic Disadvantage*" [dezavantajul geografic], "*Missed the boat*" [a pierde ocazia] – [idem p. 72] - while others offer definitions and examples. Unfortunately, there are many words borrowed from English and, sometimes, their frequent use in the Romanian language can lead to the misunderstanding of the message conveyed. Such an instance is given by a paragraph in

"Tribuna Economică" no. 47/2001: "La finalul sesiunii Conferinței Internaționale "3G Readiness", intitulată "*Leading the change*", R.R. Wright, "*mobility Marketing Director, Microsoft Europe* și B. Moschem, "*Chief Executive Officer*, a anunțat telefoanele mobile *Windows Powered Smartphone–Orange SPV* în România". In one of the subsequent paragraphs the reader finds out what the acronym SPV means: Sound, Pictures, Video.

We can easily notice the use of such words in the English language, both in oral and written communication, and the extremely important role played in this respect by television and newspapers.

T. Slama - Cazacu, in her study "Stratageme comunicative și manipularea"[15], gives the main reasons that led to the use of such terms. Although there are a number of objective reasons, such as: the need to use a special code to designate some new objects and processes and the difficulty of immediately and correctly translating the words designating these new objects and processes; their dynamics, as many such terms appear and disappear so quickly that recording and translating them into a dictionary of "new words" cannot keep pace with the rhythm of their development and emergence, nor can it become useful since the respective word is no longer in use. There are also subjective reasons such as snobbery, sluggishness, handling, invasion of imported goods, prestige and attraction towards the English language, imitation etc.

3. Conclusions

As an international language, English may be regarded as an alternative, with several ideological and utilitarian advantages. The New Europe, under the slogan "unity in diversity" requires a lingua franca in international terms, a lingua franca able to support the acquisition of cross-cultural communication skills, able to act as a carrier of a common European culture

As the need for a common language is becoming more apparent and as the English language is becoming increasingly more used in continental Europe, there is every reason to believe that these matters will be directly addressed by EU leaders that will take, to this

end, a series of measures for the development of linguistic and cultural policies [4]

Although English has had a large influence on many languages, it has also been greatly influenced by other languages, e.g. Latin (*money, pound, cent*); French (*entrepreneur, market, pay, labor, rent*); Greek (*kappa, phi, delta, gamma, autarchy*); Italian (*management, mezzanine*); Spanish (*domino, cargo, embargo*); Japanese (*Taguchi method*); German (*bank*).

The question is how important it is to preserve your own native language. Languages have never been static and have always been changing. Depending on the century languages were influenced by Latin or French and today we use foreign words without feeling that we are destroying our native language. Instead, these words have simply been adopted into our own language. In the end it is in our hands which words we use from other languages and which ones we continue to use in our native language.

We modestly adhere and support the efforts of those who have drawn attention to the reckless use of those English words that "invade" the Romanian language through the media. While their presence in Romanian language texts is sometimes justified (e.g. IT terms), their use is most often abusive. Therefore, we support the idea of the establishment of a commission able to analyze such words and select unique forms that will avoid ambiguous meanings.

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Property Acquisition by Civil Contracts

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Abstract

This work continues an author's older theme concern of property, acquisition of property and contracts. Through this paper I aimed to bring to the attention of those interested in one of the modes of acquisition of property, with reference to the old and the new civil code.

The analysis of a problem from the perspective of both the civil codes is the theme of the current, increasingly common in this time. Romanian legal life, during this period, gets used to the new codes and create the jurisprudence.

Keywords: real estate, property, contracts, acquiring property

J.E.L. Clasification: K41

1. Introductions

Property has generated controversy over the years, leading to the establishment of two directions, of two guidelines, one being that of community of property or collective property (belonging to Plato and being developed by the Fathers of the Church, the Renaissance utopians and even by Marx, Engels) and the other direction supports private property and was debated especially by Aristotle, Auguste Comte and Stuart Mill.

Involved in the evolutionary process of social development, the property has known several structural changes; from an economic perspective, property is the basis of production and production is prerequisite to the ownership of those goods necessary for production; therefore, it incurs in connection with the acquisition and possession of goods by people; it doesn't entail the material acquisition of goods but the social relations in which the appropriation is made. From a legal perspective, its correspondent is to be found in the property rights and the

ownership, the appropriation, has become the "right to acquire an ownership right" enshrined in legal rules. In both ways, it is a social relationship, a relationship between people with regard to goods.

2. About Property

In the Roman law, ownership restrictions were few and they were called easements; property was called "*dominium ex jure quiritium*" and it was a "*plena in rei potestas*". In the Middle Ages, property entailed some restrictions and concessions for seigneurs, where there was a "*dominium eminens*" that belonged to the seigneur and a "*dominium utile*" which was leased by the seigneur to others. Ownership continued to evolve in the modern and contemporary era. The scope of this right was expanded by the establishment of intellectual property rights and the modern era has known outstanding directions of private property rights through nationalization or privatization, economic development, which also entailed the development of movable property [1].

The Romanian Civil Code of 1865, taken after the French Civil Code, provides that the property is someone's right to enjoy and dispose of a good solely and absolutely, but within the limits established under the law. [Art. 544 of the French Civil Code provides that: „La propriété est le droit de jouir et de disposer des choses de la manière la plus absolue, pourvu qu'on n'en fasse pas un usage prohibé par la loi ou par les règlements”].

The current Constitution of Romania, adopted in October 2003, provides, in art. 44, that the right to property is guaranteed by the law. The definition of the property right is incomplete and, therefore, it has been criticized more or less in many ways. One of the definitions of property states that "property is the right on one good, under which the good is exclusively and perpetually

subject to the power of a person or of those who get it from this person and which is manifested by the capacity to serve, to enjoy and to dispose freely of it".

In defining property, we start from the legal content of the right to property, content consisting of recognized property attributes (possession, use and disposal), i.e. to use it (*jus utendi*), to "reap the fruits" (*jus fruendi*), and to dispose of it (*jus abutendi*); however, in practice, it is often revealed that these attributes are exercised by a person different from the owner, mainly in virtue of a real right derived from the right of property [2]. The owner exercises his/her legal attributes of ownership in his/her self-interest; he/she is not subordinate to anyone other than the law, and other persons, other than the owner, exercise these attributes under the law, but by the power of the owner; this exercise is performed under the release by the owner and in its own power.

The property by itself reunites the three attributes: *usus*, *fructus* and *abusus*; all the other real rights imply only one or two of these attributes, but never all because they lack the attribute *abusus*, i.e. the capacity to dispose of the good, being incomplete in comparison with its previous forms or with other real rights; however, it is not absolute by itself. *Abusus* is the attribute who permit to the owner to sale, to donate or to change his good.

The owner exercises the attributes in his/her own interests; this is the only legal subject which exercises directly or indirectly (through other people) all the property attributes. A complete definition can be formulated as follows: "property is a real right that gives the holder the attributes of possession, use and disposal of an asset, attributes that only he/she can exercise in their plenitude, in its own power, and its own interest, in compliance with current legislation" [3].

3. About Contracts

Contracts have emerged as a necessity in the development of society, in order to replace older forms among primitive communities. These primitive forms took the form of mutual gifts, donations and contra-donations accompanied by mutual services. Later, the barter appeared, i.e. the exchange

of goods in kind, and the need for contracts came as a result of simple commodity production, and their role was to achieve the movement of goods through money.

Over time, with the modern period and with the period of encodings, there was felt the need for each state to have its civil code and, thus, civil contracts came to be regulated in civil codes. [In the process of state and law modernization, the French Civil Code from 1804 was enacted, model also followed by the Romanian Civil Code of 1865.]

According to the New Civil Code, the contract is an agreement between two or more parties, concluded in order to represent or settle among themselves a legal relationship. Another definition of the contract is given by the Roman law, which states that the contract is the law of parties (*contractus legem ex conventionione accipiunt*); this concept was also overtaken by the Romanian Civil Code in order to support the binding force of contracts: the legally made agreements have the force of law between the contracting parties [4].

In the literature, and not only, the term "contract" is synonymous with "convention", both terms evoking bilateral or multilateral legal documents and their legal support is the Civil Code itself [5].

The regulation of civil contracts is contained in the Civil Code and in other laws governing certain contracts, such as lease, leasing contract, labor contract etc. These regulations may be general, applicable to all types of contracts and they provide for the freedom of contracts, their limits, formation and effects of contracts.

At the same time, the Romanian legislation includes special regulations regarding certain contracts such as: the sale and purchase, trust, rental, deposit, loan etc. When concluding a contract, an important part is played by the agreement of parties; the conclusion of any contract is free and derived from the principle of freedom of will, in the field of contracts.

The freedom of contracts plays an important role in any agreement, as it is a key component of the individual freedom that reflects the role of the will of parties in the formation of contract.

This freedom of contracts presents some limitations, as the legislator regulates it, in the sense that there is no derogation, by

conventions or special provisions, from the laws that affect public order and good morals, and the obligation without cause or based on a false or illegal cause may not have any effect.

During the period of economic liberalism, the concept of contract acquired a new vision, namely that the freedom of action lies under the contract, which is based on the individualistic philosophy and consists of:

- the foundation of the binding force of the contract is represented by the will of parties;
- any agreement, since it is will, is just and legitimate.

The Romanian legislation and the doctrine and jurisprudence have revealed the existence of the following types of contracts that we find, moreover, in the law of other countries, especially within the EU [6]. These include the following contracts:

- The synallagmatic contract. The contract is synallagmatic or bilateral when parties agree mutually to one another, i.e. each party is simultaneously both creditor and debtor, in relation to the other party, i.e. the obligations of the parties have a mutual and independent nature, such as: the contract of sale (prototype) [5].
- Unilateral contracts. The contract is unilateral when one or more persons undertake to one or more persons, without the latter to oblige. These contracts give rise to obligations solely to one party; a party is only creditor and the other is only debtor; e.g. the donation, bailment agreement, last will and Testament.
- The non-gratuitous contract for services. In this case, each party wishes to procure an advantage; each party aims at an advantage, at a consideration, in exchange of the one which it makes, in favor of the other party. It is of two kinds:
 - a) Commutative contracts, where the obligation of any party is equivalent to the obligation of the other party, such as: buying, selling, exchanging, leasing, contracting.
 - b) Random contracts, where the equivalent depends, for one of all parties, on an uncertain event. E.g.: insurance contracts, annuity contract, maintenance contract.
- The contract of benevolence or charity. In this case, one party wants to grant, without equivalent, an advantage to the

other. Therefore, one party undertakes to procure to the other a proprietary advantage, without receiving anything in exchange. E.g.: donation, deposit, mandate contracts. This type of contract is divided into: liberalities and free service contracts or disinterested contracts [7].

- The consensual contract. It is the contract concluded by the mere agreement of parties (*solo consensu*), without any formality.
- The solemn contract. In this case, for its valid conclusion, it is necessary that the agreement of the will of parties to be made in a certain way or to be accompanied by certain solemnities under the law. E.g.: donation, mortgage contract, contractual subrogation with the debtor's consent.
- The real contract. For the conclusion of this type of contract, in addition to the agreement of the will of parties, the substantive remittance of the work (that is the prestation object of the parties) is also necessary. In this category, the legal doctrine includes: the loan consummation, the deposit, the pledge agreement and the contract of carriage.
- The nominate contract. This contract is governed by the express provisions of the Civil Code and other civil laws, qualified by special names according to legal operations that it generates. E.g.: buying, selling, lease, mandate, loan, deposit.
- The innominate contract. This contract is not expressly regulated by law and it does not have a legal name. E.g.: maintenance contract, legal assistance contract, hostelling contract, service contract.
- The contract with instant or immediate execution. Within this contract, the parties are required to execute the prestations that they owe to each other, in one and at the same time, which usually coincides with the time of concluding the contract. One such example is the contract of sale.
- The successive performance contract. Within this contract, there rises the obligation on both sides, or at least on one of them, to execute their benefits due

to a period of time, such as: maintenance contract, annuity contract, insurance contract.

- The negotiated contract. Within this contract, all conditions and terms, nature, extent and quality of benefits which oblige the contracting parties are the result of free negotiations. This is the traditional type of contract [8].
- Adhesion contracts. The content of these contracts, their clause, is predetermined entirely by one party. This type of contract is very common in the modern era: rail transport contract, television and radio subscription, telephone subscription, contract for water, gas, electricity supply.
- Forced contracts. This conclusion of this type of contract is required under the law. E.g.: the insurance contract for new car owners or the insurance of major assets such as buildings.

Among all these contracts previously shown, only some of them permit the transmission of the property, whether the property owner will receive in his place or another good or something in return.

4. Conclusions

As we said before, the new civil code is inspired largely by the Canadian civil code. At present, the Romanian civil code governs a wide range of institutions, bringing together civil law, family law, commercial law, transportation law and certain special laws. In the field of property, common/usual law is the civil code. Sometimes, in special situations, there may be some special laws.

On the modes of acquisition of property owner, the new civil code does not bring fundamental changes, which is very important. The legislature gave the parties the opportunity to trade as they wish on the property.

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Controversies on the Legal Nature of Extradition

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Abstract

The legal nature of the extradition was a permanent object of discussion in the legal literature. Thus, many authors have emphasized the different legal nature of extradition, based on its role and purpose in the act of international cooperation in criminal matters. According to Professor Ion Tanoviceanu, the extradition is an institution of international law as it is the subject of numerous international treaties and conventions. In a recent study, the author Florin Razvan Radu noted that "extradition belongs to the field of public international law, namely of international criminal law".

According to other authors, the extradition has a mixed legal nature being, at the same time, an act of sovereignty and a jurisdictional one. Extradition appears as an act of sovereignty of the state, which may accept or refuse to surrender an offender in its territory.

Key words: extradition, international cooperation, legal nature, offense, double incrimination.

J.E.L. Classification: K3

1. Introduction

The great fight against crime is one of the major concerns of all states and, above any activity, it is a priority over many other demands that society requires at a certain time.

In these circumstances, states are obliged to provide mutual legal assistance, thus cooperating for the discovery, apprehension and conviction of all those who disobeyed in any way the criminal law[1].

It goes without saying that, in the fight against domestic and international crime, the best results cannot be obtained without the special cooperation between states. The

development of international relations in many fields, especially after the First World War, was accompanied, among others, by an unprecedented increase in international crime[2].

This disturbing presence of crime in the international life led to a solidarity response of the states, aware of the need for their cooperation in order to prevent and fight against this phenomenon [3].

The unprecedented development of international relations at all levels has resulted in the establishment of legal relations with a foreign element in the fight against crime. Within a globalized world, where crime has become a universal phenomenon, it is necessary to increase the international criminal cooperation in order to minimize all antisocial acts. In the literature, it has been already discussed about "a European space of crime (euro crime)", about the free movement of offenders and the "export of the Mafia".

It is obvious that, due to its size, scope and organized nature, international crime exceeds the capabilities of states, in isolation, and can be combated effectively only through the efforts of all states.

Frequently, there have been cases when an offender, after committing a crime in one state, hides, flees to another State, seeking in this way to escape prosecution or sentencing or even executing a sentence.

In these circumstances, it was necessary to find the legal means for establishing the international cooperation in this area. One of these measures is the institution of extradition.

We can talk, in this case, about an internationalization of crime by its commission in a given territory and its termination in another territory, thus jeopardizing not only the social order of a single state, but extending continuously and violating the legal order of several states. It is required, therefore, a common response of

the states that suffer, in one way or another, from the negative consequences produced by such a situation. We see, therefore, that the internationalization of crime has to be controlled through the internationalization of the fight against crime.

Due to these national and international events, extradition is a useful measure in the fight against crime. Without it, states would not be able to perform criminal law enforcement under the territoriality principle, in cases where the perpetrator was able to leave the country where he/she had committed the crime. At the same time, the Romanian criminal law could not be enforced under the personality and reality of criminal law principles, which are founded on the quality of the person who committed the offense (i.e. Romanian citizen or stateless person residing in Romania), and also on the nature and seriousness of the offense (an offense against the Romanian State or against the life of a Romanian citizen, or an offense that caused a serious body or health injury to a Romanian citizen, when committed by a foreign national or by a stateless person who does not reside in Romania).

This fight against transnational crime is also based, among other legal means, on the institution of extradition, through which a person subject to a warrant of arrest issued on the territory of a state is surrendered to the respective state, where it is identified on the territory of another State.

Today, it is widely recognized that the extradition is a form of international judicial cooperation in criminal matters, an important and effective act of solidarity and mutual aid of states in the fight against crime. Extradition is considered as an effective tool for the criminal enforcement of each state to manage their justice in the best conditions.

Operating directly in the interests of the requesting State, extradition is a legal institution which meets the common interests of all states in order to ensure the rule of law internationally. Extradition, taken in isolation, does not cover all the needs of international legal cooperation in the fight against crime, but it is a way of co-operation with the most effective and important results.

The scope of international cooperation in criminal matters has changed a lot due to the evolution of society and the emergence of other modes of committing crime. Thus, the

primitive ways of cooperation have today reached new methods, characterized by speed and efficiency. Given that transnational organized crime has acquired, due to the opening of borders, an increasingly larger scale, international judicial cooperation in criminal matters is, together with police cooperation, the only effective way to respond to this phenomenon [4].

As regards the legal nature of extradition, it was an ongoing object of discussion in the literature. In this respect, many authors have emphasized the different legal nature of extradition, based on the role and purpose of the act of international cooperation in criminal matters.

2. According to Professor Ion Tanoviceanu.

Thus, according to Professor Ion Tanoviceanu [5], extradition is an institution of international law because it is the subject of numerous international treaties and conventions. The author emphasizes this view noting that it is mainly aimed at removing all the shortcomings of catching fugitive criminals, through the aid given by other countries. Moreover, the author presents the legal nature of extradition through the "State situation in relation to foreigners". Thus, the State may refuse the permission to remain on its territory of a particular individual. Some would say that this view is outdated; on the contrary it is a current, accurate and real one. In a recent study, the author Florin Razvan Radu noted that "extradition belongs to the field of public international law, namely to international criminal law".

According to other authors [6], the extradition has a mixed legal nature being, at the same time, an act of sovereignty and a jurisdictional one.

Generally, extradition is defined as the act by which a State surrenders a person prosecuted for an offense or an already convicted person to a foreign state that has the power to judge and sentence this person.

It follows that the extraditing State acts in its sovereign plenitude, recognizing itself that sometimes one cannot ensure the achievement of justice on its territory. Signing agreements is just a manifestation of sovereignty, an expression of the sovereign

will of cooperation with other states, of legal mutual relief.

The overall security system is based on the sovereign equality of states, on the equal rights of peoples and on their right to decide their own fate, on the fulfillment in good faith of international obligations, on the cooperation between them in order to achieve the rule of law and peace.

Extradition is considered, by political reasons, as a sign of goodwill between states, the legal institution aiming to punish the perpetrators hiding in other countries.

Extradition is, therefore, an act of sovereignty of the state, which may accept or refuse to surrender an offender on its territory. The right of a state to refuse the extradition of an offender generally arises from bilateral or multilateral treaties or may be awarded on a reciprocal basis.

In the exercise of its sovereign rights, the state is the one which decides which applicant shall be given preference if the offender's extradition is asked simultaneously by several states.

Other authors [7] argue that extradition has a dual legal nature:

- International, as it is a way of international cooperation in criminal matters, of mutual aid of states, which is realized on the basis of the agreements signed between states, extradition being one of the basic concepts of international criminal law. Similarly, extradition is an act of sovereignty and a manifestation of international solidarity in the fight against crime.

- Domestic, as extradition is a governmental, administrative and / or judicial act according to the competent public authority deciding on its admissibility.

The same opinion is also shared by other authors [8], granting extradition a double role in its area of regulation.

However, there are situations when the doctrinarians [9] do not expressly challenge the legal nature of extradition; in this case, their opinion on the legal nature of extradition is drawn from their means of analysis and synthesis. In this regard, we emphasize the presence of extradition in documents for the analysis of international criminal law, along with other institutions such as: the transmission of criminal proceedings, the transfer of sentenced

persons, the international legal assistance in criminal matters, etc.

Thus, extradition is a legal institution, both in domestic and international law, by which the persons convicted of crimes are rendered to the states entitled to judge and condemn them, or are compelled to execute a punishment for which they had been sentenced [10].

Under the domestic law, extradition is regulated by several branches of law: criminal law, criminal procedure, constitutional law, which, together, give extradition a complex nature.

The Romanian jurist Vespasian V. Pella defines the international law as the entirety of substantive and procedural rules governing the exercise of actions by states or individuals, likely to disturb the public order and the international harmony between peoples [11].

The Belgian jurist Stefan Glaser defines the international criminal law as a set of legal rules, recognized in international relations, which aim to protect the international legal or social order by the repression of the acts that affect them; i.e. the set of rules established for the repression of the violations of public international law precepts.

The international criminal law is part of the international law, while the criminal international law protects the internal order of each state. The criminal international law contains rules of law whose foreign element is represented by the place of occurrence of deeds or of their consequences, the perpetrators' nationality, and the place where they fled after committing the crime, being thus the field where states mutually require support in order to solve the problems of domestic criminal law.

Elements of international criminal law are the rules on extradition, on the legal assistance in criminal cases, on the application of national laws for crimes committed abroad, on the recognition of criminal decisions rendered by the courts of other states, etc.

From a theoretical perspective, there is a special relationship between the international criminal law and criminal international law; in practice the issue is less important as, there is an important overlap between the two branches.

Some authors consider that international criminal law is not, in reality, an "international" law because it contains internal provisions of the national law which unilaterally limits, in each country, the scope for the application of criminal law, in space [12].

According to Professor Vintilă Dongoroz and to his collaborators [13], there is no international criminal law; there are only branches of national criminal law. The fact that the national criminal law can also be effective in relation to certain acts committed outside the state does not change the nature of national criminal law.

3. Extradition is an institution of criminal law.

Thus, extradition, like rogatory commissions, and the recognition of criminal judgments or of other foreign judicial acts are notions of substantive and procedural law in the national criminal law wherewith the agreements relating to the cooperation of States for the prevention and punishment of crime operate, turning, in the dynamic of their operation, into primary institutions of international criminal law.

Other authors [14] state that the extradition is an institution of criminal law and criminal procedure law that contributes to the cooperation between states in fighting against crime, the extradition being regulated by the Criminal Code in article 9 and in by the Code of Criminal Procedure in article 522¹.

4. Conclusions

From the above presented issues, it follows that the problem of the exact legal nature of extradition is far from being solved. However, we conclude by saying that the establishment of the legal nature of extradition must consider the following fundamental aspects:

- in its regulation, the extradition always involves, in addition to the internal element, a foreign element, which emphasizes its international nature, and, therefore, it belongs to the sphere of international law;

- it is an expression of the free will of the state, involving the exercise of its sovereignty;

- the extradition is established by justice, by court decision;

- at the basis of an extradition request lies a crime, which categorizes it in the field of criminal law regulations;

- it often and necessarily has a binding force, as it is enforced against the will of the extraditable person, having thus the status of penalty, being seen as a legal constraint;

- it has a rich internal (the Constitution, the Criminal Code, the Law 302/2004) and external (numerous international conventions and bi and multilateral treaties) legal framework;

- it is currently considered as a main means of international judicial cooperation in criminal matters. The current law on extradition does not highlight it anymore as a means of judicial assistance in criminal matters, but places extradition on the same level with the legal international assistance in criminal matters, as distinct forms of judicial cooperation in criminal matters.

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The Implications of the Legal System on Human Cloning, in Vitro Fertilization and Embryo Transfer

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Abstract

One of the topics that incite the medical and legal worlds is the phenomenon of the criminal protection against genetic manipulation, a relatively recent phenomenon, especially taking into account that the technical possibility for its achievement is due to scientific developments. The criminalization of the facts circumscribed within this phenomenon endangering the future of biodiversity came to the criminal legislator's attention in order to guarantee the specific means for the compliance with the rules established in the field of bioethics, that have become biolaw rules.

The law, like bioethics, is applied both upstream and especially downstream the scientific act on human utility.

Key words: cloning, in vitro fertilization, surrogate mother, assisted reproduction, eugenics.

J.E.L. Classification: K3

1. Introduction

One topic that we address in this paper is the criminal protection of reproductive health regarding in vitro fertilization, artificial insemination and embryo transfer. The issues raised by the future child who will be born from an embryo fertilized in vitro are particularly nuanced. Sometimes, a child may have even four parents: the mother donating the egg, the father donating sperm, the mother carrying the child (the legal mother) and her husband, who is also considered the child's legal father.

Therefore, the impact of life sciences on society is extremely complex, raising issues that also require the intervention of laws which, undoubtedly, represents a priority.

Modernity has given us the opportunity and honor to become the witnesses of events that until recently were met only in science fiction books. Human imagination can overcome the farthest boundaries, but creativity did not strike back. The man, the creator of all moral and spiritual values, showed that the fruit of creation comes only from the art of his/her imagination driven by a desire to break the strongest and remote barriers of the unknown. Who could ever believe that one's child would be born from the womb of a stranger, or that we would be able to give birth to children choosing their gender, eye color or other similar features or that our children would be born many years after our death? But how far can the mirage of techniques and technology go? Will we be able to order our future children? Will we get to the perfect creation or will we fall into slope of paradox by self-destructing ourselves? It is well known that man continuously and uninterruptedly creates, without the risk of fatigue, because what we create now remains as a dowry to our future generations, which enjoy our creations as we have enjoyed the inventions of our ancestors.

The sciences dealing with the study of the man as perfect or perfectible creation have far exceeded the current legal regulations, laws profoundly remaining behind medical discoveries. It is our obligation, the doctors' and lawyers' obligation, to shape together the boundaries and limits of the man's acts in the art of medicine. It is very hard, indeed, that when you have all ammunition on hand not to use it, but keep it closed in "a Pandora's box", being aware that if we disregard these limits we may put ourselves in danger of self-destruction. Once again, it was proved that the law deserves to be fully criticized because, in a world of speed, it remains obstinate, being tributary to outdated ideas and winning the battle of egos. No, we do not have to take pride, but, on the contrary, we

have to work together to make this legal and medical carousel correctly highlight the development of humanity today. It is indeed a "crime" that some social relationships, related to the protection of people, to the respect of their rights and freedoms, are not fully covered by regulations and, not least, penalized. Yes, we agree that an invention may occur overnight and can make decisive changes to society, which cannot be said about the rapidity wherewith we can adopt or amend a legal norm. But there are already too many legal loopholes related to the field of medicine and one wonders what will happen in 10 years if things do not change. What is wrong? The fact that technology is evolving rapidly and that those who deal with legal regulations are too slow or simply remain amazed and frightened when faced to the avalanche of innovation in the medical field? Is it better to ignore and shrug when dealing with certain deeds committed? An unconscious person would certainly give a positive answer, while an educated person would give a negative answer. Certainly we fall into the category of realistic and trained people, so that, by means of this study, we will try to raise a number of issues related to the medical field with incidence in the judiciary one.

It is known that, currently, the evolution of contemporary society is characterized by the serious and increasing resort to the respect for human rights and fundamental freedoms. In this area, the criminal law, through the instruments at its disposal, featuring the toughest legal sanctions, is certainly an effective tool to enforce these rights. It is normal that the changes in the field of law keep pace with those in the art and technology, ensuring a deep and appropriate regulation.

2. The involvement in the field of criminal law with implications in bioethics.

The involvement in the field of criminal law with implications in bioethics is justified given that the man is the creator and beneficiary of his/her rights. It has been rightly stated that criminal law is called society's "the watchdog" [1] because the state protects and preserves its most important social values through criminal laws.

It should be noted that there are no express social values enshrined in criminal law; all the values which it defends are created by other branches of law. Thus, it appears that the criminal protection of social values occurs only when the protection afforded by other branches of law is insufficient; the criminal law, therefore, comes as a "last resort" to protect, preserve and defend social values.

Similarly to the medical system, the legal system is also extensive. But we should not forget that of all branches of law, the criminal law bears the heavy and difficult task of defending the fundamental values of society [2]. Certainly, we make no mistake when we say that the criminal law is the relentless "whip" that could hit us if we do not strictly and honestly comply with the limits set through its regulations. The medical acts, discoveries and innovations in the field are created by people for the people and, similarly, the law is created by people for the people; therefore, we should not slide into self-destruction, into self-degradation or into the impossibility to repair the damage produced. Therefore, there is an extremely special connection between medicine and law, connection that should be recognized and respected by all the participants in society.

By 2004, the genetic engineering in our country escaped criminal regulation. Perhaps this is due to the fact that the medical technology is not sufficiently developed in Romania for the practices of genetic manipulation in humans to be actually possible. But, at the same time, we should not overlook the so-called crimes of import in genetic engineering.

It is known that the current Criminal Code, in force since the 1st January 1969, does not contain incriminations in genetic engineering. Would this mean an absence of related crime? Given that an offense is based on the principle of its legal provision, we can say that the current code is far behind social realities. Yes, these issues are still regulated by special laws that can withstand slight amendments, depending on the speed of innovation in the field. The draft Penal Code in 2004, in the very first title of the special part, includes a chapter with the title "Crimes and offenses concerning genetic manipulation", where the following deeds are

incriminated: the modification of the genotype, the dangerous use of genetic engineering, the illegal creation of human embryos and cloning.

As you can easily notice, the crimes in genetics fall, in terms of the legal generic object, in the category of offenses against the person, where the newly created incrimination rules are directed against the fundamental human right to a healthy environment [3].

3. In the current draft Penal Code.

In the current draft Penal Code, surprisingly, the Romanian legislator did not consider that it would be reasonable to introduce, in the special part of the Code, incriminations in the field of genetics. Automatically, there raises the question: why? Is it because of fear? Or maybe because the legislator's intention was to pass a special law this area? Perhaps this is the correct answer because it is well known that the special laws can be modified more easily, while a general law, as the Code, changes slower and, due to its status, it should contain general regulations which do not bear frequent changes and interventions. Due to the fact that in the field of genetics things change rapidly, we agree with the current draft Penal Code which does not include offenses in this area.

The introduction, in the criminal law, of this type of crimes is the effect of the observation and awareness of contemporary reality, and also of the ratification by Romania of incident international legal instruments.

Thus, one can speak of the European Convention for the protection of human rights and human dignity with regard to the application of biology and medicine, the Convention on Human Rights and Biomedicine of 04.04.1997, ratified by the Romanian Parliament [4].

The preamble of the Convention states that the Member States of the Council of Europe, the other countries and the European Community, which signed the Convention, decided to adopt the convention taking into account the incidence of the international legal instruments on human rights, among which there is, naturally, the Universal Declaration of Human Rights proclaimed by

United Nations General Assembly on 10 December 1948; considering that the goal of the Council of Europe is to achieve a greater unity between its members and that one of the means to achieve this goal is the protection and development of human rights and fundamental freedoms; aware of the rapid development of biology and medicine; aware of the acts that could endanger human dignity through the improper use of biology and medicine; stating that the advances in biology and medicine should be used for the benefit of present and future generations; emphasizing the need for international cooperation, for the benefit of humanity, from the contribution of biology and medicine; recognizing the importance of promoting a public debate on questions raised by the application of biology and medicine and the answers to be given. All the above reasons have convinced us of the importance of such a legal framework.

The Draft Criminal Code of 2004 aimed at ensuring the implementation of the Convention, by criminalizing certain behaviors which break the rules set by it and the lawful national order. It is noted how the criminal law broadens the scope of its rules by an international convention, which has the status of an indirect source of a new sphere of social life. The law grows, it branches out and becomes more complex with the changes that occur in society. The legal regulations are determined by the behavior of individuals in the community.

Since there has been noticed the strong negative impact that genetic manipulation techniques can produce on the development of human society in the future, the criminalization of the offenses, circumscribed to this phenomenon jeopardizing the future of biodiversity, came to the attention of the criminal legislator, in order to guarantee the specific means of compliance with the rules established in the field of bioethics, that have become biolaw rules.

The overwhelming importance of the social values whose criminal protection is achieved by the criminalization of genetic manipulation of negative effects, fully justifies the adoption of measures to prevent and fight against the crime in this area. The protection against the consequences of criminal offenses of genetic manipulation

becomes a protection of individual uniqueness and of the non-repeatability of the human species as a whole[5].

The phenomenon of criminal protection against genetic manipulation is relatively recent, especially since the technical possibility for its achievement is due to scientific developments [5].

With regard to assisted reproduction, we must emphasize that our country still has no complex legal regulations, although, taking into account the existence of genetic manipulation facts, we need to develop several legal rules on medical assisted reproduction and on in vitro fertilization.

The rules governing genetic manipulation have an interdisciplinary approach. This interdisciplinary covers the following areas: criminal, medical, forensic, psychological, constitutional, ethics and eco-genetic. The relationships that support change through genetic manipulation offenses are not only legal but also social, cultural, human, situated between the individual and authority, between man and nature, between the relations of private life as well as of the economic life, of human existence and in relation to the life environment in all its aspects [6]. We should not forget or ignore the possibility of a social chaos.

4. Evolution of medicine imposed new concepts.

Thus, due to the evolution of medicine, there have emerged and imposed new concepts such as medically assisted reproduction, procreation without sexual intercourse, medically assisted procreation, donors of gametes, gamete banks, donors of embryo, replacement maternity, mother carrier etc.

The assisted reproduction techniques were discovered relatively late, although studies in this area date from two centuries ago. Thus, on 25 July 1978, Louise Brown was born, the first child in the world conceived outside the womb, and, in 1995, Dr. Ioan Munteanu, from Timisoara, opens the first IVF clinic in Romania, and, in 1996, he attempts and succeeds the first operation in this field, Ioan Daniel being thus born.

Due to these new techniques, which in the recent past seemed fantastic, it is possible for the parents to die and their children born

afterwards, or it is even possible that siblings born at a distance of hundreds years from one another.

Due to these new techniques, the concept of mother extended, it acquired new meanings. The world is bewildered or shocked to learn that the one who gave birth to a child is not really his/her mother. There appeared the so called "substitute mothers" or "mothers by proxy" or "rented wombs" that, free or for money, offer their uterus to receive the artificially fecundated foreign embryos and carry the pregnancy and give birth to the child.

Paradoxically, a child may have three mothers: the mother who donated the egg, the mother who gave her uterus and carried the pregnancy and the rightful and lawful mother who wanted to have a child in this way. Also, this way, there can occur the strangest family combinations: children can be brothers and sisters with their own parents and grandparents or parents to their own brothers and sisters.

In the case of surrogate mothers or "rented" mothers, eggs are extracted or taken from a bank, followed by their in vitro fertilization and then there is "leased" the womb of another woman, where the offspring achieved by in vitro fertilization will grow, because the mother cannot not carry the pregnancy to its end.

For example, Adriana Iliescu was a "surrogate mother", the egg and sperm coming from donors, and having nothing in common genetically with the child. Given this recent case, we would like to raise a number of issues that may arise and which are, of course, outside legal and regulatory proceedings.

The criminal law does not define in its content the concept of mother or father, as they are apparently clear and very precise notions. There are still crimes which are committed only between these persons and their ascendants or descendants. For instance, let's illustrate the crime of infanticide [7]. This consists in "killing the new-born child, by the mother in a state of mental disorder caused by the birth, immediately after birth". To what mother does the Criminal Code refer to? Certainly, in 1968, when the current Criminal Code was adopted, it referred only to the biological mother who was the one who gave birth to the child. Currently, if the

surrogate mother kills the baby at birth or soon after birth, is this deed an infanticide in these circumstances? Well, if the answer were positive, we would certainly assist to a redefinition of the concept of mother. Patterns and traditions are broken. But if the biological mother would kill the child who is not born by her, in these circumstances, what legal classification would this deed receive? In any case, it would not be an infanticide, as she did not give birth to the child.

Another problem that may rise in specialty practice refers to the case of a surrogate mother, who has nothing in common genetically with the child she gives birth to, and who is killed by one whom she gave birth. Under these conditions would this deed be considered a first-degree murder [8], a murder of the next of kin – the mother in this case? But what if the child would kill his/her biological mother, who did not give birth to him/her, would this offense be classified as a first-degree murder?

5. Conclusion

Therefore, as we see, the law remained far behind the avalanche and explosion of innovation in the field of genetics. We can only work together, doctors and lawyers, to give a more complex and comprehensive regulation in this field, as it turns out that it slips away, placing us in entirely new situations which, incredibly, may take place. The law must keep pace with technology, otherwise chaos and disorder will invade this field.

We should note that the biggest legal issues in the field are generated by the "mother carrier", "the surrogate mother" or "the mother of loan".

On the other hand, following in vitro fertilization, there may result in supernumerary embryos that can be preserved and deposited in the "bank of human embryos", thus raising the issue of the remaining embryos. What happens legally if these embryos are destroyed or sold or implanted in the body of another woman without the consent of the biological mother or father? We must recognize that this act is quite dangerous to society, and its consequences are unimaginable; moreover, the criminal legislator has not replied until now by any criminalization.

Thus, given the above mentioned issues, in vitro fertilization should be regarded as a modern technology designed to support people and it should not be used as a weapon conquered from the Creator.

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Occupational Safety and Health within the European Strategy The Legal System for Occupational Safety and Health in Romania

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Abstract

The integration of occupational safety and health (OSH) with education represents, at European level, an essential component concerning the development of risk prevention culture. This allows everybody, teachers and children alike, to learn how to live and work in a safe and healthy environment. A strategy to promote a culture of prevention and protection must address to all parts of society, widening its scope and beyond the workplace and the workforce. It should help to create a general culture that values health and risks prevention.

An educational institution must be a safe and healthy working environment for all the staff who carry out educational activities, as well as for the students and other persons involved so that they may be provided with a safe and healthy environment, adequate to the teaching and learning process.

Keywords: safety, health, working environment, risks at the workplace

J.E.L.classification: K32

1. Introduction

At educational institution level there must be a safe and healthy working environment, proper to education. At the same time, the presence of vulnerable groups (e.g. very young students), as well as the needs of disabled people must be especially taken into account. The European Agency for Safety and Health at the Workplace has identified five basic issues that must be taken into consideration [12,13,14]:

1. The indoor workplaces, either a classroom, a staff office or a kitchen, must be

adequately ventilated and properly illuminated, they to have an adequate level of humidity, enough space and cleanliness;

2. In case vehicles enter inside the institution, then the the signalization must be clear and, wherever it is possible, the driveway and the pedestrian area must be clearly delimited;

3. The floors must be well maintained and kept clean as to reduce slip and stumble risks.

4. Special attention will be attached to the protection against falls from heights in areas such as balconies and staircases. An extra protection of the railings for very young children may be necessary;

5. The doors and the transparent windows must be clearly marked and made of a suitable material.[19,20]

2. The Strategy of the European Union

The EU strategy in the field of safety and health at workplace has designated the preventive education and culture as key factors for maintaining and improving the quality of work. With a view to supporting this strategy, the European Agency for Safety and Health at Work has published a report called "*The integration of occupational safety and health with the education sector*". The best practices in schools and in vocational education institutions, which present examples of European good practices and highlight the stages, lead to a systematic strategy with a view to integrating the safety and health at workplace into the field of education and training. In England, "the National Healthy School Standard" is a national program which provides an accreditation process for partnerships in the fields of education and health."A completely safe school" is an initiative identified in the Dutch education system, aimed at enlarging

communication concerning security and violence in schools and their surroundings. Likewise, Greece has adopted the development of global safety procedures for the daily safety evaluation in schools and their surroundings by developing a public-private partnership called "Light on school safety." Besides, there is "the School Circle", a concept concerning the design of the working and learning environment in Swedish schools.

The curriculum-based approach

In the majority of the EU member countries, safety and health represent part and parcel of the curriculum being dealt with in several disciplines. Safety and health are integrated as "transversal themes", that is at all education levels and within different disciplines. Thus, "A safe school" in Italy provides a conceptual and methodological framework for teachers concerning the modality of introducing an OSH in curriculum. The Italian space has also provided "Examples of good practices in primary school" focused on the development and dissemination of teaching tools at national level in order to promote the culture of prevention." Completely safe play at any moment" (England) aims at sensitizing the primary school level with respect to the safety aspects encountered on the premises of the institution and developing the packages of learning resources for different subjects from the national curriculum. The Armi Danish project is focused on the development of the behavior, basic knowledge and their positive use in order to ensure the surrounding people's health and safety.

Approach based on the workplace

It is necessary to get to know the most important stages of the educational process, the transition from school to active life, which are devoted to the integration at the workplace of the steps leading to professional life and risks that should be taken into account. These types of cases have global or sectoral themes. The Irish program "Prevention of accidents involving students and youth in the agriculture sector" envisages the development and introduction of security statements that determine the way in which OSH will be managed on a farm. "Safer machines due to students" (Belgium) is a specific example of students' participation in

the improvement of security equipment, whereas "Control" (England) is a multimedia educational resource with concrete examples of risks at work. Last but not least, in Italy, "the OSH integrated curriculum model" has as objectives planning and testing the standard training modules on safety in schools and in the vocational training centers. As far as the educational staff is concerned, it is necessary to raise their awareness as to the risk factors in their working environment. Also, they need to know the legislative regulations as to health and safety at work in order to prevent risks at workplace. An educational institution must be a safe and healthy working environment both for the staff whose entire activity takes place in schools and for the students and others who enter the organization so that they may carry out their activity in a safe and healthy environment, proper to the educational process.

3. The Nationwide Strategy:

For the period 2011-2013 a new OSH strategy was adopted, stating:

a) a holistic approach of wellbeing at the workplace by taking into account the changes in the world of work and the emergence of new risks, with a view to increasing the work quality;

b) consolidation of a culture of risk prevention by combining a variety of political instruments - legislation, social dialogue, measures and best practices, social responsibility and economic incentives - based on building partnerships among the stakeholders involved in the OSH activities;

c) the existence of an adequate social policy which is a factor in the competitiveness equation being common knowledge that "non-policy" entails some risks

The Law no. 319 of 2006 concerning Occupational Safety and Health is the legislative act under which all the activity of safety and health at the workplace is performed in Romania. In other words, it acts as the fundamental law for achieving safety and health at the workplace, being in this respect the generating element for all legal provisions concerning health and safety at the workplace, whether they are to be found in

the acts which make up the basic legislation or in related ones (except for the provisions of the Constitution and the Labour Code).

4. The Legal system for occupational safety and health in Romania:

A) The acts which legislate strictly only activities directly related to occupational safety measures, forming a so-called "basic legislation", of which we mention:

- Occupational safety and health law 319/2006;
- Governmental decisions transposing the EU directives
- Methodological norms for the application of the Occupational Safety and Health law.

B) Documents which also contain, but only in subsidiary, the legal standards of safety and health at the workplace (The Romanian Constitution, the Labour Code - chapters on labor protection and social insurance, as well as on women's and youth labour) or rules of law which, although in principle have a different focus and are specific to other activities, contribute by their application to the protection of life and health of the employed persons [18].

The Occupational Safety and Health Law

The legislative act under which the whole activity of safety and health at the workplace is carried out in Romania is the Occupational Safety and Health Law. In other words, it acts as **the fundamental law to achieve safety and health at the workplace**, being from this point of view the generating element for all legal provisions concerning safety and health at the workplace, whether they are found in the acts which make up the basic legislation or in related ones (except for the provisions of the Constitution and the Labour Code). The structure of the **Occupational Safety and Health Law** provides cover for all the basic problems concerning the way in which the practical work for preventing occupational risks is organized and carried out.

The methodological norms for the application of the Occupational Safety and health Law no. 319/2006 regulate the following aspects:

- employers' authorization in terms of safety and health at the workplace;

- prevention and protection services;
- the representatives of the workers with specific responsibilities in the field of health and safety at the workplace;
- organization and functioning of safety and health at the workplace at the enterprise and / or establishment level;
- workers' training in the field of safety and health at the workplace;
- workplaces with serious and imminent danger;
- specific high risk areas;
- communication and research of events, registration and evidence of occupational accidents and dangerous incidents, signaling, investigating, declaring and reporting occupational diseases;
- approval of information and training documentation in the field of occupational health and safety;

The organization of prevention and protection activities is provided by the employer in the following ways:

a) by the employer's assumption of duties for implementing the measures stipulated by the Law no.319/2006;

b) by appointing one or more workers to carry out the prevention and protection activities;

c) by setting up an internal prevention and protection service;

d) by resorting to external prevention and protection service;

5. Occupational safety and health management

In order to ensure occupational health and safety in educational institutions, their managers need to implement an occupational health and safety system which should be part of the overall management system. This system includes the following elements:

- developing an occupational safety and health policy;
- organizing a management system with clear allocation of responsibilities in the field of occupational safety and health;
- risk assessment for safety and health at the workplace that will be reviewed whenever the conditions change;
- occupational safety and health auditing

- training, information and instruction on health and safety at work
- emergency procedures;
- periodical analysis of the system in order to ensure that it is efficient;
- keeping documentation and records in order to ensure business continuity.

6. Basic principles for occupational safety and health (OSH)

Occupational safety and health is based on the following principles:

All workers have rights;

The OSH policy must be established;

Consultation with the social partners (employers and workers) as well as other stakeholders is necessary

Prevention and protection should be the aim of OSH programs and policies;

Information is vital for the development and implementation of effective programs and strategies; [15,16]

Health promotion is the core element of health policy at the workplace; occupational health and safety services must be established so as to cover all the workers;

Compensatory, rehabilitation and treatment services must be made available for workers who have suffered injuries, accidents and occupational diseases; [17]

Education and training are vital components of a healthy and safe working environment;

Workers, employers and authorities have certain responsibilities, tasks and duties; – the established policies must be implemented; [11]

7. Training and Information

Another important component of prevention is the training in the field of occupational safety and health, which aims to acquire knowledge and skills for health and safety at the workplace and which is performed during the working hours.[21]

Employers must ensure that workers have enough specific and systematic information and training concerning:

a. the nature and degree of the dangers and risks posed by hazardous substances, especially in an emergency;

b. employees and other persons' protection in terms of health and safety

against hazardous substances that may be present, especially by use of coherent and well established methods of handling, storage and transport of dangerous substances and well as waste handling;

c. correct and effective use of control and protection measures as well as of the personal protective equipment. This information must also be sent, when appropriate, to subcontractors and to their employees [6,7,8,9,10].

8. Labor Protection Measures

8.1. Personal protective equipment (PPE)

The personal protective equipment represents the means each participant is equipped with in order to be protected against the risk factors during the labour process. It is free and compulsory for all the employees and other participating categories in the labor process, in accordance with the regulations in force. On this basis, the employer shall establish the internal list of equipment with appropriate PPE so that the working tasks may be performed safely. [1,2,3].

8.2. Safety signs

Safety signs represent a set of rules and mandatory measures applied in order to warn against the existing risks that cannot be avoided or sufficiently limited by technical means of protection or measures of work organization. [4,5]

In order to prevent accidents and occupational diseases in education: classrooms, laboratories can take preventive measures and protection specific to each type of activity performed. The role of health and safety at the workplace is crucial for enhancing the competitiveness and efficiency of activities through the positive effects it produces: reducing the cost of accidents, incidents and diseases and increasing the work motivation, the safety at the place where they perform their activities both for teachers and students.

9. Conclusions

A strategy to promote a culture of prevention and protection must address to all parts of society, widening its scope and beyond the workplace and the workforce. It

should help to create a general culture that values health and risks prevention.

In our country safety at the workplace is a matter of state and is regulated by the Constitution, the Labour Code, the Occupational Safety and Health Law no. 319/2006, the Methodological Norms/2006 for applying the provisions of the Occupational Safety and Health Law no. 319/2006 and other legal acts. In accordance with these regulations, the obligation to ensure safety and health under all the aspects concerning labour, is incurred by the unit manager and the employers and students' obligations do not affect the principle of employer' responsibility.

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Struggles in the Representations of Roma Immigrants: from Migration Management to Public Discourse

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Abstract

In this article we seek to unveil the interminglements between Roma migration in Europe and the shift in the public discourse calling for measures. In the first part of the article, we will establish the general framework of public policies in the management of immigration politics influenced the alleged relationship between ethnicity and crime, taking into account concepts such as Roma population exclusion, poverty and marginalisation at home and abroad. Moreover, we will present the important changes presented by the public opinion, taking into consideration several highly publicized events that cast a shadow of the Roma population in the region. Thus, as a secondary level of our paper, we will approach the specificity of social stigma for Roma immigrants, exploring the implications in the field of social identity and deviance. It can be stated that the economic, political factors were also forthcoming and fueled the process of scapegoating. As we see, describing the high level of criminality of foreigners as the general rule is often a cover for the feelings such as xenophobia, where differences between cultural and social identities are justified by stigma. Thus, the perceived inferiority and superiority can lead to group tensions that are also the object of the present work.

Key words: bias, migration; stigma; criminality; Roma.

JEL Classification: K420

1. Introduction

This paper aims to address some of the long-term implications of the way in which ethnic stereotypes can be a solution in the fight against organized crime. Among the reasons for choosing the theme are the clear concern for the academic debates on ethnic reputation theory, current interests that crime prevention has high social inclusion policies, and the magnitude and direction which organized crime touched.[1] Based on recent arguments of authors such as Freilich, J. and Newman, we will focus on the personal and social consequences of the paradigm which considers ethnicity as an explanatory model of organized crime, taking into account the unique history of ethnicity in organized crime.[2] It examines the development of a phenomenon of professionalization and ethnicization of organized crime trying to argue that the phenomenon of marginalization of ethnic groups fosters relationships between organized crime groups. The reason why we stopped to study this phenomenon is that in many of the countries that were under the communist regime, criminologists and sociologists have unanimously agreed that the phenomenon of organized crime is one of the important factors, perhaps the most important factor affecting the economic, political and social development. These activities have repercussions that are felt beyond the state. Globalization propels crime beyond Romania's borders to neighboring countries, having a significant impact over the quality of life and safety of citizens worldwide.[3] Dangers are made, for example, by the illicit trade in counterfeit goods, trafficking in human beings, cigarettes and drugs. The

article is organized in three sections, the first doing a presentation of organized crime *sensu lato*, the second emphasizing the ethnic and cultural dimension of organized crime and the third referencing the specific phenomenon of smuggling as a less analyzed expression of organized crime in our country.[4] Ethnic reputation has multiple consequences on the rule of law, security, stability and justice, and the arguments proposed here consider some key elements such as the significance of labeling an ethnic group as leaning toward "crime", the complexity of the relationships between marginalized groups, the legitimacy of the measures taken by the authorities and the reciprocity of the actions of each member of these groups.[5]

2. The construction of stigma: roma and crime

Criminologists often use culture and ethnicity to explain crime and *lato sensu*, deviant phenomena. In this tradition, organized crime is presented with an exotic flavor and often official statistics on illegal transnational activities can be read as an inventory of ethnic minority groups and foreigners. But the relationship between ethnicity and organized crime is more problematic, as we intend to show below.

Being different in a group comes with the price of a label. [6]The cost of having distinct characteristics of those of the group are numerous and range from marginalization [7]and social stigma ([8] to their criminalization and even extermination[9]. Those who are "different" bear a larger proportion of social disadvantage and will receive a smaller share of benefits. It is therefore not surprising that they are motivated to change this unfavorable gain matrix, appealing to the incriminated actions, both criminally and socially. In order to combat this calamity it is necessary to understand the effects that it has on the phenomenon of ethnicity presented.

The National Public policies for crime prevention do not focus on this topic, but criminologists foreign are trying to understand how race and ethnicity are related to violence, taking into account poverty, segregation, migration and cultural and historical experiences. Indeed, given the

paucity of systematic studies focused mainly on segregation and violence, the nature of relationships between these influences are shaping recent hypothesis that ethnic reputation is crucial to understanding and preventing crime. Modernization theories have predicted or implicitly stated that relations between the status of individuals and groups could, in the future, be based more on criteria requiring classification, such as ethnicity and race, than on universally applied ones, such as the rational exchange and skills. [10]. Similarly, as industrialization and urbanization increased, global population has become more educated about this, the influence of the media has increased. Thus, ethnic traditions and attachments started to release the tensions of interpersonal and institutional relations. Moreover, globalization as a way to promote cultural identity, can feed transnational crime, while exacerbating the marginalization and labeling provisions of communities that are mostly involved in illicit activities, which reduces their chances of long-term integration in society [11].

The revolution identified by modernization theorists, involving issues such as new technologies for global development and exchange continued to accelerate even if modernization theory popularity disappeared. Political and economic relations are increasingly dominated by global changes. However, in turn, in this century, the violence associated with ethnic tensions became endemic in most regions of the globe. Indeed, rather than strive for convergence, violence and crime seem to have become "ethnicized" as two states have recently observed this phenomenon [12].

Critics of modernization theory and those who have advanced competing theories such as those of social change, theories of ethnic conflict, dependency and global systems that have appreciated the circular arguments in favor of modernization suggested that sometimes "social development indicators, political and cultural" (eg, urbanization, literacy, level of political democracy, capitalism, secularization) may be reasons "for development"[13] and that they were undoubtedly influenced by Western development models and capitalist economies.

After the overthrow of the communist regime in 1989, the situation of the Roma is marked by profound changes, racial hatred, violence and discrimination are not new terms for this ethnic group, however, the Romanian revolution was a special moment for them and not just by meaningful participation of members of the Roma ethnicity to the revolution, for example the well known Dumitru Dincă, University Square revolutionary, but also its consequences. [14]

Firstly, the Roma people are officially recognized as an ethnic group in Romania and the officials are beginning to address the specific problems of this population. In parallel with the administrative measures adopted by state and non-governmental organizations (policy targeted for the development of the Roma population), there is a redefinition of Roma identity in line with the new political and social as well as a civic and political mobilization of this population, specific phenomena in the entire central and Eastern European space.[15]

3. Criminality, immigration and the economic crises

States often go through periods of economic and social transition experiencing a slight increase in crime, not a significant one. Criminality phenomena essentially take two forms: those committed by isolated individuals or small groups in an unorganized manner and those committed by organized crime groups. The concept of organized crime has always had strong ethnic connotations. John Landesco, one of the authors of the first treaties on the subject refers to it in a scientific paper in 1929, *Organized Crime in Chicago*, where he wrote about smuggling groups whose membership was predominantly ethnic. Irish, Jewish, Italian and Polish American organizations control certain areas of the city (Reynolds, 1995: 34)[16]. In fact, New York was known for the five mafia families in southern Italy which have dominated the underworld. Since the 1970s, this model of Italian organized crime has been identified, successfully presented by politicians and prosecutors and popularized by the media as existing in other large cities in the United States ([17]. A network of 24 or 25 families involved in

criminal activity is now considered to be *Commissione of La Cosa Nostra*. Ethnic succession theory began to be used by stakeholders and a controversial idea began to emerge stating that illegal activities are minority affairs. Cultural and economic globalization is now assumed to be the main cause that promoted the spread of organized crime and established traditions of regional and trans-national crime in America. Criminal structures such as the Italian Mafia, Camorra and 'Ndrangheta, Chinese triads, South American cartels and the Yakuza, even (Boryokudan) are scattered everywhere, where there is a significant ethnic community. The concept of transnational crime, joined that of organized crime developed by Williams and Shelley in [18] to help explain the growth of an economy governed by the laws of parallel illegal trade.

Criminal organizations are international trade routes along the route of migration and manifest in communities with a high proportion of foreigners.[19]. In host countries such new indictment are perceived to be ethnical, and stigmatization and labeling as "criminal immigrant" reduce chances of getting involved in legal activities, the community providing favorable crime patterns.

The idea of ethnic organized crime has become accepted in textbooks on organized crime sometimes citing entries in cultural anthropology. In addition to well-known descriptions of these organizations, such as recent books "*Organized Crime*" (1990) and "*Drugs in Society*" by Lyman and Potter (1996) contain chapters on groups of Jamaicans, Hispanics, Red mob appealing to the ethnic community. [20] Criminological literature addresses the Mafia as a kind of folklore with elements full of cultural specificity as group structures where rules of conduct, initiation ceremonies and even murder techniques have cultural meanings.

Economic conditions have a severe impact on organised crime. From the illegal smuggling during the communist period, to organized crime groups of human traffik have evolved as a result of market demand. The inadequacies of the communist supply system for citizens have led to the emergence of alternative markets dominated by a few groups that were major players. Smuggling and counterfeiting activities have historically

accompanied the privatization phenomenon, following interactions between different levels of the central government and organized crime groups. In post revolutionary Romania organized crime and government corruption have been working to generalize the state of "war" against the state pursuing personal gain. [18]

From a historical point of view, the professionalization of criminal groups in Romania has been the product of strong patriarchal traditions, fueled by hostility towards the state and an underdeveloped economy, with much of the population dependent on the rural community. During the communist regime, corruption, combined with the deprivation regimen of citizens, government officials and landowners, has led to the emergence of alternative solutions for the legal sale of goods. An interminable period of oppression, totalitarian regimes and state-run macroeconomics condemned those countries suffering from political, economic, but also social disruption. However, in Central and Eastern Europe, the Balkan region is a strategic area from west to east dividing Protestant societies of the Christian Orthodox, Slavic, or Muslim ones. The Balkans have always been the center of international politics: from the consent of the Versailles treaty in World War I, to the division imposed at the Yalta Conference in the Second World War, to the communist-era Iron Curtain. All these groups are interested in the most profitable business (drug trafficking), but each is specialized in a certain field, centering in producer areas (South America and Southeast Asia), transit areas (Central, Balkan route and the Middle East), and in areas of consumption (U.S. and Europe). Poor economies, weak institutions and ethnic conflict provide favorable circumstances for the development of the phenomenon of organized crime.[21] It would be interesting to assess how the foreign media Romania influenced the perception of romas as second hand citizens, living in a kingdom of poverty, mystery and illegality.[22]

Considerably work was made by agencies fighting against ethnic discrimination, as the intriguing concern on how roma criminality is constructed can be correlated with the unpararell migrations and widening stratification between members of society. As

theorist of social pshocology stated, there is an incresing concern on how domination and the submission of these areas have helped to draw an ethnically and religiously fragmented landscape, forcing residents of this area to live together in a state that was periodically changed, but without giving them the right to self-determination. The specific crime in this area is evidenced by the existence of transit routes and cultural particularities. Groups become clans and illegal business organizations are based on family relations, expected to be honored. These relationships and networks can be internal or external, but the existence of an ethnic criterion overlaps with specific activity and area of operation. With the development of internal relations, each group has a rigid hierarchy, starting from the top (head) at a lower level (contractors), where the functions and responsibilities are strictly allocated. Both the Sicilian mafia and gangs from Russia, Ukraine and Romania are a good example of this principle. With regard to external relations, these organizationsform alliances with other groups, based on the same economic principles and market domination. This arrangement is commonly called pax mafiosa, where two or more criminal groups work together in order to better exploit illicit markets, sharing risks and achieving mutual benefits. In these alliances, functions and responsibilities should be clearly assigned in advance, for example, Sacra Corona Unita operating in the Italian region of Campania that works with the clans of Montenegro, Albania and Romania on cigarette smuggling and drug trafficking in the Adriatic and Black Sea.[23] Considering smuggling a specific organized crime in Romania, we apply the conceptual premise of the existence of a link between organized crime (specifically manifested in the smuggling route Turkey-Western Europe) and the existence of ethnic groups experiencing the marginalization phenomenon.[24]

4. Conclusions

After the Romanian integration in the European Union, the issue of Roma was discussed by media from across the continent, sliding from the tone of disapproval to proclaiming the need to

redress the political measures. The migration of Romanians Roma in the north of France is a result of a large that grew in the last five years. The dramatic change happened especially after 2007 followed by a stabilization of migration flows after Romania joined the European Union. As expected, the latest statistics on French immigrants into the Romanian community continue to indicate their important presence in the region.

Like pirates in antiquity and the Middle Ages, romas are presented as fund to take hold of possessions by force and using frauds, and resort to confrontation only in case they are faced with a power of their own forces or if they see it as an opportunity to do this for the sake of possible future exchanges. *The alleged relationship between the lack of legal measures taken against the waves of roma emigrants are conflicting with states concerns for ensuring domestic security.* agreements also prevented the appearance of external capital markets after the collapse of the communist regime and has amplified the black market of illegal activities. Lack of confidence in the government apparatus increases group cohesion, members refusing to provide sufficient information to ensure that over time potential creditors are discouraged to engage in the provision of illegal sources of income. In addition, because organized crime does not exist independently of those who commit such acts, the existence of large amounts of money can cause either investing money in legal activities, on loan or in the placing them in goods which are not devaluing.[25].

The reality of illegal smuggling in Romania also confirms such a theoretical hypothesis. Several studies conducted in different parts of the world have shown that illegal markets are populated with urban cores of organized crime are relatively small and often ephemeral. Some of them are family businesses. Some of them are real groups, which rise around a (charismatic) leader and then fail to acquire a degree of stability and develop a rudimentary division of labor. [26]Most ways to develop such organizations are established for the production and supply of illegal goods, however, this may be better represented by groups or free association of people forming up a group at a time, then separate and

reunite when the opportunity of gain arises. In a "group", positions and tasks are usually fluid and exclusivity or specialization is required: indeed, several members of the group frequently have overlapping roles.[27]

In positivist criminology, cultural and ethnic variables should account for variations in crime levels in the same way as sex, age, or socioeconomic status. In cultural anthropology, these concepts are defined as cultural heritage passed down to future generations. It is not surprising that ethnicity among immigrants was simply presented as a reproduction of a culture in a new territory. However, a major problem with this reasoning is that the mere presence of immigrants can potentially influence the criminality rates in the region. However, research has indicate that we can not corelate immigrants, or the presence of migrants in Naples with the phenomenon of increased criminality and organized crime. More recently, Dutch criminologists have recently found little evidence to support the determination of structures in traditional crime, which raises serious questions about the role of culture and ethnicity in organized crime.

Here, the dualities of good and evil perpetuate uncertainties in a number of important ways: from our perspective on tolerance, to what is defined as security measure, or even legal responses to deviance.

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Economic Implications of Violence and Discrimination in Public Administration

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Abstract

Recent developments in European law have heightened the need to reinvent our approach on workplace violence in the public service. Despite the recent concern in the Romanian law, the subject is rarely referred to, due to the lack of awareness of concepts such as the of violence and discrimination in the workplace, compared to their position in the European space. This paper traces the legal and sociological evolution of social reality as it is reflected in the Romanian legislation on public service and previous practice, with the intention to identify some links between these interdisciplinary approaches. We also want to stress the issues of social responsibility of the employer to the conditions of work affecting the principle of dignity and non-discrimination, and finally, apply preventive and corrective measures.

We will attempt to analyze whether the difference between people's perception of violence as a reality and the low number of complaints before the courts is caused by the lack of visibility provisions prohibiting harassment. Our work will also explore how the customized configuration of workplace violence is a reflection of the work environment, as perceived by public officials after successive reforms adopted by the Romanian authorities.

Key words :gender violence; public service; austerity measures.

JEL Classification: J16

1. Introduction

The choice of subject was motivated by

the fact that the concepts of work violence and discrimination at work know a limited interest in Romania, compared to their place in the European space. This paper traces the legal and sociological evolution of this social reality as it is reflected in legislation and case law concerning the exercise of public service. [1]In addition, we will underline and identify some links between these interdisciplinary approaches. We also want to link the issues of social responsibility of the employer to the conditions of work affecting the principle of dignity and non-discrimination, and finally, apply preventive and corrective measures. However, in any organization, violence and discrimination are worrying phenomena for work relations; in addition, the study envisages a less explored sector, especially in terms of workplace violence, or the Romanian public sector.[2]

The unprecedented developments of socio-economic relations, their complexity, in particular because of new material and spiritual values , are concepts that have a particular importance. To better understand the specificity of violence and discrimination at work, it is necessary, first, to identify laws and regulations that apply to labor relations in the public service and in relation to these concepts[3]. However, we must emphasize the need for a comparative analysis of the legislative approach in Romania and France, given the influence of the legal "model" on the French legislation on the Romanian law. It is therefore incumbent to analyze if the difference between the legal theories about violence as a reality and the low number of complaints before the courts is caused by the lack of visibility provisions prohibiting harassment.[4]

Research should also explore how the

customized configuration of workplace violence is a reflection of the work environment, as perceived by public officials after successive reforms adopted by the State. The central research question therefore concerns the logic and goals of legal and administrative procedures for the implementation of fairness and dignity at work policies. Harassment is a serious problem in the workplace today, and a large percentage of employees have been victims of bullying or discrimination or know someone who has. There are a variety of social, economic and ethical reasons for bullying and discrimination acts; however, more than anything, these acts constitute serious violations of safety and well being at work. The lack of legal protection against bullying and discrimination in the workplace in Romania has been criticized by the European Union, which requires results, and more importantly, improvements.[5]

2. Romanian legal framework on the work incivilities

Violence exists in all areas of life, both private and public. In this context, the legal framework lays down a general prohibition to touch the dignity of the individual in the workplace. Given the context, it aims to identify the specific problem of violence and discrimination *lato sensu*, to identify the issues resulting, thus encouraging debate on the Romanian legislative technique. It proposes to focus not only on the historical perspective on forms of discrimination and violence, but also on current issues in European law. With the assumption that any policy or action against workplace violence must also combat all forms of discrimination, it firstly proposes to define the key elements to the right of each studied concept of every state. The term "workplace violence" implies that violence can be exercised by a superior, a colleague, supplier, customer or other person with whom the staff may come into contact in the course of his work.[6]

We must recognize that the government has its own peculiarities which must be taken into account in a legal analysis, since the organizational dimension is part of the integration model that we have formulated from the existing literature. In the public sector, power relations and hierarchical

subordination are essential. As a result, in this part of the study we aim to confine the clearly harmful premises of behaviors in relation to work assignments, limited to relationships that involve interactions between public officials and their subordinates, when both the victim and perpetrator belong to the public sector. Considering all the points raised by the doctrine, such as Leichman we will therefore analyze the categories of violence depending on the nature of the relationship between the victim and the perpetrator (hierarchical or vertical violence, violence between colleagues or horizontal), depending on the nature of the behavior (physical violence, psychological violence), or in relation to the frequency of the behavior and the type of behavior (bullying, harassment).[7]

In Romania, the current status of the public service is the product of various changes resulting not only from the need to strengthen its capacity for effective and efficient delivery of government functions, but also the perceived need to respond to the dynamic nature of political, social and economic development of the country. Specialized literature has established numerous meanings of the concept of public servant.[8]

The first is the broad sense in the current language is the official agent of the bureaucracy. Here, "any service required by the State or accomplished for the State is a public function", that is to say that any person who performs an activity through which he/ she fulfills a social need or "a necessity" is a state official;

The second meaning has a strict sense, which supports several variants: a representative of the state, invested with state authority, or pursuant to Act no. 188/19993 on the status of officials, "the official is a person appointed to the public service." [9]

According to art . 147 of the Criminal Code, not only officials legally invested are considered public officials, but also other people who are part of an organ and who hold executive functions.[10]

Finally this proposal aims to define the implementation of internal codes of practice that prohibit corruption, lack of collegiality, abuse of authority, and it tries to help rebuild the productive work environment . The toxic climate marked by lack of collegiality that

has created the specialized literature indicates a need, highlighted as a new leadership. Factors related to organizational and social conditions focus on incivility endemic and negative behaviors, are accused in the public sector and are also the long-term result of several reforms that are marked by public administration. The institutional framework of the reform of public administration has not transformed the public sector in a transparent and productive environment, in fact it has managed the opposite effect; institutions have become "closed" environments, authoritarian, where people work in isolation, marked by mutual distrust and defensive attitudes towards their peers, which may threaten their position. Sanchez- Mazas (2002) also presents bullying at work in a context characterized by individualization conditions and careers, with often changes in the management and job insecurity.[11]

Their use may vary depending on the legal context, popular, psychological or sociological, culture and socialization of those involved. [12] This is why most legislative acts in the field are often analyzed in terms of recommendations. Therefore, if the law provides obligations relating to the promotion of the prohibition to touch the dignity of the human person and to discriminate, but they are not accompanied by sanctions, the relevant provisions are not met. A solution can be found in the codes of conduct. The standards should better define what is acceptable and what is not, and then prohibit a variety of negative behaviors. At European level, the Community legislature considered it necessary to develop a Code of Practice, among which the Commission aims to combat a social issue, that of sexual harassment. In this model, employers should issue a policy statement expressly stating that respect for the dignity of the person is not a privilege, but a right and a fundamental duty, and should not wait until the situation is unacceptable to intervene.[13]

Another reform in the Romanian law should amend to take over the classification made by Professor Yamada, who identified four areas for a viable strategy against violence in the workplace, which also involves the coercive force of the law:

The author mentions that prevention is relevant, thus the law should encourage employers to use preventive measures in

order to reduce risks at work and agents and managers / executives may benefit from these measures. Secondly, regarding the assistance and protection of victims and witnesses, the law should protect workers who have recourse to justice, and they need to be protected against breaches of contract, reclassification or sanction because of their action.

In addition, there is also the need to provide compensation for the victims: the legal system must provide opportunities for the damage caused by hostile actions or because of the failure of the employer to provide a safe working environment.

A final solution is offered by establishing the just punishment for such deeds : people who harass their colleagues or subordinates must be punished in order to change their behavior and it is imperative that they should also be subject to punitive measures (administrative sanctions) to combat such misconduct .

In this context, the constant changes, reorganization and recruitment of new staff for political reasons have created a crisis of legitimacy that unbalanced reporting authority, as public servants, with greater seniority and a high level of competence have been replaced by less qualified individuals. In Romania, the current status of the public service is the product of various changes resulting not only from the need to strengthen the ability to ensure effective and efficient delivery of government functions, but also the perceived need to respond to the dynamic nature of the political, social and economic development of the country . Harmful behaviors created by the lack of collegiality introduced indicate that the doctrine has highlighted the need for new leadership. The implementation of internal codes of practice, which prohibit corruption, lack of collegiality, abuse of authority, can help rebuild a productive work environment.[14]

Indeed, work intensification and constant reforms, are made according to the development of structuring organizations leading employees to do otherwise, have resulted in a development of psychosocial risk avoidance (stress, pressure, and discomfort at work, workplace distress, burnout, rudeness, violence, aggression and bullying). In this field, executives and non-

executives, absorb the consequences of managerial policies developed to focus their actions on a fashion more and more restrictive (daily pressure, discomfort, reporting).[15] This development, directly related to the economic context giving subordinate our public service its needed global competitiveness, has led to an imperative form of flexibility (Beaujolin - Bellet, 2010).

However, the psychosocial risks that may be derived include now the field of public health and also involve considerable human and [16] financial cost (depression, suicide, etc. . .).

The term "risk" depicts a random phenomenon which corresponds to a situation where the future is not predictable with probabilities. The "social" risk refers to the field of social protection to target events such as illness or invalidity preventing one from acquiring income. These circumstances may affect the mental health of employees. This is why these risks are qualified as psychosocial risk or more generally "suffering" at work). According to the European Agency for Safety and Health at Work, 50 to 60% of lost working days are related to psychosocial risks. Moreover, the economic losses are suffering at work between 15 and 20 billion euros in Europe. As several authors mentioned in several European countries, the social cost of job stress is estimated at between 800 and 1600 million. We can then understand that the public authority has seized it.[17] Thus, after the European directive on work violence and discrimination, several European states have begun reforms in order to renew their national law. For example France, begun in 2002 a reform in private law, regulating that no employee shall suffer repeated acts of harassment which have as their object or effect a degradation of working conditions which may affect their rights and dignity, alter the physical or mental health or jeopardize his professional future (Article L. 1152-1 of the Labor Code and Article 222-33-2 of the Criminal Code). But research has shown the difficulties of the adequacy of the legal system, as a means to objectify the subjective report of the person at work and professional environment. If the law prefers the facts objectively, objectifying the facts in relation to the mental health of the employee

is not easy. Similarly, if the harassment is part of the sphere of psychosocial risks, it cannot encompass all or be equated with stress. This must be understood as the imbalance between the perception that a person has constraints imposed by the environment and the perception that it has its own resources to deal with (national inter-professional agreement of 2 July 2008). Now, ten years after the French Act from 2002, this distinction is even more crucial when considering the legal practice for moral harassment, it has new implications for patterns of business organization.

3.Conclusions

Until recently, there has been a legal extension of the concept of bullying: bullying has been extended to harassment related to management methods. In addition, bullying can be characterized without necessarily having to establish the malicious intent of the employer. We then drove to interrogate the adequacy of the legal definition of harassment as a response to psychosocial risks. [18]However, constituting a criminal offense, moral harassment seems to be characterized by a lack of intention. This would be, therefore, the recent extension of the definition given by a praetorian activity which would reveal, in a way, its failure to address a more general issue, finding its source and / or taking body in modes of public organization.

Thus, our aim is to show that the disruption of work relationships can cause a peculiar strain on individuals. The harmful work relationships that Romanian public servants perceive at work is not always comparable to bullying, considering the legal definition of bullying, and apprehending its recent applications of interest towards the management. The practice shows, in fact the limits of the concept of legalized harassment, it gradually becomes the Trojan horse designed to suppress any health impairment related to a problematic organizational situation. It will then consider whether it is the law that is insufficient to meet the psychosocial risks, to the point of understanding in a certain way the enhancement of the content of bullying to extended assumptions, or if other means remain unexplored in order to reveal a new,

more proactive approach to psychosocial risks.

Due to the austerity measures there are fewer opportunities for the professional development of public servants and a lower retirement pension compared with others in the workplace. In contrast to most of their colleagues, victims were not asked to participate in compulsory training, and time off work was not granted without extensive discussion with superiors. Victims' perceived strain was incremented when they were given more work to perform than fellow workers, and no one surmounted the victims' obligations during their time off or sick leave.

Several studies have fortified the notion of an intricate relationship between those environmental attributes influenced by the organization itself, and the public managers of the organization under whose responsibility the measures of security and initiatives to preserve a safe work environment were most commonly identified.

However, there are details the immense impact of economic measures and strained work relationships has augmented in the last years. As narrative studies showed, the perceived effects of such measures must be addressed in order to restore a healthy work climate in the public service.

Several subsequent lines of inquiries must also be raised during the course of further research in order to identify the opportunities for future reforms in the management of human resources.

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The Impact of the Treaty of Lisbon on the Most Important EU Institutions

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Abstract

The Treaty of Lisbon is the result of a long process by which it was primarily aimed to reform the legal framework of the Union. This reform had an equally significant impact on the representative institutions of the European Union. Accordingly, through this article, we try to transpose the major consequences on the organization and functioning of the EU representative institutions. The first part gives some general considerations with reference to the Treaty of Lisbon. The second part reveals the impact of the provisions of the Treaty of Lisbon on the EU representative institutions in terms of their organization and functioning.

Keywords: reform, institution, treaty, competence, acts, liability.

J.E.L. Classification: K2

1. Introduction: General considerations

The Treaty of Lisbon (TL) was signed on 13th December 2007 and it entered into force on 1st December 2009, following its ratification by all EU Member States. Romania ratified the treaty by Law no. 13/2008 for the ratification of the Treaty of Lisbon, amending the Treaty on the European Union and the Treaty establishing the European Community, published in Official Gazette no. 107/12.02.2008.

From the point of view of its object, the Treaty of Lisbon amends the two main treaties governing the functioning of the EU at that time, i.e. the Treaty establishing the European Community (TEC), which will subsequently become the Treaty on the Functioning of the European Union (TFEU), and of the Treaty on the European Union (TEU).

In these circumstances, the EU Treaty (TEU), as amended by the Treaty of Lisbon, includes the general principles and objectives of the Union's institutional framework provisions and other general provisions on the Common Foreign and Security Policy (CFSP). Among the most important values and objectives of the Union there are: a) the principle of conferral of powers and competences of the Union; b) the principles of subsidiarity and proportionality; c) the role of the Charter of Fundamental Rights; d) U.E. neighborhood policy; e) European citizenship; f) the role of national parliaments; g) Union institutions; h) procedures for the revision of treaties.

The Treaty on the Functioning of the European Union (TFEU) contains detailed provisions on the functioning of the Union. Also, attached to the Treaty of Lisbon there are: a) protocols, which have the same legal value as the actual text of the Treaty of Lisbon; b) statements that are political manifestations of the will of the Member States and that can play an important role in interpreting the provisions of the Treaty of Lisbon[1] *Andrew Duff*, Constitution plus – renegotiating the treaty, Februarie 2007, TEPSA cu sprijinul ALDE.

In such circumstances, the reforms stated in the contents of this Treaty have created, as we will see, new institutional arrangements and working mechanisms needed to ensure a Union able to face global challenges and to meet the expectations of European citizens [2]*Andrew Duff*, True guide to the Treaty of Lisbon, ianuarie 2008, p.25.

2. The impact of the Treaty of Lisbon on the most important EU institutions

The EU institutions are presented by the provisions of art. 13 of TEU. This article recognizes the following institutions: the European Parliament, the European Council,

the Board of Ministers/the Council of the EU, the European Commission, the Court of Justice of the EU; the Court of Auditors; the European Central Bank.

Thus, the text of art. 13 brings some innovative elements in that, for the first time, the European Council and the European Central Bank are included among the European institutions. However, it is very useful to remember that the text of art. 13 is newly introduced in the European Union Treaty and, therefore, it establishes a true European institutional framework [3]*Francois-Xavier Priollaude, David Siritzky, Le Traite de Lisabone, Edition, La documentation Francaise, Paris, 2008, p.60.*

Before briefly presenting the current institutional role of the most important European institutions, we should only remember that, following the adoption of the Treaty of Lisbon by all Member States, there appeared, at the institutional level, the following main consequences:

- an increased role of the European Parliament, a role which has the effect of strengthening the democratic nature of the EU;
- the strengthening of the role of the European Council and, therefore, of the Member States of the EU decision-making process;
- the recognition of the increased powers of the European Commission in the fields of police and judicial cooperation in criminal matters, and the reduction of its influence in other areas, thanks to the establishment of the co-decision, as a decision-making procedure, and to the introduction of the citizens legislative initiative;
- a greater monitoring of the European Commission's actions by the European Parliament;
- increased powers conferred to the Court of Justice of the EU.

A. The European Council

It is a formal EU institution subject to the jurisdiction of the Court of Justice of the EU for the settlement of disputes arising in the exercise of its powers[4] *Hugo Brady, Katinka Barysch, The CER Guide to the Reform Treaty, Centre for European Reform, 2007.*

The rotating Presidency (6 months/Member State) of the European Council is replaced with a permanent president, elected for a term of 2 years and 6 months, which has a clear leadership role in the EU. The main duties of the President are: he/she chairs the European Council and ensures the external representation of the EU Foreign Policy and Security Policy (CFSP), without prejudice to the powers of the High Representative of the EU.

An important aspect of the European Council, is that the Treaty of Lisbon does not clarify in detail the institutional relationship between the President of this institution, the High Representative of the EU, the rotating presidency of the EU Council and the President of the European Commission [5]*Brendan Donnelly, The Reform Treaty: Its Impact on EU Institutions, The Federal Trust, 12 December 2007, p.15.* These institutional relationships or, better said, the differentiation of the actions of these actors is made only by voluntarily establishing the best practices.

B. The Council of Ministers / EU Council

In this institution, the qualified majority voting procedure is ordinary, i.e. the vote in about 40 fields moves from unanimity to qualified majority (art. 16 para. 3, TEU). Among these areas, there is the area of freedom, security and justice, including the police and judicial cooperation in criminal matters.

The presidency of this institution continues to be rotating, except the Foreign Affairs Council, which is always chaired by the EU High Representative of Foreign Affairs and Security Policy.

Also, the method of the calculation of qualified majority will change – from 1st November 2014 - meaning that, in principle, the qualified majority will be defined as follows: 55% of the members representing at least 15 Member States and at least 65% of EU population.

In these circumstances, the establishment of new rules regarding the constitution of majority is done on other criteria than on the weighted number of votes of each Member State and, therefore, in the event of EU enlargement, there will be no renegotiation of the weighting of the votes of Member States

This generalization of qualified majority voting procedure is supposed to streamline the EU decision-making process and to facilitate the adoption of legislation [7] *Andrew Duff*, Note on the European Council, 19 June 2007.

The Treaty of Lisbon has also introduced specific rules on blocking minority (art. 16 par. 4, TEU, art. 238, para. 3, TFEU), meaning that it must contain at least 4 Member States and 35% of the EU population. According to the provisions of art. 16 para. 8, TEU, there is more transparency, meaning that the Council of Ministers meetings are public when it deliberates and votes on a draft legislative act, which leads to the empowerment of the Representatives of the governments of the Member States and also to the possible "excessive formalization" of the discussions within the Council[6] *Andrew Duff*, The Treaty of Lisbon, Strasbourg, 23 October 2007, p.68.

C. The European Commission

As a novelty, the Treaty of Lisbon sets the extension of the areas in which the Commission has a legislative initiative. The most important area in which the Commission can intervene with these legislative initiatives is that of police and judicial cooperation in criminal matters.

Also, the 2009-2014 term will be the last in which each Member State may nominate one Commissioner. From 1st November 2014, the number of commissioners will be reduced to 2/3 of the Member States and the appointment of commissioners will be based on a rotation system, meaning that every third term (15 years) each Member State shall not have a representative in the Commission for a term (5 years).

From our point of view, reducing the number of commissioners will improve the institution of the Commission and will lead to a greater consistency of the policies pursued at the expense of ensuring an adequate representativeness of the Member States and thus detrimental to the legitimacy of the European institutions.

However, the Treaty of Lisbon has changed the procedure for the appointment of the Commission President by including additional conditions. Thus, for its

designation, the European Council should take into account the results of the elections of the European Parliament, and conduct the necessary consultations (art. 17 para. 7, TEU). Through this procedure, the process of the appointment of the Commission President (similar to the designation of the premier in the Member State) becomes more democratic and legitimate.

The Chairman of the Commission may require a member of the Commission to resign, without requiring the approval of all Commissioners (art. 17 par. 6, TEU), as required by the procedure previous to the entry into force of the Treaty of Lisbon.

Also, for the first time, it is explicitly stated the Commission's responsibility as a corporate body in the European Parliament [10] *CJCE*, 15 iunie 1994, Comisia c. BASF. The latter has the opportunity to make a motion of censure against the Commission.

D. The European Parliament

The Treaty of Lisbon strengthens the role of the European Parliament and hence the democratic character of the EU, especially due to the extension of the co-decision procedure (ordinary/common decision-making procedure - art. 294, TFEU) to new areas of EU competence (e.g.: agriculture, fisheries, transport, structural funds etc.). In these circumstances, the European Parliament is co-legislator in most European legal acts and, therefore, it can be said that an amendment was made to balance the inter-institutional decision-making process.

However, the European Parliament has a greater role in the revision of treaties, in the appointment of persons to important EU decision-making positions, and in the conclusion of international agreements in general (art. 218, par. 6, TFEU) and, especially, in the conclusion of association agreements and of those agreements with institutional budgetary implications.

In the process of the devolution of powers to the European Commission, the Council of Ministers and the European Parliament will have equal powers in deciding the means for the control of the delegation and of the acts on the implementation of the European legislation in each Member State (art. 290-291, TFEU).

The adoption of the fight against discrimination (art. 19, TFEU) and the strengthening of the rights of EU citizens (art. 25, TFEU) are subject to the approval by the European Parliament.

Another novelty brought by the Treaty of Lisbon refers to the members of the European Parliament. Under the new provisions, their number is reduced from 785 to 751 (Romania has a total of 33 MPs).

However, the Treaty of Lisbon brings a symbolic change in the sense that the European Parliament is not composed of "representatives of the peoples of Member States", but by the "representatives of EU citizens" (art. 14, para. 2, TEU).

E. The Court of Justice

Under the provisions of the Treaty of Lisbon, in terms of terminology, the Court of Justice of European Communities becomes the Court of Justice of the European Union (Cour de justice de l' Union Européenne). The Court of first instance, found in the structure of the Court, becomes the General Court (le Tribunal), the jurisdictional chambers become specialized courts (tribunaux spécialisés) but there is kept the Tribunal of the Public Function, as a specialized court.

The structure of this court remains unchanged (27 judges, eight advocates-general), but, according to a declaration annexed to the Treaty of Lisbon, the Council of Ministers may decide unanimously on the increase of advocates from 8 to 11, on a proposal of the Court.

The procedure for nominating the candidates to the posts of judge or attorney general is changed. Thus, according to art. 255, TFEU, there was established a committee competent to give an opinion on the candidates' suitability to perform the duties of Judge and Advocate-General but the proposal and approval of candidates remains the responsibility of the Member State.

The setting up of specialized tribunals/courts and the modification of the Statute of the Court shall be decided within a co-decision procedure, with a qualified majority, in the Council of Ministers. This procedure easily adjusts the EU judicial system to new challenges. Only the status of Judges and of Advocates-General, and the

linguistic regime of the trials remain subject to the unanimity of the Council.

Regarding the Court competence, with the union of Pillars I and III and the repeal of art. 35, TEU, art. 68, TEC, the court also extends its jurisdiction to police and judicial cooperation in criminal matters. However, according to art. 10 of Protocol no. 36 on transitional provisions, the powers of the Court will remain unchanged for a period of 5 years from the entry into force of the Treaty of Lisbon. However, the preliminary applications in the field of visas, asylum, immigration and other policies related to free movement of persons will be referred to the Court of Justice of the EU by any national court, not only by the courts of last instance.

The action for annulment and the action for abstention from acting may be brought against a number of actors - to the initial list (the European Parliament, the Council of Ministers, the European Commission) there are added the European Council, the European Central Bank and any body, office or agency of the EU (art. 263, 265. TFEU).

Another innovative provision brought by the Treaty of Lisbon aims at shortening the infringement procedure by the Member States - according to art. 260, para. 2, TFEU, the administrative stage of the infringement procedure will not include the reasoned opinion and, therefore, the European Commission may refer the case to the Court of Justice of the EU immediately after enabling the Member State to submit its written observations on the request of the European Commission.

It was also set up an additional constraint of the Member State in order to comply with the treaties. By means of this procedure, the European Commission has the possibility of asking the Court of Justice of the EU, in its introductory application to the court, both the finding of the infringement by the Member State and to impose a penalty (fine), according to art. 260, para. 3, TFEU.

The provisions of the Treaty of Lisbon also establish the broadening of the sphere of EU acts which may be appealed to the Court of Justice of UE by natural and legal persons. Thus, for normative acts, the condition of the "direct and individual" interest is replaced with the condition of the "direct" interest and with the condition that the act in question does not require measures of

implementation/enforcement (art. 263, par. 4, TFEU). The expected impact of this change is important, because, often, in court, the individual interest test has proved particularly difficult.

It is particularly useful to remember the urgent preliminary ruling procedure of the Court of Justice, established by the Treaty of Lisbon. It can be applied if the application is made by the national court in a case where there are persons in detention regime and the Court of Justice of the EU is obliged to rule it in the shortest time (art. 267, TFEU).

The Court of Justice may also be approached by a Member State for an action for the annulment of a legislative act contrary to the principle of subsidiarity, by a legislative act issued by the national parliament or by one of its chambers.

3. Concluding remarks

The Treaty of Lisbon, considered by most doctrinarians a "simplified" treaty, certainly cannot be considered a "simple" treaty[9] *Sara Hagemann*, The EU Refor Treaty : easier signed than ratified ?, European Policy Centre, July 2007, p.27. In a simple analysis of its content, we can easily notice that more than 90% of the old form of the European Constitution in to be found in the Treaty of Lisbon, with some differences in the field of external affairs, security and defense [8] *Euractiv*, Constitutional Treaty – key elements, 23 August 2004. Unfortunately, it lacks the constitutional symbolic elements (flag, anthem), although they could represent the symbols of the citizens' attachment to the EU.

The Treaty of Lisbon clarifies the powers of the Union, and defines its values and objectives. It clearly refers to the Charter of Fundamental Rights and sets the single legal personality of the Union; moreover, regarding the future enlargement of the Union, the Copenhagen criteria should be observed. It creates the position of permanent President of the European Council and of High Representative for Foreign Affairs; thus the Union acquires a stronger and more coherent voice internationally. It introduces the qualified majority voting system, it strengthens the Parliament's powers and the involvement of national parliaments in the European regulation.

The Treaty increases the international profile of the European Union and provides the tools to work more efficiently. The Treaty of Lisbon does not transform the EU into a "super –state", but introduces some institutional innovations that will make the Union stronger and more efficient, but not at the expense of the Member States. The relationship between UE and the Member States will remain essentially unchanged: any treaty change would require the unanimous agreement of the Member States and the Union shall have an explicit obligation to respect their identity.

The Treaty states that one of the objectives of the European Union is that of sustainable development, with emphasis on the environmental protection and makes clear reference to climate change. In the field of justice and home affairs, the Community procedure shall be used mainly, with an increased role of the European Parliament and of a qualified majority.

"If successfully ratified, the Treaty of Lisbon will be a decisive step forward in the constitutional evolution of the EU", said Professor Andrew Duff, a former member of the Intergovernmental Conference and leader of the British delegation of the Alliance of Liberals and Democrats group in the European Parliament. It was ratified and the future will determine whether Professor Duff was right!

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The General Principles for the Profession of Judicial Executor in Romania

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Abstract

This study aims at highlighting the major issues regarding the general principles for the profession of judicial executor in Romania. In the first part, there are presented significant approaches on the legal landmarks established by Community and national legal standards on the profession of judicial executor. In the second part, there are presented and analyzed the general principles needed for the activity carried out by judicial executors, and, in the third and final part of the paper, there are outlined the conclusive considerations of the study.

Keywords: justice, rule of law, civil service, general principles, judicial executor

J.E.L. Classification: K4

1. Introduction: Preliminaries and landmarks on the principles for the activity conducted by judicial executors

The activity conducted by judicial executors is an important part of the public service of justice, administered through the Ministry of Justice. Therefore, this activity must enjoy an adequate legal framework to provide individuals a prompt and efficient execution service. Internally, this legal framework was established by Law no. 188/2000 on judicial executors, republished and updated. At European level, this activity enjoys a special attention both in the establishment of legal rules and in terms of ECHR jurisprudence. Therefore, we consider it useful to remember that one of the main objectives of the work of the Commission for the Efficiency of Justice (CEPEJ) is the periodic assessment of the legal systems of the Member States of the Council of Europe.

This "assessment culture" is also conveyed in the content of the Guidelines for

a better implementation of the Recommendation (EC) no.17/2003, adopted on 17th December 2009 by the Committee of Ministers of the Council of Europe, referring to the execution of writs of execution. Therefore, it is considered that each member of the Council of Europe should adopt "the European quality rules/criteria, targeting an unbiased annual assessment, exercised by an independent control body, in order to conduct the unannounced inspections regarding the efficiency of the execution service" (point no. 75, the Guidelines). In other words, it is recommended that each state should conduct a quality control of forced execution procedures [4]N.Fricero, *Principiile fundamentale ale unui proces civil echitabil în Europa (La nivelul Consiliului Europei și al U.E.)*, Volumul Conferinței internaționale, *Procedura civilă - Procedura executiională civilă. Fundamente ale procesului civil în U.E.*, Constanța 5-9 septembrie 2012, Ed. Universul Juridic, 2012, p. 63-71.

During this type of control, in terms of CEPEJ, we must consider the following assessment criteria: the existence of a clear legal framework of forced execution procedures, showing the duties, rights and responsibilities of users and third parties; the speed, efficiency and reasonable costs of the proceedings; the respect for all human rights (human dignity, the right to defense etc.); the compliance with forced execution procedures and with their methods of application; the form and content of the execution documents provided by laws and regulations; the collection of information and the creation of a national statistical system, taking into account the criteria set by the CEPEJ; the jurisdiction of judicial executors; the performances of judicial executors; the procedures adopted over the years: the number of cases; the number of cases resolved; execution fees; the time required for an execution; success fees; the number of

complaints to execution and the number of complaints on judicial executors etc.

The arguments, but also the above mentioned regulations, converge on the following conclusion: the work of judicial executors in a state of law must be based on the compliance with the general principles, common to those on the conduct of public judicial services[3]A. Stoica, *Acțiunea civilă în sistemul de drept judiciar privat*, Ed. Universul Juridic, București, 2011, p.26. Certainly, the formal source of these principles is represented by the well-established notion of a fair trial and, as we have already mentioned, by the different Community legal instruments and specific rules of this activity stated in the national law[1]I. Leș, *Tratat de drept procesual civil*, ed. a 5-a, Ed. C.H. Beck, București, 2010, p.812. In this study, we are going to exhaustively present these principles and their scope both for the profession of judicial executors and for those persons involved in execution activities.

2. General principles for the exercise of the profession of judicial executor

The general principles of the profession of judicial executors are defined as the entirety of the rules by which the organization of this profession is conducted within a framework determined by law, in the interest of the public service of justice [2]S. Guinchard, F. Ferrand, C. Delicostopoulos, *Droit processuel - Droit commun et droit compare du proces equitable*, 4^e Edition, Dalloz, Paris, 2007, p.1013. Under the general principles of the profession of judicial executor, we could include the principle of legality, of fulfilling a public service, of independence, of the respect paid to self-control and control authorities.

A) The principle of legality

In a state of law, this principle is the essential rule that enforces the compliance with the Fundamental law and of the other existing laws by all state bodies, by all legal entities of public or private law, and by all citizens. Certainly, this principle can be synonymous with the rule of law for a State party to the European Convention on Human Rights.

From a broader perspective, referring to lawsuits, this principle implies that, both regarding the organization of justice and its enforcement, all those interested must strictly comply with the Fundamental Law and the other normative acts subordinated to it. In the narrower sense, referring to the activity of forced execution in Romania, this principle requires the compliance with the Constitution and with the other laws by the judicial executors in the organization and practice of their profession. The predictability of this principle in the Romanian execution system is given by the reasonable number of rules, whether they have a constitutional or legal nature[5]S. Neculaescu, D. Matei, *Dispoziții de drept procesual în Constituția României (I)*, S.D.R. nr. 2/1994, p. 123 și 124. Thus, the Fundamental Law stipulates, in art. 1 para. 5 that: "In Romania, the compliance with the Constitution, with its supremacy and its laws is mandatory". Also, according to art. 124 of the same fundamental act, it is mentioned that justice "shall be rendered in the name of law".

Certainly, besides these constituent provisions, we also mention the NCPC provisions that evoke the scope of the principle of legality regarding the execution activity. In this regard, para. 1, of art. 625, points out that: "The forced execution is carried out in compliance with the law, with the rights of the parties and of other interested persons". Also, the provisions of Law no. 188/2000 on judicial executors, republished, with subsequent amendments, refer to this principle in the content of several rules: art. 5, stating: "The activity of judicial executors is carried out under the law, in compliance with the legitimate rights and interests of the parties and of other interested persons irrespective of race, nationality, ethnic origin, language, religion, sex, political affiliation, wealth or social origin"; art. 54, stating: "The judicial executor performs his/her duties in compliance with this law, with the profession statute and with the Regulations set for the enforcement of this Law, and with the Code of Civil Procedure and with other applicable laws within this field".

Therefore, the current Romanian legislation grants the judicial executor a monopoly in civil and commercial matters, on the execution of writs of execution arising

in these fields, except those dealing with revenues due to the general consolidated budget or to the budget of the European Union and to the budget of the European Atomic Energy Community. Also, according to art. 29 of Law no. 188/2000 on judicial executors, republished, with subsequent amendments, the judicial executors of Romania exercise their powers under UNEJ, a professional organization with legal personality.

B) The principle of fulfilling a public service

As we know, the concept of justice has many meanings evoked by the specialist legal doctrine [1]I. Les, *Tratat de drept procesual civil (Treatise of Civil Procedural Law)*, ed. 5, Ed. C.H. Beck, București, 2010, pp. 8-9. Two of them are directly related to the study of judicial organizations: a) in the first sense, justice is a function, i.e. the function to judge, to decide over the disputes arising between the various topics of law enforcement. In this respect, it is said that the judge renders justice. In such a view, justice is a sovereign prerogative that belongs to the state; b) in a second and more restricted sense, justice means all the legal institutions and professions through which the judicial function is exercised. From this perspective, justice is a public service of the state.

Referring to the latter meaning, we must remember that the public service of justice in Romania is administered by the Ministry of Justice, under the responsibility of the minister of justice and that the fundamental guarantor of judicial independence, under the fundamental provisions of art. 133 para. 1, is the Superior Council of Magistracy.

The public service of justice is exercised by all the persons working in the institutions that make up the judiciary, i.e. judges and specialized auxiliary court staff, prosecutors and the auxiliary staff in the prosecutors' offices. However, the public service of justice is also exercised by judiciary partners [3]A. Stoica, *Acțiunea civilă în sistemul de drept judiciar privat (The Civil Action in the Judicial System of Private Law)*, Ed. Universul Juridic, București, 2011, pp. 19-23. Therefore, among the partners of the judiciary, along with lawyers, notaries, experts and translators, we can include the judicial executors. According to the above

mentioned Community rules, judicial executors have a judicial function and this aspect is highlighted by the provisions of art. 2 para. 1, Law no. 188/2000, on judicial executors, republished, with subsequent amendments, stating that judicial executors are vested to perform a public service. In the same law, the provisions of art. 37 reveal that the activity of judicial executors, carried out under the law, is considered legal professional seniority. Thus, the presentation of the organizational structure and functioning of the profession of judicial executors should be made according to the principles governing the organization of justice as a public service.

Moreover, the main object of the judicial executors' activity is the implementation of writs of execution and, therefore, they should have the responsibility for coordinating the execution operations within the powers determined by law, but also as custodians of the public force.

In contrast with the judgment activity, which is a result of the judicial activity, the forced execution is certainly one of diligence. Thus, the legal framework concerning the status of judicial executors and of the procedural rules that they enjoy in the exercise of their competences are paramount.

A foreclosure proceeding initiated by an inefficient judicial executor may produce negative consequences for the society and for the state as a responsible for the way of carrying out the public service of justice. Per a contrari, a prompt and efficient judicial executor can positively highlight the activity of execution, as part of the public service of justice in the state, to the satisfaction of individuals.

C) The principle of independence

Based on the general principle of the separation of powers in a state of law, in our opinion, this may also be applicable to the judiciary, at the fair settlement of a lawsuit, due to binary activities that comprise this work. Therefore, the two key players in solving the fair civil trial, i.e. the judge and the executor, should enjoy the same degree of independence in the performance of their professional duties.

For the judicial executors to act in the interest of a proper administration of justice, in terms of CEPEJ, their status "should be

clearly defined by states in order to provide citizens and businesses an independent, responsible, qualified, available, motivated and effective professional of proximity" (section no. 31 of the Guidelines).

Thus, the independence of judicial executors should be seen both in terms of their status and in terms of the decision-making freedom that they enjoy in the conduct of their legal duties, without being influenced by any external factor.

From a statutory perspective, the independence can be found in the organization of their activity (individually or associate office, representative bodies, endowed with the power of self-regulation etc.); regarding the freedom of decision, they are independent when they responsibly apply the provisions of the law in the conduct of their professional duties, without any external influence.

Within the fulfillment of their professional responsibilities, this independence should not be confused with an excessive freedom of the judicial executor, as it can give rise to abuses. As such, the limited independence in the fulfillment of professional duties by judicial executors is determined by law. Thus, according to art. 60, Law no. 188/2000 on judicial executors, republished, with subsequent amendments, the acts of judicial executors are subject to the law, to courts control (para. 1), and the activity of judicial executors is subject to the professional control under the law (para. 2).

As for the control of judicial executors acts, they are subject to the law, to courts control, as follows: for the unjustified refusal to draw up act, the party concerned may present the complaint within 5 days from the date it took notice of this refusal, in accordance with art. 56 of Law no. 188/2000; according to art. 10 of Law no. 188/2000 on judicial executors, they may be recused if they are in one of the situations referred to in art. 42 et seq. of the NCPC; the parties interested in, or injured by, the execution acts may make an appeal against the execution, as provided by NCPC (art. 711 et seq.).

Also, as already mentioned, the activity of judicial executors in Romania is coordinated and controlled by the Ministry of Justice, by the specialized direction, and by specialized general inspectors.

Moreover, the judicial officers' independence in the performance of their professional duties is closely related to the notions of fairness and incompatibility. In exercising their professions, judicial executors should not be biased, because they represent the guarantors of compliance with the requirements of an equitable process during the proceedings of forced execution.

The incompatibility of judicial executors due to their judicial function coexists with any other public or private office, except for the teaching in higher education, according to art. 42 of Law no. 188/2000 on judicial executors, republished, with subsequent amendments. These prohibitions strengthen the independence and impartiality of judicial executors in the performance of their executorial activities.

D) The principle of the respect for self-control and control authorities

This principle aims, on the one hand, to respect the authority of self-control bodies existing within the profession and, on the other hand, to respect the authority of control bodies outside the profession of judicial executor. Starting from the principle that judicial executors should organize "as a professional organization representing all the members of that profession" (section no. 29, the Guidelines), we consider that these professional organizations can play a particularly important self-control role of the profession.

The rules governing the organization and functioning of the profession of judicial executors in Romania reveals the existence of personal or collegial bodies, at the NUJE in Romania, the only professional organization with legal personality, formed by all the judicial executors appointed under the law. At the territorial level, under the law, the judicial executors are organized in Chambers of Judicial Executors, as legal entities.

At the national level, the governing bodies of NUJE are: the Congress, the Council and the President. At the territorial level, the governing bodies of the Chambers of Judicial Executors are: the General Assembly, the Board of Directors and the President. However, only the following authorities may exercise powers of self-control regarding the profession of judicial executor: the NUJE Congress; the NUJE Council; the General

Assemblies of the Chambers of Judicial Executors; the Boards of Directors of the Chambers of Judicial Executors.

According to the law, these collegial authorities play a particularly important role in the profession, and the NUJE Council and Boards of Directors of the Chambers of Judicial Executors play also an important part in achieving a professional control of the activity pursued by judicial executors (art. 60 para. 2, Law no. 188/2000 on judicial executors). Therefore, the judicial executors are legally required to submit to the decisions of these bodies or to the professional control exercised by their members.

A professional control of the activity of judicial executors is also performed by the minister of justice, by general specialty inspectors, under the law, whenever deemed necessary (art. 4, Law no. 188/2000 on judicial executors and art. 101, the Rules for the implementation of Law no. 188/2000 on judicial executors).

This inspection shall include: the law enforcement in the professional activity of judicial executors, keeping proper records, the preservation of the archive, the quality of documents and works made by judicial executors and their conduct in the performance of their duties in relation to the public authorities and with the natural and legal persons. In some situations, the minister of justice may require, as appropriate, information on the activities of certain judicial executors, from the Council of the Union or of the Board of Directors of the Chambers of Judicial Executors. If the professional control of judicial executors can be exercised by these bodies, the documents draw up by the judicial executors when carrying out their activities are subject, under the law, to courts control.

As already mentioned, by the self-control and control of judicial executors, it is aimed at implementing the concept of "professional evaluation culture" and its effect may be the increase of the quality of the national system of forced execution. Thus, for the proper organization and operation of the profession, judicial executors should comply with this principle throughout the performance their function.

3. Conclusions

On the whole, the profession of judicial executor appears to be crucial for the functioning of justice in a state. Taking into account that the notion of "rule of law" began to settle in the Romanian society, does the importance of the profession of judicial executor enjoy the same benefit? The answer should only be a positive one because, from the antagonism of the relationships between a creditor, legitimized by an executory title to rapidly restore its violated rights, and a debtor which may be bankrupt or which tries to avoid the fulfillment of its legal obligations, the judicial executor comes as a public authority in the middle these persons' interests. This judicial executor's intervention is not the mere intervention of a particular person, but the intervention of a public authority which has been empowered by the state with a part of its powers and which is required to efficiently achieve the creditor's right, but without neglecting the debtor's situation [16]*ECHR Decision*, Hornsby c. Greece of 19th March 1997. In other words, a judicial executor may be a factor of economic and social equilibrium only if it has at hand all "the legal arsenal" needed to restore this balance. This "legal arsenal" should not be limited only to the legal rules that make the status of judicial executors, but also the rules of law "applied" by them in exercising their powers, rules which should be part of the executive branch of civil law.

Recently, there have been more and more discussions on the "economic crisis" that has dramatically affected some countries like Greece, Italy, Spain, etc. It is known that these states do not enjoy a very effective system of forced execution, consisting primarily of a body of independent and responsible judicial executors. Although we seem rather critical, this is a real fact because only an independent and efficient judicial executor can help restore the economic cycle, of any money or other property, due by the debtor. Therefore, in our view, for the rule of law but also for the market economy, the activity of a judicial executor is particularly important.

Moreover, based on the general principle of the separation of powers in a state of law, in our opinion, it may also apply to the judiciary due to its binary activities. Therefore, relating to the role of the judiciary in a civil trial, it interferes by its executive

and jurisdictional activities, which are part of the notion of a fair trial.

The State, as guarantor of the law on forced execution, must assign the activity of forced execution to an independent and impartial authority, so that the principles of the civil trial, that are respected in the jurisdictional phase, be also applied to the procedure of forced execution [6] *J. Isnard, A. Stoica*, Executarea în natură: C.E.D.O. susține dreptul la executare în raport cu dreptul la respectarea vieții private și de familie și consacră rolul executorului judecătoresc în statul de drept, *Droit et procédures internationales*, Cahier semestriel de *Dr. et procéd.*, martie-aprilie 2006, Edition E.J.T., Paris, p.11. The guarantor of this procedure, invested by the state, is the judicial executor [15] *ECHR Decision*, Pini, Bertani and Manera c. Romania of 22th June 2004. The judicial executor is an auxiliary of justice and a partner of the judicial system, first and foremost responsible to enforce the provisions of the documents which, by law, may be executory titles, and also to communicate judicial or extrajudicial acts.

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Globalization and the Church

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Abstract

The Orthodox Church has been very concerned with this issue, recently. Globalization is an objective reality, which we can all observe, without being able to stop it. In Romania, we have been concerned with an objective reality coming over us, over the world, namely, on the one hand, the fact that we are becoming integrated in the European structures and, on the other hand, the fact that the whole world is becoming globalized or mondialized. Under these circumstances, the Church needs to find a way of working so that people may live a normal life from a spiritual perspective as well. For this reason, we should analyze all the consequences springing from such a way of working, both the positive and the negative ones.

Keywords: Church, globalization, crisis, spiritual, consequences.

JEL Classification: Z 120

1. Introduction

Cultural pluralism is an evident reality of our postmodern society. Regarded from a descriptive perspective, cultural pluralism designates the existence of multiple cultural systems or subsystems, in a community, structured on ethic, professional, religious and other types of bases.

Seen from a normative perspective, cultural pluralism indicates the moral imperative of maintaining or minimizing the differences between different groups promoting, each of them, a specific culture. This aspect expresses the idea that humanity should remain a single house, although it has a lot of rooms, each bearing the mark of their own diversity.

Yet we are witnessing, and we need to admit this truth, a crisis of the postmodern

world, a crisis with the "reputation" of having jolted the occidental consciences. "Pragmatism, the empirical sciences enslaved by industrial goals, the humanist and secular philosophies, the decline of the spiritual elites are nothing else but the signs of a fatal deviation, especially for the Occident, from a spiritual tradition that had begun to lose its vigour starting with the Renaissance"[1].

In this intercultural context, human liberty represents a decisive factor, yet today we notice that the notions of good and bad have become so mixed up that it is no longer possible to tell them apart. Lately, one can notice increasingly obviously that people are trying to demonstrate their freedom at all costs. Freedom is actually engraved in man's being. The contemporary philosophers and writers speak, in their works, about human freedom. Yet, by these cultural means, and especially by the media, and also by many others, man is looking for freedom separated from God.

2. The impact of globalization on various communities

Situated at "Europe's gates", in a geographic area considered a crossroads, our country, Romania, has become the cradle in which many empires and peoples came together, each of them with its own cultural patrimony. Favoured as well by the character of the local culture, namely tolerant, pacifist and open to communication, all the other "cultural entities" have been able to express themselves here without encountering great restrictions.

The Romanian cultural area was a "refuge" for many educated people exiled or chased away from their own countries (the Phanariote period), a fertile land for the innovating and revolutionary ideas of the times (the Transylvanian Enlightenment), but also a point of reference for the affirmation

of our own cultural identity and for sharing the Romanian values to the whole Europe.

As an essential part of the European culture, the Romanian culture provides a concrete example of assimilation of the non-European cultural values, while keeping our own specific value and identity. The realization of the "unity in diversity" is an exam that the Romanian culture and the Orthodox spirituality have already passed and whose experience can be shared to Europe.

At present, in Europe we are dealing with the encounter of three large families of peoples, each preserving its own specific cultural patrimony: Anglo-Saxon, Latin and Slav. The antique Greek and Roman cultures have also modelled the European spirit to this date, outlining certain universal typologies, mentalities and logical systems strongly perpetuated in the peoples' subconscious. The European cultures, extremely diverse and at the same time very strongly anchored in history and in their geographic area, need the possibility to express themselves.

3. The place of Christianity in a globalized society

Christianism is the dominant religion in the European countries, yet within Christianity there are many different traditions that appeared either by dressing up old religious practices in Christian clothes or by adapting Christianity to the customs of the different populations, all these being part of this intercultural process. From one end to the other of Europe, one can note the substratum of the pre-Christian religious faiths and practices, which left different accents and profiles in the configuration of the universal Christianity. "Evidently, when we talk about universal Christianity, we are referring to the common features of the ecclesiology, born from the unity and the uniqueness of the Holy Scripture and the solidity of the Holy Tradition." [2]

We are now witnessing the desire of a European and even worldwide federalism, similar to the desire of the thirteen American colonies that became united in the 18th century. In this context we shall witness ideological or economic conflicts, but especially "the great differences that shall dominate the conflicts shall be of cultural

origin" [3]. If we are dealing with a global tendency, then the situations in which we act as communicators shall present the same contradictory features, which will trigger a different interpretations of our ideas, words, texts and images in the local, cultural, ethnic, religious communities, generating cultural risk, a risk that should be estimated. In order to avoid the distortions of meaning, the new mentality appeared following the intensification of the people's circulation and of the markets' globalization should take into account the different elements that make up diversity.

The ethnic and cultural conflicts tend to intensify when identities are contested by major social changes, like those related to modernization and globalization [4].

4. Globalization and Orthodoxy

Consequently, one of the greatest problems the Orthodox Church is faced with in the modern world is the understanding of the notion of Church of God in a pluralist society. In other words, since the churches state that the Church does not exist only for its members but also for everyone's salvation, how does the Orthodox Church exert its transforming role in a world tending towards globalization and in which different religious, racial, ethnic and cultural communities ask for public recognition?

The Christian vision of a single mankind in a single world is not a monolithic vision; it is a community of the diversities reconciled, a community based on justice, equality and peace. The world is in a state of estrangement and rebellion against God. The religious and moral values are constantly threatened by a neo-paganism invading the life of our society everywhere. Human sin is destroying the creation [5].

In the past, there was usually a certain culture assuming the supremacy in the definition of the social reality, in other words of the territory of people's lives, the territory shared with others. However, people of different social classes, races, genders, cultures and religions, aspire to have an equal contribution to the delimitation of the nature of public life [6]. They ask the State not just to admit their peculiarity, but also to take care and protect that peculiarity from any threat of change, suppression or destruction.

The problem was exacerbated: diverse cultural, religious and ethnic groups, societies and civilizations, which had previously been more or less isolated from one another, are now in an ordinary relation with one another. "The forced or voluntary migration of the different racial, cultural and religious communities has made them share their existential territory. The progresses in point of transport and mass communication have also compressed the world, turning it into a global village and have set in motion a process that is equally simultaneous and paradoxical. The identities of both the people and of their communities have not just been vitalized, but people have also begun to feel the vulnerability of their identity and to struggle to keep, recreate and stabilize it." [7]

5. The promoting of a false Christianity through globalization

Convinced of man's natural orientation towards spirituality, the artisans of globalization had to provide him with a support able to play the role of foundation for a new religious conscience. The materials concerning the new religious syncretism materialized in the New Age trend are countless. Applying to the domain of religion the concept of today's fragmentation and of the need to realize a unity, the ideologists of globalization have searched for the common denominator of religions. Yet this common denominator of religions continues to be oriented towards man, being namely man's ontological need to overcome his human nature. Given to man at the creation and given once again to him through the Incarnation, Sacrifice, Resurrection and Ascension, the only authentic way of overcoming his human condition is Jesus Christ. For this reason, the finality in Christ of the human existence is the only possible religious argument of a future unity. Yet, just as the whole human existence was diverted from its sense and led towards globalization, under all the aspects, similarly, the religious alternative provided to the need for spirituality was also detoured. Given that, after a thousand years of excesses of the Catholic crusades and laxity of the Jesuit Inquisition (which justified even murder), the traditional Christianity (as it was inherited by the Occident) was "incriminated" as

incapable to solve the problems of mankind and that, 500 years after the Reform, the plethora of so-called Christian sects appeared after its heresy have proven unable to provide generally valid solutions to the global problems of mankind, during the last century, the invasion of the Oriental religions seems to be the best suited to serve the appearance of the unique religion (yet without God). In order to satisfy people coming from all the religious traditions possible, the global world offers a unique religious alternative, under the form of the impersonal God of Hinduism, called by different names, depending on the needs. In *Orthodoxy and the Religion of the Future*, Father Serafim Rose exposes this situation, making a complete X-ray of the religious phenomena of the Occident after the 1960s. The universal religion of the global world will be (and it already is in the West and not just there) a strange mixture of Oriental religions and a new Christianity. An example of new Christianity is the one preached by Teilhard de Chardin. He is trying to apply a Christian jargon attached to evolutionist ideas to a large part of the Vedanta and Tantra-yoga [8], the result being a Hindu pantheism in disguise, with five universal characteristics:

a) Evolution. Through the evolutionist spirit, the universal religion provides support to the theory of becoming (self-becoming). From the evolutionism preached by Teilhard de Chardin to the spiritual evolution proposed by the Hinduism, this feature comes in handy for scientism, which preaches the plenitude of a world in a continual movement.

b) Scientism. The universal religion shall be structured based on the laws of the Spirit, which provides intellectually satisfactory alternatives to all the Christian dogma, and which supposes an extreme pragmatism, attractive through the illusion of self-accomplishment by initiatic knowledge.

c) Impersonal God. "If one religion is true, then all religions are true", states Vivekananda, the person who laid the foundation of the encounter between the Orient and the Occident on the American religious grounds. "We know that all religions [...] are different attempts of the human soul to attain the Absolute. We unite ourselves with every religion, praying in the mosque of the Mohammedan, worshipping

before the fire of the Zoroastrian, and kneeling to the cross of the Christian." [9] The Absolute does not suppose a personal relationship with God and this is why an impersonal God is ideal in globalism, as a first step towards His complete elimination from the human conscience.

d)The universal religion needs to satisfy the spiritual demands of the men and women of the most diverse types. Consequently, we are witnessing the "orientalization of the West", because of the West's discontent concerning the sectarian individualism and the Catholic formalism, through syncretistic abnormalities of the type: Christian yoga, Christian Zen, Christian "white magic", practiced so successfully by a whole series of Gypsy witches in Romania, who, fluttering crosses, icons and mentioning irresponsibly the name of Jesus Christ and of the Holy Mother of God manage to deceive people at a national and even international level – those people for whom "the aim justifies the means" and for whom biological satisfaction under all its forms keeps the place of God's Kingdom.

e)The universal religion has a unique aim, which being unique is globalist, yet unfortunately this aim is not Christian: "All humanity converging at the foot of that sacred place where is set a symbol that is no symbol, the name that is beyond all sound." [10] For the Orthodox Christianity the world does not go down, but ascends (this spiritual ascent is characteristic both to the Old Testament and especially to the New Testament and is preached by the whole patristic literature) towards the encounter with Christ the Ever-present in the Eucharist.

Clearly, the uniformization of religion outside Christ is the religious offer of globalization. Its concretization is the New Age trend, which includes absolutely all the religious ideas, from the shamanic paganism to the Satanism of the voodoo rituals, from the "high" philosophy of the East to the practices of the spiritual exercises imported in Europe, from the condescending acceptance of the Western Christianity (considered almost tolerated) up to the attempt to destroy the dogma of the first Christian millennium in the Ecumenical Movement and the World Council of Churches. The New Age ideologists have taken advantage of the spiritual vacuum left

behind in man by the historical evolution of the second millennium (after the schismatic separation of 1054) and used the seductions of the false spirituality of the Orient to fill man with the empty hope of man's deification through his own forces (as a measure of this deification are presented the magic powers acquired following the transcendental yoga exercises) and as god man shall enter the world kingdom (the new world order) in which the world is a unitary and divine whole, from mineral to man, and the soul is not individual and unique, but is a vital force (the active force that replaced the Holy Spirit in the Christian religion of Jehovah's Witnesses) that shall go through successive reincarnations. So, political globalism becomes a natural need of religion. [11]

The postmodern society, open to the global world, result of the "torments" of two millennia of Western Christianity, has come to dilute and even annul the separation line between virtue and sin, reversing the values, always inventing justifying axiologies for any human behaviour. The Christian theological values are nowadays ridiculed or theorized towards a non-Christian meaning. Faith is intellectualized, rationalized; the ecumenism aiming to be a forerunner of religious globalization comes to harmonize the different theological systems, practicing the tolerance towards any heresy, in the name of religious union. Christ's Church is subtly put "in the corner" and invited to reanalyze its doctrinal position, namely pushed from behind to renounce the doctrinal truth of the ecumenical synods, to leave it in the shadow in favour of the social mission, according to the Catholic and especially Protestant model. Increasingly often, one can hear voices saying: the Church should mind its orphans and widows and should stop mingling in man's life". Faith is consequently pushed towards the formalism of the exterior ritual, when it still manages to exist. Even in the Orthodox Church, pietistic movements such as the Lord's Army (Oastea Domnului), whose structure and ideology resemble the protestant ones, try to distort the authentic sense of the faith by its psychologization and socialization. From the dilution of the virtue of faith, under the form of sectarian pietism and of Western formalism, to the sin of abjuration, the road is very short, especially

if it passes through the "courtyard" of religious syncretism, as a support of globalization. And when the faith in God is missing, its place is taken by the trust in the security system, in the police, justice, medical system etc., in other words man puts his life in the hands of the official institutions, forgetting that life belongs to God. In the perspective of globalization, faith moves from the Living and omnipresent God, Christ, to an exterior and remote god, or to an impersonal one, and finally to man, who becomes his own god.

6. Conclusions

Consequently, there are authorized and competent voices from within the Orthodoxy, stating that the living and universal eschatological perspective brought to the world as a gift by the Orthodox Church will only be used profitably to its full value, to the extent to which it shall be promoted in a self-critical way [12].

Under these circumstances, the Church is facing a great challenge, and this is why it needs to find an adequate way of working so that people may lead a normal life from a spiritual viewpoint as well. For this reason, we should analyze all the consequences springing from such a way of working, both the positive and the negative ones.

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Section I
International Affairs and European Integration

Subsection 3
Regional Development Strategies

The Development of Maritime Activities in the Light of Local Autonomy

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Abstract

This article tries to underline the importance of local authorities in the local/regional development. In the current competitive economic environment, the port administration is essential to the regional development. In the light of new territorial administration regulations, local authorities should be able to better respond to the market. Constanta has the logistics in order to become an important factor in the region. As many other European ports, it is also trying to increase its competitiveness providing better quality services and reducing their costs. In addition, due to reorganization, Constanta has the potential to focus on the local resources in order to enhance their productivity. Thus we will stress the importance of operational development, taking into account the increasing needs of the stakeholders.

Key words: Local authorities; Constanta harbor; regionalization; seaport autonomy

JEL Classification.: R11, R58

1. Introduction: seaport in the Romanian legal framework

Current interest in the scale of the city-region marks an incipient stage in the rapidly intensifying debates about the importance of regional political-economic governance, as it is organized and aligned around a series of globally interlinked economic centers. The ascendancy of city-regions as territorial platforms for leading edge developments in the contemporary capitalist economy has led some to identify their subsistence as evidence of 'global city-centric capitalism'[1].

As the public discourse is frantically endeavoring to keep afloat in the midst of the diversity of speculations flooding to capture the evolving landscape of conceptions and

practices within the regional development that reflect the 'real politics of institutional, governance, public policy, economic, environmental, physical and cultural dimensions' that are our city-regions. [2]As such, this article will highlight that in this period of critical theoretical and empirical interrogation, Romanian cities must find their economic specificity, and adopt it with great haste enforcing their economic ranking.[3]

The principle of local autonomy is the fundamental principle enshrined in Art. 120 para. (1) of the Romanian Constitution, which governs the local government and the business of its authority, consisting of the administrative-territorial units' right to satisfy their own interests without central public authority's interference; this principle entails administrative decentralization. We can say that autonomy is a right while decentralization is a system involving autonomy.

Local autonomy manifests in several ways. In terms of *legal capacity*, local territorial communities are distinct subjects, with their own public interests, while at the institutional level, they have their own administrative authorities. In terms of *decisional autonomy*, these authorities have their own competencies and make decisions in the interests of the local communities that they manage. Also, autonomy cannot be really effective without the presence of autonomy in terms of human, material and financial resources.[4]

The administrative-territorial units have legal personality, own their heritage, have the right to settle and administer an important part of public business according to law, in their own name and in the interest of the local population. In their totality, administrative-territorial units form the territorial unity of the country, and the public authorities of the administrative-territorial units, which are bodies with general and special competences, form the system of

local government with the responsibility of meeting the general interests of the inhabitants of the administrative units.[5] To ensure local autonomy, the authorities of local public government develop, approve and manage in an autonomous way the budgets of administrative-territorial units, having the right to enforce local taxes and determine their amount according to law.[6]

Thus, the principle of local autonomy in Romania is currently under an effective redefining process, and therefore we can conclude that the proper application of the rules established by the Treaty of Lisbon, which has an impact on it, can lead to the following effects:

- *Administrative effects.* These effects will result in an administrative-territorial and institutional reorganization, but also in an objective of reforming public services;
- *Sociological effects.* They will have an impact on citizens as beneficiaries of public services as they will be increasingly demanding and accepting that their needs will be determined exclusively by what they are offered by governments organized through current rules.

2. The maritime transport: key notions and economic implications

GO. No. 42/1997 on civil navigation, after its publication in Law no. 412/2002, was named the Ordinance on shipping, changing the entire law. The implementing rules are governed by GO. No. 245/2003 for approving the methodological norms on shipping. Legal rules of Law no. 412/2002 refer to the institutional system of water transport, marine transport activities, transport ships, crews and vessel crews, activities carried out by means of water transport, surveillance and navigation in harbors and inland waterways. There are, however, no specific rules for the Port of Constanta.

Government Ordinance no. 42/1997 on water transport amended by the Government Ordinance no. 48 of 29/07/2003 and the Government Emergency Ordinance no. 74 of 20/09/2006 amending and supplementing Government Ordinance no. 42/1997, was

renamed under art. I.1 as follows: "Ordinance on maritime shipping and shipping on inland waterways."

The Government Emergency Ordinance no. 74 of 20/09/2006 lays down specific rules applicable to maritime transport and inland waterways, the organization of the institutional system in this area and the bodies that are part of this system, specific rules on the safety of navigation, as well as specific rules applicable to ships, their crew and personnel performing shipping activities, associated activities and support activities.

EGO no. 74/2006 shall apply to shipping, their associated activities and ancillary activities taking place in national waters and Romanian ports, to ships flying the Romanian flag, vessels flying foreign flags and sailing in the national waters of Romania, as well as to Romanian seafarers. It does not apply to warships, naval ships owned or operated by the Romanian State and engaged only in governmental non-commercial service, to military ports and areas where military activities are conducted exclusively.[7]

Romania's accession to the European Community has shown some discrepancies that were removed by the Government Emergency Ordinance no. 70 of 04/06/2008 amending certain regulations regarding shipping. Also, post EU accession conditions have determined the Romanian state to adopt technical measures approved by the Minister of Transport no. 144 of 24/11/2008 approving the technical requirements for inland waterway vessels, as amended by Order of the Minister of Transport and Infrastructure no. 544 of 22/04/2009 and supplemented and amended by the Minister of Transport and Infrastructure Ordinance no. 742 of 22/06/2009.

Transport has always been defined as a means of communication - road, rail, sea and river, air - which ensures the flow of passengers and goods from one place to another.

Each branch and each means of transport has developed into a general economic environment, according to specific principles. The most important principles governing international carriage "are the same that govern internal transport. They are: speed, flow, safety, plus some principles specific to each branch. The concept of *international*

transport includes "a system of communication that transcends the national borders of a state". This concept defines "cooperation between two or more states" and "subsystems' management and structuring" so that "they become part of the international system concerned".

Therefore, the international transport system is a system of means of communication which are parts of several subsystems, joined in a harmonious structure able to provide passenger and freight traffic across borders, being governed by speed, fluidity and full safety.

Between international economic relations development and international transport, there is a strong multilateral interdependence, mutual conditioning. On the one hand, the increasing economic exchanges between countries increase transport requirements and, hence, the need for investment in this area. On the other hand, transport exerts an important influence on the development of international trade; development and improvement of means of transport, ports, airports, railway stations, the emergence of new routes create the possibility of transporting increasing volumes of goods, facilitate trade and its development.

Based on the data concerning the development of the two industries, over larger periods, one can state that the international shipment generally followed the same development rate as the international trade. It is not only a direct consequence of the development of international trade, but also the main instrument for achieving it.

Kanban Method (after Japanese economist Kanban) affects transport activity, on the one hand through the frequent use of the means of transport, and on the other hand through the speed necessary for the movement of goods.

In this regard, international shipment has a more and more increasing role, transport period being a predominant factor, even under conditions of higher transport costs. In this context, there are concerns about the duration of transport. The main trend that characterizes the development of transport is the increased speed of vehicles, due to the advantages offered by the technical and scientific process of upgrading means of transport, mechanization of loading-unloading and handling of goods.[8]

To date there has been little discussions on transport organizations that are investing significant funds and are concerned about on the organization of storage and handling merchandise. Debates continue, leading to a reduction in transport operation and ensuring a high degree of conservation and security of goods during these operations, in order to increase the storage facilities at ports and railway and vehicle terminals, creating the possibility that goods can wait for the means of transport and not vice versa.

As a result, these concerns have led to increased transport speed, pace, and safety. The need to ensure linkages between producers and markets, the faster introduction of goods into the economic cycle have resulted in a series of changes in the international transport leading to the opening of new sea, rail, air and road transport routes.

By opening new routes, there is the possibility of better links between various remote areas of the globe, shorter distances between producers and consumers, new territories attached to the world economic sphere, development of less economically developed regions. The opening of these new routes has favored the international economic exchanges by shortening distances between various economic zones or by decongesting crowded routes. [9]

3. Conclusions

Since the progressive institutionalization of regions commenced in the wake of the territorial reorganization of the proposed centerpiece for attracting European funds, the city-region became an increasingly paramount arena for the concentration of academic and political interest in the quest to embrace the hegemonic discourse of regional competitiveness[10]. Their interest in Romanian ports remains unexplored to this date, however, are the political-economic implicative insinuations of such a sudden territorial reform can redefine the regional competitiveness discourse from an agenda explicitly centered in the incipient regionalist conception of competitive regions to one inspired of the notion of competitive city-regions.[11]

Concerns around the discourse of giving prominence to one city in the region are

unlocking economic magnification. For the maritime transportation, this has amassed further momentum within the corridors of the Black Sea Region through the proliferation of international commercial trade after the European integration.[12]

In the South East region, several leading political figures are integrating their economic doctrine to the conception of making Constanta a competitive city, centered on maritime activities [13]. Even at this early stage, the city-region agenda in Romania has developed so that relational process and trans-regional networked forms of governance are being opened up to fresh approaches across both territorial space and scale. Responding in kind to the development of the economic development of regions, regions lying outside of this trans-regional and relationally networked program have moved swiftly to develop and formalize their own strategic plans. [14]

The aforementioned southern eastern region has a peculiar situation among the eight Romanian regions: it has a moderate surface area and a considerable demographic force. The engenderment of the metropolitan area around Constanta and the legal status that is to be adopted for it also needs to respond to a series of needs and opportunities determined by historical, economic, strategic relationships between Constanta and circumventing localities. Major projects aiming at an integrated territorial development and the diminishing of equilibrium between Constanta and the circumventing area have been fortified within the incipient administrative and institutional organization framework.[15]

They have mainly fixated on investments in conveyance (transport and maritime network, public services), logistics, commercial activities and other infrastructure objectives so as to amend the quality of life in the urban settlements as well as to reinforce the overall capacity to face the increasing maritime competition. [16] At present the network of transport routes ports circumventing Constanta has become increasingly alluring for real-estate investors, specialized in residential, accommodation (mainly commerce) or industrial property. The overall economic performance reveals that the Constanta region is the one of the

most developed Romanian region, characterized by a paramount dynamism.[17]

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Diversion Acts – The Antipode of Economic Stability

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Abstract

Optimal economic dimension of national security can not be obtained only through a functional economy, but also through implementation of repressive measures for eradication of actions oriented against the economic stability of Romania. This is why we consider that incrimination of diversion acts with nomen iuris title can be considered as a guarantee of economic development which in turn contribute to the increase of defence capacity which is considered as a decisive factor for protecting the attributes of the Romanian state – unity, integrity, independence and suzerainty. The present study intends to valorize the basic concepts which are part of the reference system in this field and also help in determination of juridical nature of diversion acts and based on it to describe the mechanism of lesion of economic stability through diversion acts.

Key words: diversion acts, economic stability, state security, defence capacity, special juridical object.

JEL Classification: K14

1. Introduction

In accordance with Romanian Penal Code (1968 Edition) [1] diversion acts are total or partial destruction, degradation and bringing to disuse through explosions, fires or in any other way of factories, industrial installations, equipments, communication lines, transport means, buildings, industrial or agricultural products, or of any other goods if the act is of such a nature that it affects in any way the security of the state (art.163).

As can be seen from incriminating profile of the law, there is no doubt about the social danger of diversion acts, as long as in its essence, the security of the state is affected. From systematization of the incriminating

norms in infringement groups, we can identify the content of the generic juridical object of analyzed infringement. The fact that infringement mentioned by Article 163 of Romanian Penal is included in Chapter I from special part of Penal Code it is without doubt an evidence that generic juridical object of the infringement is represented by by social relationships appearing and developing in close connection with state security. The reliability of this vision can be drawn also article 3 point f) of the law related to Romanian national security (Law 51/1991) [2], according to this law threats to national security of Romania include, among others, destruction acts, degradation acts or bringing to disuse of the structures required for good performance of economico-social life or of the national defence.

2. Economic stability – structural element of national security

In the juridical order of Romania, as well as in the doctrine of Romania there is no difference between state security and national security. For example, A.I Barbu advocates that there is no legal definition of „state security”. The legislation in force defines an identical notion from semantics point of view and that is national security which is to be found in article 1 of the law related to national security of Romania (Law no. 51/1991) [3]. It was argued also that title of the special part of the Penal Code (1968) and the title of above mentioned law express in a proper manner the same social value [4]. This can be proved also by the Title X of Special Part of Romanian Penal Code (2009) [5] – Infringements against national security – which is based on the prototype of Title I of Special Part of Romanian Penal Code (1968) – „Infringements against state security”.

Looking from this perspective, we can prevail over the definition of national security given by the Romanian legislator

through Law related national security (Law 51/1991), where Romanian national security is defined as lawfulness order, equilibrium and political, economic and social stability required for existence and development of Romanian national state as a sovereign, unitary, independent and indivisible state. National security also helps in maintaining juridical order and create the environment for protection of freedom and of fundamental rights and duties of the citizens.. The conception expressed by the legislator on the national security can not be reduced to political conjuncture. The vulnerabilities, risks, dangers and threats to national security are getting a global importance. According to A. Sarcinschi the definition of security is restricted to territorial integrity and national interests and in this way the treats of social nature to the internal and international society.[6] Another study has proved that state security or national security is expressed by the degree of protection of state, society and personal interests against internal and external threats [7]. It means that vital interests viewed from state security perspective can not be limited to territorial integrity. These interests are targeting economic and social welfare of the nation, freedom and protection of people's rights. It is not accidentally that we have underlined the economic stability as an important aspect of national security, as we consider that through diversion acts consolidation of economic base is affected.

3. Economic stability – social value protected through incrimination of diversion acts

Economic stability is defined as durability of production process, splitting and consumption of goods, services and work done in the context of national economy. Thus, taking into consideration that main social value susceptible to be injured can be seen as an inversed image of the infringement mentioned in article 163 of Romanian Penal Code, image that is outlined by the particularity of the acts and also by the effects produced. In this way it can be proved that social relationships viewed from national security perspective are at risk when diversion acts are committed.

After a review of Romanian law textbooks we can notice that state security is considered the only social value affected by diversion acts. There is no reference to the fact that Romanian economic stability – as structural element of national security – is protected through art. 163 of Romanian Penal Code. How do we explain this vision?

One reason could be the fact that article 163 of Romanian Penal Code does not contain a special purpose, as it can be found in penal codes of Republic of Moldavia, Republic of Belarus, Republic of Kyrgyzstan Republic of Azerbaijan etc., where it is clearly indicated that economic stability is analyzed distinct from state security and it is considered a main social value. We already know that the special object of the infringement is reported to the degree of guilt. This means that the accent is put on the specific proportion between objective and subjective side of the infringement. It is without doubt that the special juridical object of the infringement can not be abstracted by the reality of special purpose, as an element of subjective side of the infringement.

According to article 343 of Penal Code of Republic of Moldavia [8], reduction of economic stability and reduction of defence capacity are seen as main special purposes of the infringement. According to article 298 of Penal Code of Kyrgyzstan Republic, reduction of economic security is included in the purpose of diversion acts together with reduction of defence capacity and disruption of social and politic situation from the country. In accordance with article 282 of Penal Code of Azerbaidjan Republic [10], disruption of defence capacity and disruption of economic security are special purposes of the diversion acts. Also the Penal Code of Belarus considers that damages to economic securiy and reduction of defence capacity are special puposes of diversion infringements. The above examples are enough to convince ourselves of the fact that economic stability of the state is considered a social value protected through incrimination of diversion acts. Incrimination of diversion acts against economic stability in these countries can be considered as a strategy for regional development.

We want to underline that the purpose of the infringement can not be considered as an exclusive indicator of the injured social value

and this has been proved by few authors arguing that: "Prejudicial consequence can be seen as a concept inseparable from special juridical object of the infringement. In this way we can observe that the nature and the external pattern of prejudicial consequence depends on the intrinsic qualities of the special juridical object of the infringement" [12] We endorse this statement and we observe that prejudicial consequence of diversion acts always consists in producing damages to factories, industrial installations, communication lines, transport means, buildings, industrial or agricultural products or to any other goods. Destruction, degradation and bringing to disuse of the goods mentioned in article 163 of Romanian Penal Code does not refer to any damage, but only to those damages through which the state security is at risk. Article 163 of the Romanian Penal Code does not make reference to any patrimonial damage, but only to those damages that are creating a risk for the state security and diversion acts are considered only those acts that are putting the state security at risk. Based on above reasoning we consider that in the context of diversion acts incriminated by the Romanian penal law, economic stability has a social value and implicitly social relationships around this value are included in the main juridical object. National security and economic stability issues can not be reduced to normal working of the state, but they also include the threats that put in danger the national security. There are opinions stating that among the threats to the national security we can include critical state of the economy (decreasing the level of production, reduction of investment and innovation activities, ruination of technical and scientific potential, stagnation of agricultural sector, derangement of budgetary payments system) and the threats related to defence (existing and potential armed hotbed, potential conflagration with the risk of country truncation, ruination of the country as a state) [13]. It is true that economic stability guarantees a good defence capacity of the country and can be seen as a decisive factor in protecting the main attributes of the state – unity, integrity, independence and sovereignty. So, the defence capacity of the country is the outcome of a consolidated

economic base and it is a social value that is injured through diversion acts..

As a conclusion we can say that state security purview – economic purview and defence purview, which are included in the state security notion, *alias* state security together with social relationships related to state security form the main special juridical object and diversion acts are incriminated by penal codes of Republic of Moldavia, Republic of Belarus, Republic of Kyrgyzstan Republic of Azerbaijan where they are clearly mentioned as well as by Romanian penal code where they are not specifically mentioned.

If we look at the terminologic complexity of the concept „state security” we can include next to the economic potential and defence capacity some other dimensions: political stability, social stability etc., social values that interflow with notion of state security. It is not excluded that diversion acts to affect such structural elements of state security and they are considered as secondary social value of state security. Economic stability is a social value that is protected without doubts by the incriminations norms mentioned at article 163 of Romanian Penal Code. Looking at diversion acts from this perspective we tend not to agree with the view that the diversion acts have a political motive [14]. This vision apart from not having a legal ground, it does not have also a scientific justification. The social value affected by diversion infringements as mentioned in article 163 of Romanian Penal Code is not limited to political dimension, but also include the economic dimension and we consider that limitation of psychic impulse to political reasons it is a wrong allegation. Looking at diversion acts from this perspective we can notice that total or partial destruction, degradation and bringing to disuse through explosions, fires or in any other way of goods can affect the state security even when the wrongdoer is guided by other than political reasons, for example financial interests.

4. Conclusions

Economic stability is mainly affected by the diversion acts. In their turn social relationships appearing from this value are forming the content of the main juridical

object of the infringement mentioned at article 163 from Romanian Penal Code. This social value together with social relationships related to it are shaping the character of the diversion acts of which terrorism acts are the most relevant since they can generate destruction, degradation and bringing to disuse of goods. Economic security can be affected by diversion and terrorism acts and economic stability on its turn can affect the national security.

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Influence of Europeanisation in the Reform of Public Sector

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Abstract

The literature seems to agree on two approaches of the concept „Europeanisation”. On the one hand it is considered to be only the process of adopting EU regulations into the national legislations and on the other hand, the reverse process is also considered, meaning the influence each member state could have on the design of European policies that are agreed upon.

From this statement, it can be observed that he also includes “institutional structures” in the bunch of characteristics of the Europeanisation. Therefore, a first idea that Europeanisation could have an influence on the reform of the public sector is created, despite the first thoughts that come in one’s mind when the term.

Keywords: europeanisation, public sector, European Union.

JEL Classification: F5, F6

1. Introduction

This paper aims to provide an answer to the question whether the Europeanisation had influenced the reform of the public sector in the UK, and if yes, to what extent. In order to do that, the paper will attempt first to define the terms ‘Europeanisation’, ‘reform of the public sector’ and to set up the temporal frames when the discussed phenomenon will be observed. Considering that no time constraints are given, this assignment will consider the period starting with the moment when the UK had become a member of the European Union. In the first part of the essay, a short review of the literature concerning “Europeanisation” will be presented, followed by a review of the literature concerning the reform of the public sector. The body of this paper will then address the changes noticed in the public sector in the

UK against the EU directives regarding administrative capacity and other areas, trying to find out whether the two processes are interrelated, whether each of the presented changes can be accounted as an argument pro or against “influence of the Europeanisation” in the reform of the public sector in the UK.

Europeanisation is heard, namely that it refers only to directives and policies. The other conceptualisation of the notion ‘Europeanisation’ considers the way EU internalize some characteristics of the member states. Howell [1] mentions “shared beliefs, informal and formal rules, discourse, identities and vertical and horizontal policy transfer”. To summarize, from this perspective, Europeanisation is considered to be an interactive process that involved bottom up and top-down procedures. The above presented approach is referred to as being the “narrow” approach by Flockhart [2]. She identifies also a “broad conception” namely seeing Europeanisation as “process of cultural, political and organisational change along European lines, within and beyond the borders of Europe”. She states also that the impact of this form of Europeanisation is perceived by the citizens, particularly when national governments put the blame on the “EU by presenting (mostly unpopular) policies as part of the Europeanisation process”, especially if it is considered an euro-sceptic country like Britain, where the gap between elite and mass attitude towards Europeanisation worth to be considered. The Europeanisation is also seen a situation “where certain effects can be shown to have occurred” and not a process [3]

The paper presented few of the approaches regarding the meaning of ‘Europeanisation’. In the following part, we will look quickly through the approaches regarding the reform of the public administration. A first important insight is

offered by Toonen [4], who presents a very comprehensive overview of the reform activity in public administration. He argues that many countries have "embarked upon similar type of public sector reform" independent of their political and administrative systems. Among the models presented are: New Public Management reform, welfare state policy reform, comprehensive reform and transformation without reform. He points that "administrative and public sector reform involves thinking about values, norms and principles". From the above mentioned statement, we understand that reform of the public sector does not mean only the changes occurred in the public administration, but a planned process whose implementation is guided by a set of values and norms.

2. The influence of the Europeanization in the reform of the public sector in the UK

In terms of reform of the public sector, this assignment will focus on the domestic institutions and their reactions to the process of Europeanisation. Relevant to this aspect is the success in the negotiations with the EU between domestic and EU level. It has been argued that the level of "success regarding uploading has determined the level of change in relation to download. Massey [3], considering the fact that nowadays all governments are planning their policies within the 'European' context, affirms that it is essential to see the modernisation of the public sector institutions as part of the Europeanisation's mechanism. Thus, a direct connection between Europeanisation and reform of the public sector is to be found. Massey [3] observes an "increasing convergence in the policy-making and institutional decision-making structures and procedures of their public administrations" despite the different British and Continental Europe traditions.

As a response to Europeanisation, a state can adopt one of the following position [5]: can be a pace-setter, when the EU policies follows its national policies, can be a foot-dragger, when blocks or delay costly policies in order to prevent them or at least receive some compensation for implementation costs (Spain's case), or, as a third option, a state

can be a fence-sitting part, meaning that it neither pushes policies to EU level, nor tries to block them, but builds tactical coalitions with one of the parties. In order to reduce the costs of implementation, member states seek to design the EU policy-making after their national model. A good example supporting this statement is the case of the environmental policy. While the solution in the German's perspective lies on strict emission standards that can only be met when the best available technology is implemented, the British approach, by contrast, is more reactive. It allows for weighting the economic costs against the ecological benefits of a policy. The European large combustion plant directive of 1988 follows the German approach and thus imposes significant costs for the UK. The costs of implementing this policy were very high for the UK. The implementation of the procedural regulation, imposing cross-media approach with the target of increasing public participation in pollution prevention, was a successful shaping of EU policy after the British's model. After earning its reputation of "a 'laggard' and the 'dirty man of Europe'", the British position started to change, namely the Department of the Environment adopted a proactive role at both the national and European level. The Environmental Protection Act of 1990 put UK into the position of being a pace-setter in environmental policy. Considering the above presented example, it can be argued that Europeanization challenged long-standing political, ideological and cultural traditions of the UK. The adaptation process, emerged from critical thinking pushing, transformed UK from a foot-dragger and fence-sitter into an active pace-setter in some policy areas, such as the environment, telecommunications or transport. The debates are largely developed in the literature, but such political two-way process between EU and the UK goes beyond our scope, namely the influence on the reform of the public sector and not re-designing of national public policies.

Related to reform of the public sector are also the so called 'triggers' of the Europeanisation. Among the dynamics that triggers Europeanisation identified in Massey's article, this paper will consider only three of them. Firstly, he names "mimetic triggers" referring to increased

interaction among civil servants "leading to the adoption of best practice" and "national coordination networks through things like peer-group review for the implementation of EU employment policy and monetary policy, among other fields". Secondly he identifies "professionalization" as being a trigger for Europeanisation, referring to "policy networks as part of the trans-nationalisation of societal actors" (e.g. regulatory agencies for telecommunications). The third trigger, "domestic politics", involves adapting the domestic institutions and regulations to European standards.

Europeanisation is present not only in the policies, law regulations in specific areas, but also in the way the institutions function in order to be able to implement the European directives. As representative examples, there could be named: environment, with all externalities and linkages such as environmental impact or regulations regarding construction of a new power station or generally building regulations. The personnel working in town halls, treasuries or other public institutions and organisations is influenced, guided and constrained by the Europeanisation of the public administration. As Stone Sweet mentions, the success of European integration depended on the capacity of EU to extend its organisational capacities. In this view, extending its organisational capacities is to be understood also as modifying the existing structure of the national bodies.

However, as Bache and Marshall show, the 'historical institutionalism' was a very important factor in determining the level of EU's impact on the British central government. They argue that the British traditions were maintained, despite the substantial change that has taken place. In the same view.. They use the term "adaptation" rather than reform when referring to the changes occurred in the British central government, local government and civil servants' behaviour as a result of the Europeanisation.

Bovaird and Loeffler identify among the factors that influenced the design of public policies the increasing influence of supra-national bodies – e.g. UN, World Bank, IMF, WTO, EU, etc, in driving legislative or policy change at national level, policy changes shortly followed by an institutional

adaptation in accordance with the requirements of that respective public policy. This affirmation can act as an argument sustaining the approach that EU influenced the reform in public sector in the UK.

Considering that being a member of European Union imposes some expectations, for e.g. expectations to fulfil the requirements of EU directives, Blum and Manning, argue that due to change in expectations, also the conditions under which governments operate are changing. This continuum change in the expectations induces a permanent adaptation of the government, adaptation transposed in terms of public sector reforms.

While analysing the reform process through managerial perspective, it is noticeable, that Tooner, [4] does not even mentions Europeanisation as a possible factor that induced or influenced the reforms studied. This leads somehow to the validation of the affirmation: "The Europe 'or *acquis*' are consistently used to legitimize reform and overcome resistance to reforms that, according to many specialists would have had to take place anyway"

The NPM reform consists of implementation of 'business management' approach to the public administration. According to Toonen, England is the outstanding case of implementation of this neo-managerial type of reform. The only moment where the influence of Europeanisation is mentioned, is the case of the welfare state policy reform, whose "movements and programmes have associated institutional reforms in adapting their public structures to the new economic and European conditions" [p. 302]. Another model of public sector reform mentioned by the same author is the comprehensive reform, referred to as non-consensual, centrally guided and legislated process of public sector reform. Through transformation without reform is understood the change in administrative structure of the local and regional governments, as a result of adapting to economic and social changes, and demographics in the multicultural society, without being centrally planned or legislated. The question that has been raised is related to reasons why the reforms have been so much mediated. The set of core values in public administration identified by Tonen [4] are: responsiveness and satisfaction (efficiency

and productivity'), values which belong to the world of public management; integrity and trust (transparency and openness); reliability and confidence.

Against the statement that Europeanisation played a role in shaping the reform of the public sector in the UK, some evidence is to be found also in Massey's article [3]. He argues that the measures included in the so called "New Public Management" reform undertaken in the UK, namely concepts such as "performance related pay", "hot-desking" and "contract vs. professionalised systems" were actually very old solutions to old problems, the latter, for example, dating 330 BC (discussed by Shen Pu-Hai in China). Such affirmations are a very strong pillar of the conclusion that "new public management" reform was not influenced by the Europeanisation.

Among the main characteristics of a reform in public administration, Kinnock mentions that besides professional excellence, efficiency, and customer satisfaction, also a very important role is played by strengthening public confidence in the capability of the public system to deliver "many of the essentials of modern life, and for helping to advance social and economic progress and security". But, it has been argued [3] that this was a shaping of the EU based on British model. The characteristics Kinnock mentions are actually the main ideas of the New Public Management culture, already implemented in the UK at the time when the reform of the EU public administration took place. Even if same principles are met in organisation of EU public administration and British public administration, this aspect cannot count as argument for sustaining the influence of Europeanisation on public sector reform in the UK, but the contrary.

3. Conclusion

To summarize, from the above presented discussion, it can be concluded that Europeanisation had a very important role in shaping the structure and way of functioning of the public sector institutions at all levels, be it national, regional or local. But, whether this influence can be considered part of the 'reform' of the public sector in the United Kingdom is a totally different point to be

considered. If we consider Toonen's [4] perspective, the reform of the public sector needs to have a set of values, needs to be planned and implemented in order to achieve some specific goals. What actually happened in Britain was a 'on the way' adaptation in order to fulfil the external pressures or to be able to respond to EU requirements. Even if, the number of arguments presented tends to influence the balance for the affirmation that Europeanisation had influenced the reform of the public sector in the UK, it could be concluded that the phenomenon in discussion in this paper did not have a very significant impact on the reform of the public sector in the UK.

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Principles into Local Planning and Management of Tourism to Achieving Success in Promoting Sustainable Urban Development

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Abstract

Tourism figures among the industries with major growth in Europe contributing with a 5 percent of GNP and generating 6 percent of all jobs in the European Union.

Europe's cities and towns contain a rich cultural heritage. Yet, maintaining this heritage presents many challenges, including dealing with the adverse environmental and social impacts of mass tourism. Demands from cities tourism alike are high and growing, hence the pressures and problems associated with the management of the sector have to be systematically tackled by all parties concerned.

The concluding indicates the team's intention of testing and enhancing this instrument in detailed successful partnership case studies in four European cities.

Keywords: sustainable, cities tourism, development, strategies, economic viability

J.E.L Classification.: M20, M21

1. Introduction

Sustainable tourism embraces a range of issues relevant to "sustainable development" of the cities involving aspects of preserving all systems' capacity for continuance, along with issues of social justice and equity, improving quality of life of all, satisfaction of basics needs, self-reliance and community prosperity.

Sustainable town tourism requires attention to varied elements, including: maintaining physical heritage in the context of living, developing cities, allowing maximum access to available infrastructure, tourist sites, parks, and other green spaces, strengthening the cultural and social viability of local community, balancing interests of

residents and visitor, economic viability (providing sound long-term development and high quality employment opportunities), minimizing adverse ecological impacts on sites from transportation, and unsustainable consumption patterns [1].

Tourism is one of the fastest growing sectors of the European and global economy. On our continent, as long as 1970, P. Hall predicted that "the age of mass tourism is the biggest single factor for change in the great capitals of Europe - and in many small historic cities - in the last 30 years of this century"[2]. Law has subsequently argued that "large cities are arguably the most important type of tourist destinations across the world" and yet urban areas have been neglected in most academic tourism studies. As it has been strongly recognized that major components of tourism and its wide-ranging effects on urban places remain relatively unknown despite the fact that the initially enthusiastic approach to tourism as an economic benefactor has hardened towards an increasing degree of ambivalence due to the realization of the wide range of its negative side effects.

Equally, the operation and the management of this process and its impacts have been generally poorly understood in theoretical and conceptual terms. For city decision-makers to make equipped choices, a higher degree of priority of urban tourism is required in future tourism research and policy efforts.

2. Evolution of the analysis of cities development

In an abbreviated evolution of the analysis of cities development, urban areas are seen not simply as destinations where populations concentrate together with economic activities, cultural life and the control of

political powers but they also have a great role as centers of tourism activities.

More specifically, *cities as tourist destinations* have been found to have multiple functions: they serve as gateways to enter the country, as centers for accommodation, and base for excursions to rural areas and destinations of their own right which suggests that research and practice should focus on *town tourism* rather than tourism in cities [1]. Yet, city tourism in a narrow context has certain specific elements. Existing literature and practices around the world point that these can be a number of activities and motivations (*tourism demand*).

Though varying by destinations and its attractions, these could be: visiting friends, business / convention, outdoor recreation, entertaining and sightseeing, shopping, and education. One than thus claim that a *tourist city* embraces all of the above functions and their resources.

However, it must be acknowledged as well that tourist infrastructure, services and activities (*the supply of urban tourism side*) have multiple users, including the city residents, city-region residents, and people working within the city.

Inadequately, however, in town decision-making and management practices to-date, the tourist sector, where the supply and demand side are entwined with other urban functions, has been viewed as an ephemeral phenomenon predominantly, which is seasonable in character and transitory thus as an adjunct to the way in which cities operate.

As a result, local planners have generally considered tourism as a managerial activity with limited concerns over the effects of such a transitory activity rather than activity with potentials towards sustainable town development. Thus, with little research on town tourism, the public sector, thus far, has not seen the necessity of detailed research to understand town tourism. The new priorities of tourism towards sustainability, however, increasingly call for an appropriate process and implementation mechanisms to guide its multi-faced development in the future.

With tourism studies gaining a strong recognition during the last decade, it is hence necessary for academics and practitioners to study and control the wide-ranging effects of tourism in the host localities in different

social, cultural, and political environments. Moreover, in citizen tourism in particular, which constitutes a complex nature within the multifunctional nature of cities as tourist destinations; the tourist functions are very rarely solely produced for, or consumed by, tourists but a whole range of users.

The latter fact requires a system approach to understanding the interrelated nature of tourism activities within cities. This holistic view of citizen tourism, advanced by many town theorists and planners in recent years, can also help to consider long-term community benefits for all affected by tourism development. Around this vision of community system approach to tourism as an economic, social and political force, which can be best developed through the medium of stakeholder involvement and control, is centered the present study.

Variety of examples throughout the world show that, whether these are capital cities, or metropolitan centers, large historic cities or inner-city areas, cultural cities, revitalized waterfront sides or industrial cities, the issues of multifaceted relationships and complex impacts of tourism remain consistent. It has become apparent as well that the development, expansion, and operation of tourism in citizen areas, despite the economic merits, have lead to a number of *negative impacts for the cities* and their population. As claims these constitute the social and cultural impacts on changing value systems, individual behaviors, family relations, collective lifestyles, safety levels, moral conduct, creative expressions, traditional ceremonies and community organizations.

Yet, it can be argued that the concern of the sector's impacts is not confined to cities areas only – it evolves as a part of a growing concern for the impact and long-term sustainability of tourism, the host community, and the adjacent territories.

Equally evident, the *environmental dimensions and impacts of tourism* in the cities are assuming a growing significance with their number steadily increasing due to tourism expansion: architectural "pollution", urban sprawl in absence of planning, overloaded infrastructure, traffic congestion, pollution of ecosystem from sewage, and litter. As a result tourism leads to changes in the town environmental and physical characteristics, visual impacts on the

environment, requirements of town infrastructure, town forms, and decline of quality of the town environment, due to, many claim, lack of local sectorial planning.

Moreover, that tourism itself maintains considerable prospects to assist the improvement of the town ecology. For example, report on not just the environmental concerns in inner city areas, but also on the sectorial potentials for actually enhancing the environmental quality particularly where the industry is used to regenerate entire inner city districts, or, as Law similarly argues too, redundant urban spaces [3]. Supportive of this claim is the evidence from multiple cities where tourism has proven beneficial to the urban environment in cases like the restoration of specific features in the historical and cultural environment or architecture of buildings or reuse of redundant buildings.

As noted earlier, though tourism has been generally seen as a last resort salvation for economically deteriorating areas, the introduction or revitalization of tourism sector in many European cities during the last decade has often been advanced as one of the few alternatives for overall economic, cultural and environmental viability (cities, among others, which recently joined the European Network for Sustainable Tourism such as Calvia, Lioret de mar and Punta Umbria (Spain), Kallithea (Greece), and Cervia (Italy) (Rimini Conference for Sustainable Tourism 2001). In many of such circumstances, it has been suggested that the development of a viable tourism industry requires a coordinated and cooperative management efforts from those responsible for the delivery of the tourism product [4].

If this analysis is consistent, the need of multistakeholder involvement in the development process is strongly indicated examination of tourism from an over-all host community perspective is merited. Furthermore, as previous authors have noted as well the exclusion of residents (other stakeholders) from the development process can result in a considerable loss of effectiveness with the possibility of sustainable development choices becoming considerably limited [2]. Though full community involvement is considered at least theoretically impossible with examples of successful implementation being scarce, as

other authors have argued, interest residents groups may possess a range of abilities and techniques that can contribute to unique strategies to cope with a new and unfamiliar tourist activity. If these groups are effectively involved in a cooperative action using the accompanying appropriate mechanisms, as this analysis has suggested, the key conditions for sustainability will be met.

However, the wide scale impact phenomenon of tourism requires a wide range *participation of local actors*. Practices to-date indicate, that a number of agents of development beside tourism business become involved in either directly meeting the needs of tourists or to facilitate control, planning and regulation, commonly being the responsibility of the public sector. Thus, in the age of growing public-private partnerships this is important to understand who is responsible for urban tourism and what organizations can do to improve their experience. Other important questions are: What are the principal partners for shaping and implementing sustainable tourism policies? What is the organizational strength for tourism development strategies – is there formal or informal town organizing capacity oriented specifically to further common interest and goals and to what extent are the town authorities involved in shaping the development of tourism and leisure activity in the cities? What can be the role of stakeholder-driven strategic planning considered by many, as a contributor to the ultimate sustainability of tourism?[5].

Furthermore, in citizen tourism development where businesses, power and dominance are greatly diverse, it is ultimately important to identify not just the range of actors involved but also the level of power devolved.

Because of the decentralized management of the sector, the multiple impacts and the desired considerations of sustainability, this paper argues, three main stakeholder groups shape development [6]:

- government (used interchangeably with state or public, national, regional and local governments and tourism organizations with related government departments on different levels);
- the private sector (tourism industry operators, businesses, and tour associations), and;

- the local community (voluntary non-for-profit sector, community representatives and advocates of existing visitor groups). We argue strongly that the suggested grouping represents most realistically not only the diverse stakeholder interest but also their responsibilities and practical and perceived involvement in contributing to driven-driven local tourism development.

Taking into account the visitors and their considerations in the pursuit of integrated local sustainable development constitutes a relatively new approach reflecting the interplay between the tourists, the residents and the host community and the resulting community development.

Despite existing evidence that visitor type can substantial impact attitudes and behaviors of local population, there have been no reported instances on visitor representation on tourism strategy formulation and implementation teams. Even in the few cases where some stakeholder participation is reported, strong weaknesses appear in understanding the process and the factors that can lead to the success of the collaborative efforts which has resulted in unsatisfactory outcomes with the co-operative process being described by an overwhelmingly actor inability to agree to obtain success. Understanding the factors and agents of successful partnership thus constitutes an important theoretical and methodological issue in future tourism research and policy.

3. Conclusions:

Steadily increasing investments in urban regeneration, heritage conservation and improving the quality of urban life to adapt the city to the needs of visitors of attractive facilities, comfortable transport, diverse events, and capitalization of historical sites, among other activities, create new prospects for the industry and the urban communities.

These developments, however, give birth to complex decision-making problems for the key stakeholders - city officials, planners and economic leaders, industry and the public. Involving sustainability considerations and long-term community advancement goals poses even greater challenges to urban policy makers and tourism developers. On the other hand, the growth of tourism activities in

urban areas presents serious challenges to environmental protection and sustained community development, if managed inadequately.

The issue of sustainability has emerged as a global concern that attracts significant efforts for the co-ordination of the various national and international policies towards the achievement of some core sustainability objectives.

One can identify multiple opportunities for cooperation in local (and town) tourism development [7]. On activity level, areas include innovations in management of urban tourism problems such as visitor managing in small history sites, museums and galleries, theaters and concerts, development of:

- activity places such as cultural concert halls, exhibitions, museums and art galleries or sport facilities and organized events, or

- leisure settings such as ancient buildings and monuments, harbors, historical street pattern, parks and green areas, or ecclesiastical buildings, and

- socio-cultural features as folklore, friendliness, language, liveliness and ambience of the place, local customs and security.

Additional opportunities include community markets, residents-friendly shopping areas, and secondary elements such as site accessibility and parking areas, information offices and programs.

However, the stakeholders' involvement in long-term strategic planning and development has been seen key to sub-national tourism development as a mechanism by which a partnership process can be realized allowing optimum effectiveness in local tourism development processes.

Supporters of the strategic planning philosophy such as Kotler et Mintzberg, Ritchie, Copper and Simpson [8] come to the conclusion that incorporating the input of all affected stakeholders to determine appropriate strategic direction maximizes the equitable distribution of tourism benefits in the interest of local, regional, and national sustainability and can ensure effectiveness of an activity and industry development [9]. We can, however, further argue, that if local tourism development consistently involves all parties concerned in a process guided strategically by the local administrations

towards a community shared vision and goals, the prospects for ultimate sustainability will be greatly enhanced.

Two main arrays of concerns stem from the present research.

One, dealing with the cooperative approach which stakeholders and particularly local authorities should embrace to enhance present urban tourism practices towards sustainability and governance.

Second, comprising the most eminent challenges that main stakeholders have to overcome to lay down the foundations for catalyzing and sustaining partnerships. This final section attempts to address these issues in a concise and systematic way.

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Corporate Contracts in the New Civil Code

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Abstract

The provisions of the new Civil Code relating to the contract for bringing some news to the principles governed by the Civil Code of 1864, by coding situations that, to date only formed under discussion doctrinal or jurisprudential problems.

Keywords: contract, the contractor, lease, management

Classification J.E.L.: K4 - Legal Procedure, the Legal System, and Illegal Behaviour

1. Introduction

Civil Code is a reflection of a social system. Rules contained respond to specific needs and at the same time, tend to meet the dynamics of social life. Thus, it is a model of interpersonal relations, providing the individual in relation to himself and other individuals principles by which they can manage life in all its aspects - spiritual, material, biological and especially social.

In defining the Contract for construction, the new Civil Code envisages work which the law requires construction permits.

Based on the contract for one party, called contractor undertakes to perform his own risk and some work independently of the other party, called the client, for a price.

As for the property, if the materials are purchased from an entrepreneur, and he remains owner of the work to completion, after which the customer can get the forced surrender, becoming owner. If materials are procured by the client, it keeps their property (and work) and during the execution, the contractor creditors having lien on them generally.

The best known type of contract is construction contracting, construction (reconstruction, enhancement, modification,

extension, etc.) buildings and other buildings, and repair plumbing and construction, including the design of construction works. According to the New Civil Code by one party corporate contracts, the contractor is obliged, at the risk or to perform some work, material or intellectual, or to provide a service to the other side, the beneficiary, in exchange a price. As we speak about material or intellectual work, as well as providing a service covered by such an agreement is broad, including virtually any supply of services or execution of works of any nature that are not expressly regulated as other type of contract. By the contract for the contractor undertakes, at his own risk, to perform a particular job, material or intellectual, or to provide a service to the beneficiary, for a price. The contract of sale and not contract when the parties intended the execution of the work is not the main purpose of the contract, taking into account the value of the goods supplied. To the extent they have not been paid by the contractor, persons who, under a contract with him, have worked for providing the services or carrying out the work of contracted direct action against the beneficiary up to the amount by which the latter owes contractor when the action.

2. Legal regulating

New Civil Code rules applicable contract governing entrepreneurship and the special rules applicable to the Contract for construction. From the outset it is noted that the civil code of 1864 there was a distinct chapter in the regulation of the Contract.

A definition of this contract was in Article 1413 of the Title VII that govern the contract between the lessor.

According to the definition in Article 1413, paragraph 5 contractor was defined as taking a job as committing a specified price when the same material is given for running

the job. References were made to other texts of the Civil Code, but the essence is regulated tenancy, so that, in our opinion, the contract for not having separate regulations.

The new civil code allocates an entire chapter to regulate corporate contracts, so that the innovations are numerous.

However, in addition to enacting general rules on the contract for the new Civil Code includes specific provisions of the Contract for construction. Legal provisions after the new civil code, the general rules is art. 1851 - 1873 and the express provisions of the contract for the work is art 1874 - 1880 civil code. Unlike old definition, the new civil code works contract is defined as the contract under which "contractor undertakes, at his own risk, to perform a particular job, material or intellectual, or to provide a service to the beneficiary, for a price".

Defined the notion of subcontract, that the "Contractor may entrust one or more subcontractors execution of parts or elements of the work or services unless the contract agreement was reached in view of his person." The new regulation defines the Contract price going up to cover situations where the contract contains clauses on price.

Delimitation entrepreneurship to sales is given control of the parties on the principal or subsidiary works and also will take into account the value of the goods supplied by the contractor. It is also regulated when price through corporate contracts for construction, the contractor undertakes to perform work which, by law, require construction permit ", according to art. 1874 Civil Code.

The interpretation of the two items, the performance of any material or intellectual works that do not require the issuance of the building may be a he object of the Contract.

Both in corporate contracts and corporate contracts for construction, the beneficiary can obtain materials needed to execute the work, in which case the contractor is not liable for destruction work if it is due to improper materials. To ensure payment of the price due to the contractor has available the possibility of establishing legal mortgage on the paper, according art.1869 Civil Code.

Subcontractor, by way of oblique action, may proceed against the beneficiary up to the amount which the latter owes the contractor when the action (Art. 1856 Civil Code).

For the price difference between

contractor and subcontractor established, the latter will go against the contractor. In the absence of contrary stipulation in the contract for construction, the contractor has the right to entrust the execution of parts of the work of subcontractors, ending in this respect, with each of them, a subcontract.

The relationship between the contractor and subcontractor, the rules provided for the contract, subcontractor having - in these relationships - the role of the entrepreneur.

Because subcontractors contracted only with the contractor, the client has no contractual action against them.

Instead, contractor contractual liability to the customer for all work performed by subcontractors to meet and work just as any other person who used it.

As subcontractors have the quality of that servant, contractor does not respond as principal for their illegal acts causing injury to third parties, including customers, just as the customer does not respond to the contractor or subcontractor or contractor works specialist to injured third parties.

A regulation that is a total news, and that will have a significant impact on the parties' relationship in terms of practical and legal implications of major, is the ability of workers to promote direct action against the beneficiary to the extent they are not paid by the provider. This new regulation has implications in the field of labor law, given that workers who have an employment relationship with the provider may request payment of the benefits - which are labor rights - of a third person who is not an employee.

Control works and the works are also receiving obligation expressly regulated.

Thus is provided the right to control the beneficiary the fulfilment of contractual obligations by the supplier. However it can not unduly delayed reception of works by abusing this right , given the new regulations.

Such obligation stipulated in Article 1862 of the beneficiary to receive the work or services ordered in a reasonable time.

It is true that the term beneficiary is obliged to carry out reception is not set in the happiest way phrase " Reasonable time " is one not too specific , but still receiving work obligation is stipulated.

Another new element is the establishment of high interest mortgage legal.

Thus the legislature has regulated legal mortgage in favor of the contractor to guarantee payment of the price payable by the customer. (legal mortgage is regulated in art. 2386 NCC). Unlike previous regulations, conditions for termination of the contract due to death of the beneficiary, operates only if it makes unnecessary or impossible to perform the contract. A similar situation is also provided in case of death or incapacity on completion of work by contractor, situations where termination of contract terminated if it was done in consideration of personal skills of the entrepreneur.

As to the specific regulations of the Contract works they are defined as works contracts where the contractor undertakes to perform work which, by law, require a building permit issuance.

It establishes the right to control the beneficiary's stage of completion, quality and appearance of the work performed and the materials used. It is also regulated contractor and the beneficiary required to check with work to be covered (so-called hidden works) during which it finds partially completed and compliance with technical standards and legal requirements.

Reception work is divided into two phases, namely a first step in completing the work, date ending a temporary reception and final acceptance, ending on the date of expiry of the performance guarantee.

Risks pass to the beneficiary after the end of the temporary work.

As prescribed right of action for apparent defects it starts to run from the date when the final acceptance report. The contract is subject to the law in force at the time it was completed in all respect of the conclusion, interpretation, effect, performance and terminated. In this case it is important to determine when the contract since the signing of the contract does not necessarily coincide with the time of concluding the contract, as is apparent from the provisions of art. 1182 par. 1 Civil Code. However, if it is determined that the time of signing the contract is and that of its conclusion, in terms of acceptance, then the contract is subject to the current Civil Code.

3. Conclusion

Some of the new changes in the enterprise

the following aspects:

Subcontract: to regulate the Civil Code of 1864, which is the default one, the new Civil Code expressly regulates the possibility for entrepreneurs to entrust one or more subcontractors executing parties, or elements of the work or services, unless the works contract was concluded in consideration of his person;

Price: the price of the new Civil Code expressly regulates entrepreneurship and its criteria for determining when the contract contains clauses on price;

Delimitation entrepreneurship to sales: in determining the type of contract, the parties will be construed on the principal or subsidiary of work under the contract and also will take into account the value of the goods supplied by the contractor;

Direct action of workers: workers are generalized direct against the beneficiary of the work, up to the amount by which the latter owes the contractor when the action. The regulation of the Civil Code of 1864, workers direct action against the beneficiary was covered only if Building Contractor;

Obligation reception of the work: it establishes an obligation on the paper like a reasonable time to review the paper and to receive and, where appropriate, to lift, otherwise as in case of absence or non-communication of the result of the verification, without good reasons, work to be counted as received without reserve;

Warranty against defects and qualities agreed: Unlike the provisions of the Civil Code of 1864, which expressly regulates the sole responsibility of the contractor for construction works of the new Civil Code provisions governing security contractor for defects and quality agreed by transmitting the provisions relating to the guarantee against vices sold thing referring to any of the possible objects of an enterprise agreement;

Mortgage Legal: establish a legal mortgage on the work of the contractor to guarantee payment of the price payable for the work, created and preserved by law. If construction work, receive legal mortgage and architects and contractors, but only in limited growth achieved value;

Termination of contract: according to the new Civil Code of the beneficiary's death does not terminate the contract unless it is impossible or unnecessary execution. The

concept of the new Civil Code, if the contractor dies or becomes, through no fault of his, unable to complete the work or provide the service contract is terminated only if it was done in consideration of personal skills of the entrepreneur (as opposed to regulating Code 1864 civilian death entrepreneur where termination is the rule);

Control of the works by the beneficiary:

beneficiary can establish state control over the conduct of its workmanship, but without impeding the normal activity of the entrepreneur. Regulated also required the contractor and the beneficiary to check with completed parts of the work to be covered by the subsequent execution of other works or installation of construction elements;

Risk of transmission time: according to rules contained in the new Civil Code, the risks transferred to the beneficiary on the temporary on completion;

Start limitation on liability for defects:

prescription right of action for apparent defects shall begin from the date of final acceptance or, if applicable, the expiration contractor for the final acceptance Minutes for defect removal.

4. References

[1] Law nr.287/2009, the civil code

Theoretical Considerations and Practical Town Planning Documentation

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Abstract

Documentation planning and urbanism are assemblies of written and drawn on a defined territory, which analyses the situation and setting targets, actions and measures to develop a specific period.

Documentation structure and urban landscaping plans include landscaping, urban planning and urban local regulations.

Keywords: planning documentation, building permit, administrative act

Classification J.E.L.: K4

1. Introduction

Methodology release planning documents is provided by the Law no. 50/1991 [1] on the authorization of construction works, republished, and Law. 350/2001 [2] on spatial planning and urbanism.

Given the notion of "urbanism documentation" are accurate that I would relate to planning certificate and building permit. Definition and content of the documentation framework of urban planning and law are made by land and urban planning. Urbanism certificate is the document that is issued by the presidents of county councils, mayor or mayor of Bucharest, where appropriate, at the request of individuals or legal entities in order to obtain further authorization for construction works and related facilities such as and for the demolition of buildings.

Planning certificate can be viewed as an act of information by competent authorities in accordance with urban plans and regulations for these plans or landscaping, where appropriate, approved and approved according to law, are known to the applicant on the regime elements legal, economic and technical land and existing buildings from the

request and determine planning requirements to be met depending on the specific site and list of opinions and legal agreements required for authorization.

Note that the urbanism certificate is obtained before the application for the building permit and not in lieu of it, but along with this authorization is planning.

The underlying issue of the building permit. The enforcement of the Order MLPAT No. 91/1991, under which planning certificate shall be issued if the following conditions are met:

- 1) the application is entitled to the administration to release the document,
- 2) the application form is filled in completely and correctly;
- 3) proof of payment of the prescribed fee;
- 4) the identification of sufficient land.

In the event that the law and order met the requirements set issued in law enforcement, refused to release the document requested, the applicant is in a situation right hand injured and is able to address the administrative court under the law 554/2004.

2. Legal regulating

In relation to the legal nature of urbanism certificate, justifiably, can advance a question, in the sense that it is only an administrative act or assent ? It is known that, administrative acts are characterized by the following features : they are legal acts are manifestations of unilateral will to power, are required by their execution is organized and implemented in concrete laws and other laws, and are enforceable. In turn, opinions are opinions that body which wants to issue an act requires another body, department or person.

Opinions are classified as voluntary, advisory and compliance (mandatory).

Significant voluntary opinions is that the issuing authority has the power to ask them

or not. Where this approach has resulted, the applicant is not obliged to comply with the suggestions contained in that opinion.

Typical advisory opinions is that the body concerned is bound to ask, but is not obliged to comply with instructions contained. If these advisory opinions are issued as required act is unlawful.

Finally, consistent opinions differ in that must necessarily required by the body wants to issue an administrative act.

The views contained herein should be respected. Certificate of urbanism, as I stated above must obtain a building or demolition of building it, so we can say that it has the character of an assent. For these reasons, I believe that urbanism certificate is an administrative act, but only assent, as the applicant, if it does not agree with its provisions, is able to release no act.

In conclusion, I appreciate the urbanism certificate lacks a specific feature of administrative acts that are enforceable.

In other news, art. 2 of Law no. 50/1991 determines that the building constitutes the authority of local government on the basis of which ensures the statutory, regarding the location, design, construction and operation execution. She is competent local government act which ensures the application of rules for siting, design, construction and operation execution. So the building permit is issued pursuant to and in compliance with planning documents and landscaping, endorsed and approved according to law.

At a closer look, the definition is susceptible to certain critics, at least from one point of view.

Thus, its components are not any details on individual rights arising in favour of the recipient authorization comes down only to the benefits of the issuing body. By its nature, the building permit has a number of features, which detaches from the other administrative. As a manifestation of the will of the body empowered to issue the building permit is an administrative act creative individual rights. However, under the rules governing this type of administrative action, building permit may be revoked by the administrative authority that issued it, under the common law. In our law, regulations are usually revocable. Administrative act should not be conceived as something fixed, immutable. Statements in the evolution of

society are changing. As such, and regulations that refer to them can be changed to be changed. Bodies can issue administrative acts to see wrong things when doing these acts. Wrong, there must be the possibility of rectifying errors in the issuance of these legal acts. Revocation is the legal operation by issuing body or the higher body force out of an administrative act.

Case for revocation may be illegality or inappropriateness of the administrative and may be prior, concurrent or post-issuance administrative act.

Other reasons to terminate the administrative acts are the suspension, cancellation or termination. Revocation of administrative acts definitive terminates while the suspension causes temporary cessation effects.

On the other hand, decides to suspend a rule, when there is doubt as to the legality or appropriateness of the act, while it has revoked when it is clear that it is illegal or inappropriate. Given that occurs not only for illegality, but also inopportunity administrative act differs revocation and cancellation. Another difference of revocation of cancellation to the first one only has the issuing body and upper body of government, while the second may be ordered by the superior and the court.

When revocation is ordered by the issuing body, is called withdrawal.

Removing the effect of an administrative act may be designated either by the revocation period or by the cancellation. It was considered that the cancellation period should be used only when the dissolution is determined by the illegality of the act and the term of revocation when out of force upon inappropriate.

We thus have a common language to that used in other branches of law, where the annulment means abolishing operation of a legal act illegally.

Revocation and repealing differs.

Unlike revocation, repeal may be ordered by the issuing body, the upper body or by law, and may be express or implied.

While revocation may cover individual acts and regulations, repeal the only normative acts.

Given that the building permit beneficiary assigns a well-established law, it falls into the first category.

Rights are born, modified or extinguished after issuance of a building permit on a specific person or more previously established.

Building permit differs such normative administrative acts, which contain general rules of conduct, impersonal and repeated application to an unlimited number of subjects. One other feature of the building permit refers to its actual character.

From this point of view it is different and urbanism certificate, the latter being the value, as noted above, an assent.

Real character of the building permit is expressed by the fact that it is not released into consideration the person (in personam) to become its owner, but according to the rules applicable to land and planned project .

For this reason, it can be transferred within the validity period from one holder to another without the need for the competent authority to issue a new permit.

However, the Law No.50/1991 republished provides that non-initiation or failure to complete their work deadlines result in loss of validity of the authorization is necessary to issue a new building permit.

On this issue, the question is whether giving the recipient the rights conferred by the building permit before the expiry of its validity terminates its effects .

In an opinion expressed, it was considered that the beneficiary will not be decisive in producing legal effects of the administrative act and , therefore , cannot be decisive either for their termination.

Therefore, if the beneficiary waives rights conferred by a building permit for it to cease to produce legal effects must be revoked by the issuing body or the upper body until the beneficiary revocation rights may revert to surrender its. Not revoked , the permit remains valid, which means that if the return on the waiver holder will not have to ask for a new building permit with a condition, of course, that as the recovery takes place within the validity period of the authorization. Invalidate occurs therefore by law (ope legis) becoming authorized by analogy obsolete. According to art. 7 paragraph 5 of Law no. 50/1991, building permit issuer establishes a validity period of 12 months from the date of issuance, during which the applicant is required to start work with renewable once for a period not

exceeding 12 months on request submitted at least 15 days prior to expiration.

So the rights conferred by the building permit is not obtained only under the condition of being exercised in the time required by law. The building permit has a character of universality and generality.

Is general in that it is required in all locations where building construction provided by law and universal one , since it applies to all persons and entities.

Also, the building permit is a character exclusive being that through the procedure to release , coordinates all control procedures to achieve a project previously determined.

The authorization does not replace so all permits and special permits are required builder or investor, but allows the coordination of the general requirements that they imply. It should be noted that in the literature to distinguish between authorizations and permits required by law free. The authorizations required by law competent authority is obliged to issue the request of the interested, if the conditions required by law.

However, if the free permits, public authorities is not required to release them, but can decide whether their issue.

Being mandatory building permit is part of the first category, namely the authorizations required by law.

Permits required by law, a category to which it belongs and building permits, enjoy greater stability than free because of competent authority is obliged to release them to the extent that the person concerned meets the conditions prescribed by law for the performance of certain activities, which means that virtually irrevocability.

Although there is no legal provision to stop the government authority to revoke such authorization, the revocation will not have practical consequences .

Indeed, government authority is obliged to issue a second license on the same terms as the first , since the person concerned meets the law. Instead, free permits are more uncertain and revocable right of discretion precisely because of the opportunity of those provisions that benefit the issuing body.

From the provisions of art. 28 of Law no. 50/1991 republished that the building permit is granted before building work on the basis of documentation, including planning

permission. If a person started construction without requiring construction permits refusal authority to issue legally authorized later. Once obtained the building permit allows the exercise of building, being born so as to achieve a project approved.

Of course given the right building relates only to matters contained in the building permit and no more. However, building the right recipient may choose to execute only a part of the approved project and give the other side which creates difficulties.

During exercise the rights under the building permit may operate a number of situations requiring modification or reconstruction of the document.

Thus, the duration of its validity, construction permit may know two types of changes, some of which concern only the person that the holder and the other aimed at the real estate operation authorized.

The building permit has real character, so that if the recipient does not want or cannot provide construction or implementation itself works concerned, he can transfer the license to a third party.

A final aspect of the building permit is linked to tacit approval as an alternative to issuing or renewal thereof by government authorities.

3. Conclusion

In order to remove administrative barriers in business and public administration accountability to meet the deadlines set by law for issuing permits was adopted Emergency Ordinance no. 27 of 18 April 2003 on the tacit approval procedure [3].

Tacit approval procedure applies to all licenses issued by public authorities, except those issued in nuclear activities, those concerning the regime of firearms, ammunition and explosives, drugs and precursors, as well as the national security permits .

It should be noted that the negative response of the competent government authority, within the period provided by law for the authorization, does not constitute tacit approval. The permit shall be deemed granted or, where appropriate, renewed if the applicant does not respond administrative authority within the period provided by law for the issuance or renewal of such

authorization. After the period provided by law for the authorization and without a written communication from the government authority, the applicant may operate , provide services or practice the profession for which the license.

The act of a person to plead before a public authority or the existence of approval due to the tacit approval procedure [4], omitting knowingly presenting response or notification received in the authorization process under the provisions of the Ordinance, constitute the crime of false statements and punished according to the Criminal Code.

4. References

- [1] Law no. 50 of 29 July 1991, republished on authorizing construction works
- [2] Law no. 350 of 6 July 2001 on regional planning
- [3] Emergency Ordinance no. 27 of 18 April 2003 on the tacit approval procedure
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Public Private Partnership (PPP): Comparative Analysis of the Legal and Institutional Framework in Romania, Greece, Italy and Portugal

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Abstract

Public-Private Partnership (PPP) policies and projects have diffused across Europe and public authorities seem increasingly to be involving the private sector in financing, building and operating new infrastructures. The global and rapidly growing interest in partnerships comes out of the financial crisis which exerts a strong pressure on public finances around the world, having negative effects on the development of necessary infrastructure in different areas. Many countries have adopted the public-private partnership (PPP) model as a means of implementing large-scale infrastructure projects and have launched dedicated PPP units to support the uptake of PPPs. As a result, a wide divergence in national PPP approaches can be noticed but the lack of processes, procedures an enabling institutions, i.e "governance", is the main barrier to extending their use.

Key words:public-private partnership (PPP), public administration, public investments and management

J.E.L. Classification: G01,G18,H54,L32,R42

1. Introduction

This paper draws on the theoretical notion of PPP-enabling fields to carry out a comparative analysis of the legal framework existing in Romania, Greece, Italy and Portugal. The legal processes in many jurisdictions are insufficient, complex and fail to provide security and incentives to investors, thats why countries need a secure, predictable, stable consistent framework of law and regulation so that PPP can be successful.

Investments are critical to economic growth, quality of life, access to education, or poverty reduction. In recent years, one can note the increased cooperation between public and private sectors for infrastructure development on the line of many economic activities. Type of PPP projects emerged and developed as a consequence of limited public funds in financing investment projects, but also from the desire that the public sector to provide quality and efficient services to citizens. This type of partnership is still developing in Romania and is, in fact, a transaction transferring overall responsibility for providing a public service to a private company, while the competent authority becomes a partner in profits and losses.

2. PPP definition and general aspects

For the first half of 2013, the European PPP market had 24 transactions that reached financial close for an aggregate value of EUR 9 billion. The European PPP market grew in value but recorded fewer transactions compared to the same period last year, and the United Kingdom was the largest PPP market both in terms of value and number of deals. For the private sector, PPPs may target several dimensions, including: providing additional capital and better identification of needs, optimal use of the resources, added value to the consumer and the general public, but, however, these types projects are complex in terms of design and implementation, and if they are properly managed in the public interest, present and future, they can bring immense benefits. So far, their use is quite limited and very few EU countries have experience in their implementation. Given the diversity of the collaboration between the public and the private sector, it should not be given a standard definition of public-private partnership concept. There are different

perceptions in this regard, by experiences in nature that exist in different countries, especially in Europe, as there are different systems of administrative and public services (decentralized- centralized - deconcentrated), and a variety of political culture, community and religious. Based on these considerations, the definition of public private partnership can start either from an approach "centralized", "decentralized" or "mixed" or "integrated" taking into account the model of the organization of public administration and the nature of a project to be implemented. European countries indicates that there can not be a standard system of partnership, even if it takes the Anglo-Saxon features according to two major objectives: a) employment and b) to ensure local development, economic and social cohesion.

The Public Private Partnership represents:

- "An Agreement between the public and the private sectors to develop a project or to provide a service, which is traditionally provided by the public sector [1];
- An Arrangement-contract ("arrangement") between a public authority ("State Authority") and a person to design, build an asset, together with the operation of services related to the operation of that asset, either to transfer an interest or parts of the interest on a asset to a private person [2];
- "The takeover by the private sector of the public sector activities in any form (partnership or buying of the shares)", use of "Private Finance Initiative" or other arrangements, such as the construction of "necessary infrastructure", including sale of the public services or other forms of partnership [3];
- Medium and long-term relationship between the public and the private sector, which involves sharing risks and earnings and using of the multi-sector features, expertise and finances in order to provide a service [4];
- The Methodological Norms for applying of the *Law no. 178/2010 on public-private partnership* define the concept of partnership as "an economic mechanism of association of two partners, the public authority and the private investors to achieve through the public-private partnership project, a public good or public service, as defined in art. 4 points.

a) and c) of *Law No 178/2010 regarding the public-private partnership* [5].

- "Forms of cooperation between public authorities and the world of business which aim to ensure that infrastructure projects can be carried out or that service of use to the public can be provided." (European Commission).

Regarding the PPP models, although there is no generally accepted model of case law or doctrine, the term PPP is very flexible and supports different contractual types, all are believed to be correct, as long as the competition between economic operators is respected, the equal treatment and non-discrimination, the transparency and the integrity of public procurement process also and ensure efficient use of public funds through the application of the procedures for the awarding, in the international practice were highlighted five frequently used contract models:

- **DBO-design-construction-operation**
- **DBFO-Design-build-finance-operation**
- **BOT-build-operation-transfer**
- **ROC-construction-operation-renewal**
- **ROT-rehabilitation-operation-transfer**

There are three stages of PPPs development [6]:

Stage One: Define policy framework, Test legal viability, Identify project pipeline, Develop foundation concepts (PSCs etc), Apply lessons from earliest deals to other sectors, Start to build marketplace.

Stage Two: Introduce legislative reform, Publish policy and practice guidelines, Establish dedicated PPP units, Refine PPP delivery models, Continue to foster marketplace, Expand project pipeline and extend to new sectors, Leverage new sources of funds.

Stage Three: Fully defined, comprehensive "system" established, Legal impediments removed, PPP models refined and reproduced, Sophisticated risk allocation Committed deal flow, Long-term political consensus, Use of full-range of funding sources, Thriving infrastructure investment market involving pension funds and private equity funds, Well-trained civil service utilises PPP experiences.

3. Romania

PPPs represent a very important instrument in an economy and many countries use this type of projects. Romania hasn't built any projects through concessions or PPP in the last 23 years.

The legal framework in Romania established by GEO no. 34/2006 regarding the award of public procurement contracts, public works concession contracts and services concession contracts defines three types of public-private partnerships [7]:

- a) The public procurement of works, services or goods agreement;
- b) The concession of public works agreement;
- c) The concession of public services agreement.

Given the complexity of PPPs in general and of blended ones in particular, the development of models, standards and modules that can be copied and repeated would help to create a wider range of options of funding. This would have to be accompanied by training of public sector officials at national and local level. For the next period, the Romanian Government has established a list of 18 public investment projects that will be proposed for implementation through public-private partnership (PPP), most of which regarding infrastructure segment. As a comparison, Romania could be placed on an extremely promising position, according to the internal and external business environment. What certainly helps to develop these type of programs, is the initiative to build a database of PPP projects at local and central levels, and the analysis of the success and failure of the other states in the implementation of PPPs can bring added quality performance, and the particularly the use of European funds can cover the private sector's finance. In Romania, The Department for Infrastructure Projects and Foreign Investment coordinates PPP projects from 15th of January 2013, as it stipulates the Government Decision no. 7/2013 on the organization and functioning of the Department for infrastructure projects and foreign investments, which abolished art. 2 of Government Decision no. 1239/2010 approving the Methodological Norms for applying Law no.178/2010 on public-private

partnerships and for approval of several measures concerning the reorganization of the Central Unit for the Coordination of Public-Private Partnership within the Government's working apparatus [5]. On 1st of October 2013, the Romanian government sent the draft of a new Public Private Partnership (PPP) law in Parliament, designed to make such projects bankable. This bill follows the French model and was designed with assistance from international financial institutions like European Bank for Reconstruction and Development (EBRD) and the World Bank (WB). The Foreign Investors Council (FIC) and the Romanian German Chamber of Commerce and Industry were also consulted.

4. Greece

For the Greek, as for many other governments, PPPs have been seen as a means to launch investment programs which would not have been possible within the available public sector budget within reasonable time, as reported by the European Investment Bank (2005) [8]. There are two major elements setting the framework for PPP policy in Greece: the EU Cohesion Policy and the Eurostat accounting treatment for PPPs. The latter allowed for the classification of PPPs as non-government assets, and their recording off the balance sheet of the government. In 2004 the Ministry of Economy and Finance set up The Expert Committee on PPPs, which concluded a number of obstacles to further PPP implementation in Greece such as: support to public authorities, absence of a PPP taskforce, procedures for the execution of guarantees, the definition of responsibilities between the various authorities, project maturity process, budgeting of contracts, financing provisions, taxation, return on equity, capital security and legal framework.

In September 2005, a PPP Bill was ratified by the Greek Parliament as the PPP Law 3389/2005. The Bill is aimed at small to medium-sized projects with a maximum construction value of less than 200 million euro. Law 3389/2005 [9] defines contractual PPPs for Greece, endorses the Eurostat classification of assets as off the government's balance sheet, and includes the provisions of the EU Green Paper (COM,

2004) [10] on PPPs. This Law establishes the PPP Task Force and its responsibilities within the Ministry of Economy and Finance and it states, among other issues, the activities exclusive to the State that cannot be subject of a PPP and it explicitly references national defense, justice, policing and the execution of penalties. The Law supports regional and local governments. Larger projects over 200 million euro continue to be managed through central government, their respective contracts to be ratified and set as laws of the Greek State. Most transport projects belong to his second category. The economic crisis and the recession have had a negative impact on the viability of many PPP projects underway and/or in operation, but for the time being have not changed the overall policy towards this method of public infrastructure and service delivery.

5. Italy

PPP in Italy is a rather recent practice. In this country there is no specific legislation on PPPs, neither for PPP projects in general or for transport PPPs specifically. The law on concessions established in the provisions of the Code of Contracts (Law 163/2006, art.143) is usually applied to PPPs. This Law implements the EU Directives 2004/17-18 and defines PPP as a contract between a contracting authority and one or more operators, aimed at the execution of works and the supply of services. The Code of Contracts (Law no. 163/2006) provides elements that regulate PPP such as: norms to regulate the non-competitive procedures for projects below 40,000 euro, procedures for the unsolicited proposals, definitions of the contract termination events, provisions for step-in rights for lenders or compensation provisions in the event contract termination [11]. There is an active PPP supporting unit at the national level- Technical Unit for Project Financing „UTFP” – established in 2001 (Law no. 144/1999 [12]), which is funded by Government budget. It is directly controlled by the Department of Planning and Coordination of the Economic Policy (DIPE), belonging to the Council of Ministries and supports the Inter-ministerial Committee for Economic Planning (CIPE). UTFP provides technical assistance, green lightning of PPP projects, promotion, a central repository of

knowledge etc. The main effects of the financial crisis can be expressed by the decrease of awarded projects. In the 2012, the number of awarded projects has decreased by 30% compared to the previous year 2011 [13]. Particularly, as for the Italian Government's influence on the use of PPP there are still some shortcomings in the legislative regulation that does not allow the PPP to be used in an effective way and one of them is the fact that the Italian law does not prescribe the estimation of Value for Money before the approval of a PPP Project. Italian implementation of PPP has its own features which distinguish it from other models adopted in Europe and in the world.

6. Portugal

Portugal has been one of the most active European countries in the PPP market in the last decades and the need to overcome public budget constraints is the official justification that the PPP emerged. Compared to the traditional procurement models, PPPs were expected to improve the quality, effectiveness and efficiency of the services in the road, rail and sea port sectors's development, by taking advantage of the competitive pressure and transferring most appropriate and innovative technical solutions brought by the private sector. Portugal is now the number one country regarding the involvement with PPP in terms of GDP percentage in Europe. In Portugal, programs regarding transport are mainly at governmental level since highways, sea ports and rail projects are projects of regional or national characteristics with decision-making taken at the municipalities' level. The policy framework establishes the Decree-Law no. 86/2003 [14], in which the PPP projects are referred as contract or set of contracts, through which private entities, called private partners are committed, in a stable and lasting basis, towards a public partner. The law understands the following entities as public partners:

- State (Government) or State Public Entities;
- Funds and autonomous services;
- Public Statute Companies and all entities created by these companies.

European Union procurement directives were implemented into a New Public

Contracts Code in 2008, which also applies to PPP projects and includes electronic tendering and competitive dialogue. This New Public Contracts Code was perceived as positive by the international institutions as it harmonized and systematized the various procurement rules which had previously been spread through different statutes [15]. Partnerships can develop through various legal instruments to regulate between public and private entities, including the contract for a public works concession, the concession of public service, the continuous supply contract, the contract for services, the management contract and collaboration agreement, when considering the use of an establishment or existing infrastructure belonging to other entities other than the public partner. In Portugal, PPPs are subject to two evaluations: one is an endowment budget and the other is an evaluation methodology in order to verify its efficiency and sustainability. The PPP contracts enable the costs and risks to be transferred from the present generations causing it to be an excessive risk.

7. Conclusions

Public Private Partnership represents a new dimension to achieve public investment taking into account the current unfavorable economic conditions both domestically and internationally, currently being one of the most appropriate formulas and methods of attracting private capital involvement in these projects and surely will be a pivotal element in the following period when they may have several advantages if the objectives of all parties involved are met within the partnership, producing positive effects on employment and local development.

The specific legal framework is very important to develop PPP projects and Romania, Greece, and Portugal, with the exception of Italy, have established the legal framework on PPPs, but their growth occurs in different phases. The investors in PPPs need security in legal framework s, which means fewer, simpler and better rules. Lawsuits in PPP cases can be expensive and burdensome and the investors need to have confidence that the judiciary system will enforce the law and contracts. [6] PPP legislation should focus on achieving

outcomes, while setting broad parameters in which partners can design and implement projects that they agree on. Lenders and investors will look for a predictable and reliable framework for PPPs. Simpler procedures will improve competition, which will also increase the range of partners governments can choose from.

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Landmarks of the Romanian Pre-University Education in the Context of European Policies Designed to Overcome the Economic Crisis

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Abstract

In interdependence with the European and world economy, Romanian economy has experienced in recent years rapid unpredictable changes, which produced a variety of social phenomena with direct effects on educational policies. Pre-university education system provides human potential both for the labour market and for the higher education system. The new approaches of the EU development policies provide that the economic crisis can be surpassed by improving the quality of education and by developing an effective management of changes in relation to the external environment changes.

This analysis aims at understanding the harmonization of Romanian educational policies with the EU political agenda, it induces conclusions on two levels of topics on several aspects considered important in the evolution of the system and suggests responses in relation to the generated disruptions. The conclusions drawn and the solutions presented can represent the basis of a thorough research which can be used by any educational manager in establishing the decentralization / institutional development strategies.

Keywords: education, European policy in education, pre-university, crisis, labour market

J.E.L. Classification: I25

1. Introduction

Over time, the Romanian pre-university education system has tried to meet the

challenges of the economic, social or political crisis. Pre-university education system has adapted "ad hoc" to the changes in the external environment, without delineating a medium and long term strategy. This fact was due on one hand to the frequent changes in educational policy and, on the other hand to the lack of managerial culture of the heads of schools. Since education has become the mainstay of the new strategic structure, the European cooperation on education policies has contributed to the promotion of national reforms in education. Romania has aligned to the European policies in the field of education. In the conditions of the economic crisis, in order to seek medium term solutions, of recovery of the education system, one has to urgently perform an analysis of the main issues that it faces, of the results obtained, and determine vulnerabilities.

2. The main landmarks of European policy affecting the Romanian pre-university education system

A turning point in European politics of quality in education is the *Summit in Lisbon in 2000* when the leaders of the European Union decided that between 2010 and 2020 Europe would become the most competitive knowledge-based economy. To achieve this objective, the European policy turned to the improvement of citizens' skills, the development of the job market, the insurance of equity and social inclusion and relied on the concept of the "triangle of knowledge" consisting of education, research and innovation. [1]. The European strategic directions presented during the adoption by the Council of Europe in May 2009, of the

Strategic Framework for European Cooperation in Education and Training (ET 2020) showed that "education and training play a crucial role in addressing socio-economic, demographic, environmental and technological challenges" [2], marking, thus, the primary role that they play in the strategy.

Within this strategic project, the European Union has targeted for 2020 the implementation of European cooperation in the development of education and training systems in the Member States and the achievement of four objectives:

- implementing in practice the lifelong learning and mobility;
- improving the quality and efficiency of education and training;
- promoting equity and social cohesion and active citizenship;
- fostering creativity and innovation including the entrepreneurship spirit at all levels of education and training

The quantification of these objectives was achieved by establishing European benchmarks representing for the Member States the targets of their own policies [2]:

- on average, at least 15 % of adults should participate in training programs throughout life;
- the percentage of people aged up to 15 who have low levels of basic skills should not exceed 15 %;
- the proportion of people aged 30-40 years attending tertiary education should be of at least 40 %;
- proportion of school drop should be below 10 %;
- at least 95 % of children aged between 4 years and the age for starting compulsory primary education should benefit from preschool education.

For the next important step of European politics, the one from March 2010, the Strategic Framework ET 2020 represented a defining element which was the basis for determining the priorities of *Europe 2020 Strategy - A European strategy for a smart, sustainable and inclusive growth*. Taking over the elements of Strategic Framework ET 2020, the new strategy *Europe 2020* emphasizes the belief that Europe's competitiveness in the global market is based on innovation, on the consolidation of knowledge and creativity, on the improvement of the quality of education

system [4]. The practical and coherent course of action was exposed by means of thematic programs planned in ET 2020. For example, the flagship initiative "A Union of Innovation" [Europe Strategy, p 15] considers "the strengthening of the links between education, business, research and innovation" by focusing the curricula on innovation, creativity and entrepreneurship, and initiatives "Youth on the Move" [p 16.] and "An Agenda for new skills and jobs" [Europe Strategy, pp. 22-23] recommend medium and long term courses of action for the Member States:

- performing effective investment in education and training systems at all levels (from preschool to university level);
- improving outcomes in education in order to reduce early school dropout, by addressing each segment (primary, secondary, vocational and tertiary) within an integrated approach that includes key competencies;
- enhancing the openness and relevance of education systems by establishing national qualification frameworks and by means of a better gearing of the learning outcomes towards labour market needs;
- facilitating the entry of young people into the labour market through integrated actions that include, "inter alia", guidance, counselling and apprenticeships;
- boosting the implementation of the European Qualifications Framework, by means of the establishment of national qualifications frameworks;
- ensuring the acquirement of the skills needed for further learning and for labour market integration, and acknowledging it throughout general, vocational, higher and adult education, including in non-formal and informal learning;
- developing partnerships between the worlds of education / training and that of work, in particular by involving social partners in planning education and training offers.

3. Diagnosis of the main levels of Romanian pre-university education system, by reference to the European context and determination of countermeasures directed against system failures

The guidelines of Europe 2020 Strategy on the contribution of education to economic

recovery, reflected in the indicators forecast, are interconnected and can be achieved only by linking the actions at European and national level.

In line with *Europe 2020 Strategy*, Romania has set as main targets

Objective	European indicator	National strategic target
Reducing early school dropout	10%	11,3%
Increasing the tertiary graduation level among people aged 30 to 34 years	40%	26,7%
Promoting lifelong learning by increasing the level of participation in continuous vocational training programs of the workforce	15%	10%
Increasing the employment rate of the population aged between 20 and 64 years	75%	70%

To these criteria we can add the criteria set by ET 2020 Strategy:

By 2020, the percentage of people aged 15 years with low skills in reading, mathematics and science should fall below 15%;

By 2020, at least 95% of children aged between 4 years and the age for starting compulsory primary education should benefit from preschool education.

Education policy documents and government programs in the last 22 years provide that education is a top priority. The two laws on education - Law no. 84/2005, Education Law and the Law of National Education no. 1/2011 - were established starting from the idea that the education system must produce educated and trained people, having a level of competencies that would enable social integration. To achieve progress and get Europe out of crisis, the citizens, graduates of the education system, must be the promoters of plus value whether their course involves entering the European labour market, or they use the competencies through the formal continuation of education.

The research conducted from September to December 2012 on a population of 354 respondents, teachers and pre-university students, parents' representatives and representatives of the local community, and businesses, members of boards of schools, allowed the synthesis of several conclusions.

These were drawn from the analysis of responses to the 19 questions placed in the questionnaire on "Stakeholders' perception on the process of change in the Romanian pre-university education system." For this analysis we have also used the relevant data of assessment, strategy and national educational policy documents, data provided by NIS, therefore a set of observations structured on two levels was established:

- A. Reducing early school dropout;
- B. Integration into the labour market.

3. Findings:

A. Reducing early school dropout:

a. According to estimates made by the NIS, the gross birth rate has declined in recent years, being below the level of the indicator at EU level, continuing the trend of the past 10 years. Also, the analysis of the age structure of the population highlights a demographic aging process, by means of the steady decrease in school population 0-14 years (14.9 % in 2012). In this respect, an important decline until 2020 has been estimated. The phenomenon of decrease in the birth rate which has taken place in recent years has led to a steady decline in the school population, having negative effects on teachers' job structure, on the operation or disappearance of certain schools. To make the system more efficient, the government had to establish school consortia and restructure schools through merger. These actions predispose to an increased dropout especially in rural areas where students do not benefit from the same quality of education as those in urban areas.

This aspect is accompanied by the massive external migration of the population, and in some cases, the system may face, besides a decrease in the number of students, the drama of children abandoned by their parents and raised by guardians.

Proposals The phenomenon can be countered on the medium and long term by

promoting programs designed to inform the family of the consequences of school dropout, by including pre-school grade as part of the compulsory education, by supporting measures designed to improve conditions for disadvantaged social categories or by re-launching vocational education, by correlating specializations with the national, local or European labour market needs. In addition, on the short-term, the actions of enrolment of children in pre-school grade and of provision of material aid must be efficiently planned, because in this way the percentage of children aged between 4 years and the age for starting compulsory primary school who could benefit from preschool education could be increased.

b. In Romanian pre-university education, in the past two school years, except preschool education, the percentage of the qualified personal had decreased, and the rural environment continued to have lower values in terms of the percentage than the urban area. Moreover, in Romania, managers do not have a strategy by means of which they could be able to determine the need and conditions for recruitment / employment of teachers on a limited period of time, as the human resource management often represents only a theoretical option mentioned in the strategic school documents.

c. Compared to the previous school year, the ratio of the number of students per teacher recorded in 2012/2013 relatively constant values for most levels of education (between 11 students / teacher in secondary education and 19 students / teacher in primary education), its level being situated within the European range of values.

Proposals: The lack of qualified personnel, especially in rural areas, may be reflected in the quality of teaching and may influence the achievement of the target of reducing early school dropout in pre-university education. The downward trend of the percentage of qualified personnel in secondary education, given that in recent years, a large number of teachers participated in numerous professional development and qualification programs, is a subject of reflection for decision makers.

The phenomenon may be countered by: professional retraining through policies

designed to make the teacher recruitment systems more flexible, to identify certain opportunities for training programs in schools and to attract qualified teachers in schools with shortage of qualified teachers. Also, by introducing educational programs *School after school* and *A second chance*, they can offer teachers a job suitable for their skills and students who are forced to leave school the possibility to continue their studies.

B. Labour market integration

In Europe, the unemployment rate among young people aged 15 to 24 years had risen sharply from 15% in February 2008 to 23.6% in January 2013. In January 2012, a total of 7.5 million young people aged between 15 and 25 years had no profession and pursued no education or training program (NEET). [4] In Romania, unemployment affects pre-university graduates to a greater extent.

Due to economic and social conditions, Romania has maintained the downward trend of the number of students (Figure 1.) an issue which has been faced by the education system in the last decade. While at high school level they have recorded the largest decreases in the number of students in school year 2012-2013, as compared with school year 2011-2012, the number of vocational students has increased by about 60%, due to measures of comeback of this route in the educational offer.

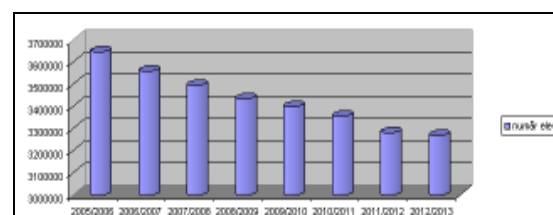


Fig. no. 1 Evolution of the number of students in pre-university education, the period from 2005 to 2013

During 2011 - 2013, most of the graduates did not enrol in the baccalaureate and over 40% of the candidates did not pass the baccalaureate (in 2013 session, 64.3% represented the rate of graduation of students in the current series and 36, 9% rate of graduation of candidates from the previous series) fig. no.2. Among graduates without a baccalaureate degree an insignificant number continued their studies in post-secondary

education, and the rest oriented towards the labour market

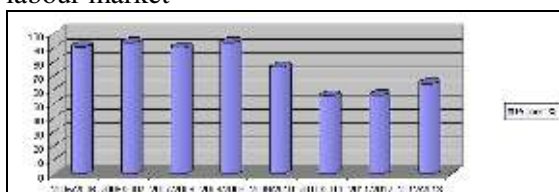


Figure no. 2 Evolution of the percentage of promotion of the baccalaureate in case of students in the current series

Given that in 2011, the employment rate of young people (15-24 years) was of 23.8 % and in the last quarter of 2012, over 20 % of young people aged 15-24 were unemployed and that the number of unemployed registered in the urban areas is much higher as compared to rural areas, it can be concluded that unemployment strongly affects young graduates of pre-university education.

4. Proposals

School managers may consider developing strategies to increase the level of harmonization between the educational offer and labour market and inform students' families on its requirements. Thus, they will anticipate the directions of the labour requirement and will diversify the range of skills needed in the medium and long term so that the education received by students by means of the pre-university system can provide a graduate the possibility of integration and of continuous adaptation to the changes of the economic and social environment.

5. Conclusions

Given the prolonged economic crisis that has affected market insertion of graduates and pre-university system funding, policy makers and school managers need to move towards a real decentralization of the system able to increase the quality of education, to achieve legislative changes based on a thorough analysis of the results previously obtained, followed by periods of stability of at least four years. In an effort to reduce truancy, the involvement of stakeholders in the harmonization of educational offer with the labour market and the promotion and

encouragement of an entrepreneurial culture among young people in order to create new jobs may improve partnerships for the development of the skills needed on the labour market, facilitating the transition of young people from school to labour market. Clearly, the decrease of school dropout will increase the quality of education, which is the goal of any pre-university education institution.

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Decentralizing Influence: How Can We Separate Political and Administrative or Administrative and Economical Entities?

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Abstract

The issue of public organization's autonomy is day by day more important, both from a practical and theoretical point of view. Distinctively when we take into consideration the administrative organization of entities it can be observed a phenomenon which exists both in OECD countries and in developed ones: the need of institutional autonomy.

In the framework of comparative analysis made by Pollitt and Bouckaert regarding the public management it can be noted both a growing tendency of specialization of functions and a decentralization of authorities, from the center to the periphery, correlated with the decreasing size of the public sector through the decreasing of the important birocratic organizations.

Key words: decentralization, autonomy, NPM, NPG

J.E.L. Classification: K23

1. Introduction

Some authors divide the autonomy approach in four categories: one group compares autonomy with the right to act with discretion in certain aspects. The right is, in this case, possessed by the a person or administrative body. Others use the term as synonym with independence. According to a third position, autonomy is synonymous with decentralization, and a forth opinion specifies that autonomous entities are those who have exclusive powers: legislative, administrative and judiciary in specific areas. The latter is called political autonomy, and it is opposed to administrative autonomy, which is limited to the powers of the administration area.

Administrative regime means all the relations established between State, local and intermediate communities, both regarding the functions and administrative bodies. We can thus distinguish, in a democratic system several types of administrative arrangements, each characterized by a certain relation between the idea of authority and freedom: centralization, decentralization, autonomy.

2. The concept of Centralization

Centralization involves the concentration of all administrative tasks within a country in the person of the state, tasks whose fulfillment is provided by a hierarchical and unified administration [1].

When in a state all legal rules apply across the entire territory from a single center, it provides a full centralization.

Such pure regions are not encountered in reality; the states use a centralized or partly decentralized regime.

Centralization or concentration is the administrative system which, generally, involves a strong dependence of local authorities' towards the central authority (executive), by appointing the local public administration authorities.

In terms of organization, centralization means hierarchical subordination of local authorities towards the central ones. In functional terms, centralization means issuing the decision act by central authorities and its execution by local ones. This local authorities do not act on its own, it is not a legal entity, and shall take all measures only in the state's name.

Centralization characterized by the dependence of local administrative bodies on central ones, who establish decisions applicable in territory, requires a strict subordination.

Centralization has several advantages, such as: the existence of a single governing body that ensures the establishment and enforcement of decisions taken, duplications are removed, control can be easier, reduce the number of public services, so savings are achieved etc.

On the other hand, there are some disadvantages, such as: local interests cannot be known by the center and therefore cannot be satisfied, the delay in solving immediate needs, bureaucracy and routine find their scope and the fact that officials are appointed by the center take away the people's opportunity to review and provide feedback on their work.

Bureaucracy is indispensable today but tends to lead to failure. There are several strategies for a strong consolidation, competent, reliable and efficient, each of them helping to rewrite the new state formed after the failure: the development of contracts, selection and evaluation, institutional control, creating competition and decentralization.

3. Political and administrative control

The separation between entities – political and administrative; administrative and economical - is actually the second constant of the democratic model of public administration.

On this second principle is based the Weberian myth that still prevails in the Western model, namely an administration tool available to the political power, but separated from it. Separation is in principle the inability of officials to enter the political world and the inability of politicians to join the administration. The separation is only theoretical, and practical evolves from somewhat accentuated separation in English style, at the increasing development of mutual intersection, in a French style between the administrative and political [2]. Regarding the first case they are more severe in the UK, moderate in Germany and relatively loose in France.

The access of an official to a political activity, ministerial or parliamentary, in the UK is difficult, for reasons primarily of legal conditions where some political freedoms of public officials are exercised. It is known the

fact that civil servants (administrative agencies) are assigned to three groups [3]:

- Free agents political group – almost all staff that has all the freedom to commit a political activity, whether local or national
- Intermediate group – for example typists, agents with lower administrative studies and even some agents with a slightly superior hierarchical level of scientific and technical bodies – whose members must obtain a permit from the ministerial department if they want to devote themselves to a political activity both on a local and a national level.
- Finally, the so called politically restricted staff group prohibits any national political activity, not being able to dedicate themselves to a local political activity unless authorized. A high degree of appreciation is left to each Minister to issue such licenses that are granted by the rank and role exercised by officials and by job and by the ministry's skills on which it depends. It seems that such authorization is very restrictive: approx. 100 permits, on average, per year.

Provisions relating to political freedoms have a deterrent effect. This deterrent effect is even greater as an official who would be present, at any price, at the elections could participate only if resigning from his position in administration.

So, there is a real way to transfer the political will to the public administration which ensures the latter's subordination to the policy. At the same time, the model implies a certain separation, not confusing the political power and administration.

And there is another aspect: the problem of coordination and control increases disproportionately once with the size of organization. [4]

The balance between autonomy and control is difficult to establish and equally hard to maintain and a great challenge is to clarify under what conditions this balance is changed in one way or another. Another question is how to control those who control? [5]

Decentralization represents the delegation of responsibilities and resources to the authorities within a state, relatively independent and autonomous accountable to citizens of a region or community and not in front of the central power.

John Loughlin [6] refers to the intermediate level of public administration (meso-level) trying to bring the pros and cons, historical, sociological, legal and administrative arguments on the two existing administrative institutions: the region and department.

While most unitary states have only an intermediate level or meso-govern, France has two: the *department*, created during the French Revolution and his great rival, the *region*, which sprang from the shadows of French institutional maze with great difficulty. Each institution has its own partisans: "Departmentalists" and regionalists, each having their own conceptions about how should be organized the state and territory. The "Departmentalists" are committed Jacobins and believe in the unity and indivisibility of the Republic, while regionalists are rather Girondins and believe that diversity should be recognized in France.

An important element of the decentralization movement was strengthening, even the establishment of interim government (regions, provinces, states) and in this sense it may be felt a tendency to fragmentation of authority. Either simultaneously or shortly thereafter, many countries have shown interest in fiscal decentralization especially in the division of incomes, different types of subsidies and privatization.

This move was encouraged by citizens and groups in order to participate in public decision-making and development of community organizations in urban and rural areas.

Decentralization requires on the one hand, transferring the local management activities to municipalities, locally elected; on the other hand it means reducing the powers belonging to the central authorities. Thus, the State may grant to administrative - territorial entities certain skills such as: police organization, the right to set taxes, to resort to expropriation measures, to own properties and public domain.

The decentralized system has as main features:

1. The fact that there should be a separate body in the administrative hierarchy associated with each category of interest according to the nature of the entity
2. Everybody in the administrative hierarchy must have legal personality, the ability to be active and passive subjects of rights and obligations recognized by the laws of the organization.
3. The state must give to these entities certain rights of public power that does not constitute the concession of a right to self-government, the central authorities of executive power reserving the right to supervise their work, putting on them some kind of control. Therefore we can characterize these rights as derived rights.
4. Entities should have the right to have an endowment necessary to complete administrative tasks determined by the laws of organization.
5. It should be given the right to elect their own officers, the bodies charged with the management of citizens' interests from its jurisdiction. The essential difference between centralization and decentralization stands precisely in this feature: decentralized administration is the administration headed by the elected bodies, while elected central administration means the administration led by local bodies appointed by central government. [7]
6. The existence of a purely local and organic power, of a distinct sphere of interest, of some administrative functions determined by the laws of organization.
7. These entities must have sufficient revenues which should give them the independence and necessary freedom, the possibility to choose their own funds. An important principle of decentralization states that the transfer of competencies from central to an intermediate level must be accompanied by the simultaneously transfer of

corresponding financial resources. No doubt that without financial means there is no real decentralization, some authors claiming that local freedom - communal - is a matter of budget availability. [8]

Centralization and decentralization, devolution and autonomy, are administrative realities, showing important aspects, pure, of the eternal social antagonism that exists between authority and freedom. Proudhon observed that "in any society, even the most authoritarian, one side is necessarily restricted to freedom, just as in any society, even the most liberal; some part is left to the authority.

Authority prevents freedom to fall into anarchy; freedom prevents authority to turn into tyranny. In the administrative organization of a State, different administrative arrangements represent the relations established between authority and freedom, between the discipline of life and life itself.

Authority and freedom have a psychological basis. Authority represents the relationship of supra and subordination, transforming the human need to obey a higher power, in a rule of law. Freedom does not mean lawlessness or lack of authority; it is the human need to work, according to his inner impulses, according to the laws of life and laws of society. This soul grounds, of freedom and authority, are transforming after the age's spirituality.

4. Conclusion and recommendations

In the modern state a new content of freedom and authority, a new relation between these forces is designated. So instead of formal authority a real authority is provided, with a psychological substrate, pushed to the idea of faith; authority personified in a choosen man's will, an expression of the legal popular sense, a will whose limits are purely subjective.

It can investigate whether this real authority, personal, independent and original, it doesn't become a dictatorship and another ideological dictatorship, as far as the first sacrifice must be the free spirit.

So instead of a formal freedom, understood as a right, not as a gift, not as a

concession, not as a duty, in the modern state in transformation, it tries to achieve a real and positive freedom, subject to the order, within the State, whose superiority of need is imposed to all.

From a political point of view decentralization is the expression of democracy applied to administration, guaranteeing a system in which citizens participate in shaping and managing local agenda through representatives.

Dealing with administrative decentralization and local autonomy we should take into consideration the ratio between administrative decentralization and local autonomy, because only with the deepening of administrative decentralization local autonomy is developed and it can be considered that the public administration within a state is organized and operates under the requirements of the principles of administrative decentralization and local autonomy.

From a political point of view the decentralization of the administration based on local autonomy principle shows democracy, because it gives the possibility to the people of different localities to participate in public management.

From a purely administrative point of view, administrative decentralization, at the level of municipalities, it offers the possibility to achieve a knowingly administration, of the needs and local interests, by representatives of local teams and officials who are under the control of local administration bodies.

Decentralization based on the principle of local autonomy is a way of administrative organization, not political. From this point of view administrative decentralization is fundamentally different from federalism. Even though, it's not about a relationship between central and local state power as in the federal state (between the federal state and states in the federation). Administrative decentralization implies only solving local problems by local administrative authorities. Thus, decentralization is a phenomenon purely administrative, not political, involving the exercise of state's power.

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The Relation between Local Development Strategies and Projects Implemented under ROP 2007-2013 – Axis 5. A Case Study of the Centre Region

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Abstract

Tourism is an industry that gained much attention in the past years, both from the media as well as from the business environment, policy makers and civil society. In this context, tourism has been subject to various strategies, plans and policies, at national, regional and local level.

But to what degree have these documents been implemented? This paper aims at determining the effectiveness with which tourism development priorities set by regional and local development strategies in the Centre Region have been achieved through projects financed under the Regional Operational Programme 2007-2013, one of the seven operational programmes financed from structural funds in Romania.

The analysis offers an insight into the degree to which tourism development and promotion strategies are taken into consideration when writing and submitting applications for EU-funded projects. Thus, the paper poses significant implications both for policy makers and for beneficiaries and potential beneficiaries of projects financed through ROP.

Key words: strategy, development, tourism, ROP 2007-2013

J.E.L. Classification: O22, R110, L83

1. Introduction

The development and promotion of tourism in Romania has been subject to a variety of strategies, master plans and analyses, elaborated and published by private

companies, public bodies, research centres or universities. At national level, Romania has a Master Plan for the Development of National Tourism for 2007-2026, as well as strategies and action plans for individual types of tourism such as health tourism and ecotourism.

Furthermore, the development of tourism is also discussed in the strategies and plans elaborated at regional and local level. These can be either specific – with all sections dedicated to tourism development and promotion – or have a general character. In the latter case, they refer to multiple aspects of economic and social development, with one or several sections dedicated to tourism.

Each of the eight development regions in Romania has its own regional development plan for the periods 2007-2013, and 2014-2020 respectively. Together with the Regional Strategy of the National Development Plan, these regional plans constitute the basis for the implementation of the Regional Operational Programme 2007-2013 (ROP 2007-2013), one of the seven operational programmes financed from structural funds in Romania.

The regional development plans each contain a section dedicated to tourism, since the ROP 2007-2013 also encompasses an axis (Axis 5) that targets tourism development and promotion [1]. However, the importance that each region assigns to tourism development also depends on how important the tourism industry is to that particular region.

In the case of the Centre Region, tourism is one of the seven priorities set by the Regional Development Plan for the period 2007-2013. However, this is not surprising,

since the Centre Region registers the highest number of tourist arrivals of all development regions in Romania (1.65 million arrivals in 2012) [2] and is the only region registering a constant increase in the number of tourists since 2009 [3].

2. ROP 2007-2013 and its relation to regional development strategies

According to the framework document for implementation of ROP 2007-2013, the strategic objective of the programme is "the supporting of an economic, social, territorially balanced and sustainable development of the Romanian Regions, according to their specific needs and resources, focusing on urban growth poles, improving the business environment and basic infrastructure, in order to make the Romanian Regions (...) more attractive places to live, visit, invest in and work" [1].

In the period 2007-2013, the Regional Operational Programme has been one of the main financing mechanisms for investments in tourism development (including investments in infrastructure) and promotion.

In fact, Axis 5 "Sustainable development and promotion of tourism" finances projects focused on various aspects of tourism development, organised under three major intervention domains (MID): the restoration and sustainable valuation of the cultural heritage (MID 5.1.), the creation, development and modernisation of specific tourism infrastructure – including accommodation units, entertainment and sports facilities (MID 5.2) and the promotion of the tourist potential (MID 5.3) [4].

Although ROP 2007-2013 maintains an identical structure across the eight development regions of Romania, its implementation differs from region to region. Thus, the financial allocation per axis and major intervention domain should be in line with the needs and priorities of each region, needs and priorities which are identified and established in regional and local development strategies.

On the other hand, the degree to which the implementation of ROP 2007-2013 responds to local and regional needs and priorities depends on applicants' capacity to write projects that target these needs. This implies having knowledge of these needs

(either by analysing local development strategies or by conducting an independent research) and finding relevant solutions to them.

3. Methodology

The purpose of this paper is to determine the degree to which the projects financed through ROP 2007-2013 – Axis 5 respond to the needs and priorities identified in local and regional development strategies.

To this aim, we conducted an analysis of the priorities and measures identified and proposed for the development and promotion of tourism in the strategies elaborated at county and regional level in the Centre Region. In order to enhance relevance, the analysis only included documents published by the Regional Development Agency and local public authorities in the Centre Region:

- The Centre Region Development Plan for the period 2007-2013 [5];
- The Development Strategy of Braşov County, horizons 2013-2020-2030 [6];
- The Development Strategy of Sibiu County for the period 2007-2013 [7];
- The Tourism Master Plan for Sibiu County [8]
- The Development Strategy of Harghita County 2007-2013 [9];
- The Tourism Strategy of Alba County [10];
- The Development Programme of Mureş County 2007-2013 [11];

We could not identify a public strategic document establishing the tourism development and promotion priorities of Covasna County.

The data obtained as a result of analysing local and regional development strategies in the Centre Region were structured in development priorities. Furthermore, proposed priorities were structured into two main categories: infrastructure development measures, and promotion measures. Only measures that are eligible to be financed under ROP were taken into consideration.

For both infrastructure development as well as for promotion, we analysed whether local actors, either public or private, implemented projects financed under ROP 2007-2013 – Axis 5 [12] that respond to the proposed measures.

The analysis offers an insight into the effectiveness with which local and county development strategies are implemented, posing significant implications for a variety of actors involved in policy making and implementation of EU-funded projects: private enterprises, public local authorities, NGOs, media and local population.

4. Results and discussion

The measures identified in the Centre Region Development Plan for the period 2007-2013 are summarized in three main categories [5]: conservation of the natural, historical and cultural heritage (1), development, diversification and promotion of the regional tourism offer (2), and the creation, development, modernization of the tourism infrastructure in order to ensure the sustainable valuation of natural resources and improve the quality of tourism services (3).

Since these measures also correspond with the three major intervention domains (MID) financed under Axis 5, we may conclude that, at regional level, the projects implemented in the Centre Region respond to the tourism development priorities and measures identified in the strategy.

However, what is the situation at local and county level?

In order to determine the degree to which the measures proposed in the development strategies of each county indeed have been implemented in the period 2007-2013, we compared them with the activities financed in the respective counties under ROP, Axis 5.

Braşov County

In the case of Braşov, the Development Strategy of Braşov County, horizons 2013-2020-2030 [6] established several potential measures for the development and promotion of local tourism.

The results of the analysis are illustrated in the following table:

Table 1. Proposed measures for tourism development and projects financed under ROP-Axis 5 in Braşov County

Proposed measures	Projects financed under Axis 5
Infrastructure development	
Building/improving	No project financed

infrastructure for mountain tourism: access roads/paths mountain refuges; ski slopes; cable transportation	under ROP that responds to the proposed measure
Rehabilitation of access roads to tourist objectives, including cycling lanes	No project financed under ROP that responds to the proposed measure
Valuation of the local natural heritage, including mineral waters	No project financed under ROP that responds to the proposed measure
Rehabilitation/restoration of the cultural infrastructure	1 project financed under MID 5.1
Modernisation of accommodation and entertainment facilities	5 projects financed under MID 5.2
Development of tourist information centres/networks	No new information centres financed through ROP were developed
Promotion	
Elaboration of a communication strategy/ destination brand	No project financed under ROP that responds to the proposed measure
Installation of information panels and indicators	No project financed under ROP that responds to the proposed measure
Valuation of local traditions and events	6 projects financed under MID 5.3 that
Promotion of specific products	29 projects financed under MID 5.3

Source: Development Strategy of Braşov County, horizons 2013-2020-2030 [6], List of projects financed under ROP 2007-2013 [12]

Sibiu county

The projects proposed in the Development Strategy of Sibiu County for the period 2007-2013 [7] and in the Tourism Master Plan for Sibiu County [8] not only refer to measures for improving tourism infrastructure and promotion, but also to measures aimed at the development of partnerships, improving local authorities' capacity to implement projects in the field of tourism, elaborating strategies and plans. However, since the latter cannot be financed under ROP 2007-2013, only measures that target infrastructure development and tourism promotion have been taken into consideration.

The development priorities identified in the strategy and master plan may be summarized as follows:

Table 2. Proposed measures for tourism development and projects financed under ROP-Axis 5 in Sibiu County

Proposed measures	Projects financed under Axis 5
Infrastructure development	
Rehabilitation of mountain tourism infrastructure: refuges, paths, trails;	No project financed under ROP that responds to the proposed measure
Building of cycling lanes;	No project financed under ROP that responds to the proposed measure
Development and signalling of themed cultural routes;	No project financed under ROP that responds to the proposed measure
Rehabilitation of local cultural heritage	1 project financed under MID 5.1.
Promotion	
Developing a local destination brand and a tourism promotion website	1 project financed under MID 5.3
Promoting local tourism products	4 projects financed under MID 5.3

Source: Tourism Master Plan for Sibiu County [8], List of projects financed under ROP 2007-2013 [12]

Interestingly, the improvement and modernisation of the accommodation and entertainment infrastructure was not regarded as a development priority neither in the county development strategy nor in the tourism master plan, although 3 projects financed under MID 5.2. have been implemented in the county.

Harghita county

The development strategy of Harghita County is less detailed than those of Braşov, Sibiu and Mureş counties. In fact, the priorities and measures proposed for enhancing tourism development and promotion are schematically presented and little focused on means/instruments for implementation.

Proposed measures target the following

aspects:

Table 3. Proposed measures for tourism development and projects financed under ROP-Axis 5 in Harghita County

Proposed measures	Projects financed under Axis 5
Infrastructure development	
Improving tourist routes, including the safety of tourists	2 projects financed under MID 5.2
Rehabilitation of balneotherapy treatment facilities	1 project financed under MID 5.3
The foundation and development of new entertainment/winter sports centres	No project financed under ROP that responds to the proposed measure
Promotion	
Promoting micro-regions to new consumer segments	14 projects financed under MID 5.3, 5 of which target specific micro-destinations

Source: The Development Strategy of Harghita County 2007-2013 [9], List of projects financed under ROP 2007-2013 [12]

Although it seems that most measures in the field of tourism development have been achieved through projects financed under ROP 2007-2013, the development priorities identified in the strategy are not very specific. Thus, not only it is difficult to appreciate the effectiveness of the strategy's implementation but also of the strategy itself.

Alba county

The tourism development strategy of Alba county is highly detailed. Apart from setting objectives and development priorities, it also identifies expected results. The latter are summarized in the following table:

Table 4. Proposed measures for tourism development and projects financed under ROP-Axis 5 in Alba County

Proposed measures	Projects financed under Axis 5
Infrastructure development	
Modernisation of the Unirii Museum	No project financed under ROP that responds to the proposed measure
Development of accommodation /entertainment	1 project financed under MID 5.2

facilities designed for active tourism	
Foundation of new entertainment/winter sports centres	No project financed under ROP that responds to the proposed measure
Rehabilitation, restoration and conservation of historical churches	No project financed under ROP that responds to the proposed measure
Rehabilitation, restoration and conservation of citadels	1 project financed under MID 5.1, but targets only on the Alba Iulia citadel
Development of specific tourist routes, including cycling lanes	1 project financed under MID 5.2
Promotion	
Organisation and promotion of events in low season	1 project financed under MID 5.3
Promoting local crafts	1 project financed under MID 5.3
Designing a specialised promotion portal	1 project financed under MID 5.3
Development of a network of tourist information centres	No project financed under ROP that responds to the proposed measure
Development of a coherent tourist signalling system	No project financed under ROP that responds to the proposed measure

Source: The Tourism Strategy of Alba County [10], List of projects financed under ROP 2007-2013 [12]

Similarly to Sibiu, the strategy for Alba county also refers to developing partnerships, enhancing administrative capacity, research in the field of tourism. However, such measures are not subject to the current analysis since they are not eligible under ROP 2007-2013.

Mureş county

The development strategy of Mureş County follows the structure of the Regional Development Plan. In fact, development priorities are organised under three main measures, similar to those identified at regional level: the development of tourism infrastructure and conservation of the natural, historical and cultural heritage (1), the

development, diversification and promotion of the local tourism offer (2), and improving tourism services (3).

The strategy proposes the following measures:

Table 5. Proposed measures for tourism development and projects financed under ROP-Axis 5 in Mureş County

Proposed measures	Projects financed under Axis 5
Infrastructure development	
Restoration and rehabilitation of medieval citadels and heritage sites	1 project financed under MID 5.1
Rehabilitation of historical city centres	No project financed under ROP that responds to the proposed measure
Rehabilitation of the entertainment infrastructure	1 project financed under MID 5.2
Development of mountain tourism infrastructure: themed routes, refuges, cycling lanes, ski slopes and cable transportation;	1 project financed under MID 5.2
Modernisation of accommodation units	1 project financed under MID 5.2
Creation and rehabilitation of entertainment facilities (sports)	1 project financed under MID 5.2
Promotion	
Promoting local cuisine and crafts	4 projects financed under MID 5.3
Promoting events, traditional art fairs and performances	1 project financed under MID 5.3

Source: The Development Programme of Mureş County [11], List of projects financed under ROP 2007-2013 [12]

In contrast with the case of the other counties in the Centre Region, which specified the creation of tourist information centres as a development priority but did not implement projects that respond to this need, the development strategy of Mureş county does not identify tourist information centres as a priority, although such a project was financed under ROP 2007-2013.

5. Conclusions

Although the aim of local development strategies was to constitute a basis for the implementation of projects financed under ROP 2007-2013, the results of the analysis show that the projects actually financed under Axis 5 satisfy only a part of the development measures proposed at county level. This points out to several implications.

One would be that local strategies are not used by public and private stakeholders, potential beneficiaries of ROP 2007-2013, in the process of writing and submitting applications for the access of EU funding. This leads to the risk that some projects that do have receive funding do not satisfy local development needs, but other needs that are less urgent or relevant. On the other hand, other development needs that have been identified as strategic remain unsatisfied.

Another implication is that not all applications submitted by local stakeholders for projects that respond to the measures identified in local development strategies are approved and implicitly financed. This calls for measures aimed at improving the capacity of stakeholders to write and implement projects. In fact, these measures were also identified as priorities by two of the development strategies analysed in the current paper.

Last but not least, in some cases, the measures identified in the development strategies that were subject to the current analysis were financed from other sources. this is the case of the destination brand of Braşov county. However, approximately one third of all measures identified in the analysed strategies have not been implemented at all. This raises the question of not only how effective was the implementation of local strategies but also of how relevant these strategies actually are.

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Recommendations for the Insurance of Innovation Management

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Abstract

Nowadays, one of the most important inputs is the innovation. In an economy connected to the global economy, research and development are key elements to creating competitive advantages in the market. Until recently, the quality and productivity were very important to ensuring the competitiveness of an organization.

Innovation policy seeks to integrate advances that are foreseen in Europe in areas such as innovation in services, new regulations on State aid for RDI (Research, Development and Innovation), including stimulation of innovative clusters, the European patent and intellectual property rights for digital content.

Key words: innovation, organization, auditor, research.

JEL Classification: M 42

1. Introduction

I believe that the auditor has an important role in analyzing the innovation of the organization, which bears addressing innovation as a system that integrates specific issues of value creation. The auditor may use a system of enabling factors regarding innovation through which we may achieve performance, monitoring organization against multiple characteristics of innovation (processes, products, strategies, etc.).

From innovative performance of audit practice organizations, the auditor takes evidence in order to identify whether the organization has assumptions about the resources, infrastructure, culture and processes required to implement and sustain innovation.

2. Analysis in order to sustain innovation.

To develop the strategy, the auditor has performed a comprehensive analysis of the system state organization, with strengths, weaknesses, opportunities and risks.

The auditor may both formulate questionnaires containing closed questions, but also questions with answers submitted by line managers. From these replies, the auditor may determine whether the audited organization is innovative, if the managers are thinking about the concept of "new market", or if the firm has a strict record of resources on employee skills. It also appears whether the manager has experience in the effective implementation of specific tools regarding project management. The findings of this research and the recommendations regarding weaknesses are forwarded to the general manager, prevailing that the innovation index of an organization depends on the coordination of innovation skills available within the organization with a strategy to exploit opportunities outside the company.

Innovation audit is used to determine positioning: How fit is your organization for innovation and how innovation capacity can be assessed against the competition? The analysis is conducted on the basis that makes driving innovation, thus ensuring an integrated approach both internally and externally. Strengths, weaknesses and potential improvements identified are the starting point for the systematic improvement of innovation capacity.

According to International Auditing Standards of INTOSAI, performance audit is an evaluation or independent examination of the extent to which an activity, program, or an entity operates efficiently and effectively,

in compliance of economy. The purpose of the performance audit is to provide relevant information regarding the manner of implementation and the consequences of public activities [1].

Auditor may conduct a study to analyze and assess how innovation is supported and encouraged at a university, on a performance audit of management innovation.

In its work, the auditor should pursue the following objectives:

- increase awareness of the teachers, CDI personnel activity and management staff regarding specific aspects of the university innovation processes in order to implement a coherent strategy for developing these processes, to all entities where CDI is conducted;

- making recommendations based on evidence analysis for increasing quality and technical level of all parameters associated with innovation in the university;

- developing a framework for analysis, assessment, protection and exploitation of intellectual capital growth, created / developed in the university through CDI activities;

- searching practical recommendations to encourage university entities in the development of applied R & D activities, in order to increase the transfer of technology to the economic and social environment;

- presenting potential RDI of each faculty, department / research center, taken separately and integrated into the major interdisciplinary projects for harnessing their competitive advantages.

3. Innovation management in the university

Carrying out the mission, the auditors have investigated certain areas of innovation management in the university[2]. The summary of the deficiencies and recommendations made in order to be removed are shown in the table below:

Hearing problems	Findings	Recommendations made by the auditor
Managing innovation		

Hearing problems	Findings	Recommendations made by the auditor
potential		
1. The personnel involved in the research, development and innovation (RDI);	During the audited period, the number of teachers involved in RDI has grown rapidly; the degree of involvement has been stabilized at the value of 53%. Specifically, the number of full-time researchers has reached 54, which is far too little in relation to the objectives of the university.	In the auditors' opinion, it would be useful to develop an independent and autonomous structure research which may cooperate under the umbrella of the university.
2. The personnel involved in the promotion, marketing, economic forecasting and environmental monitoring	The university disposes of five persons which covers various activities of the center, including the promotion, marketing, economic forecasting and environmental monitoring. None of these persons	The management of the center will handle the recruitment of trained marketing persons in order to increase research efficiency.

Hearing problems	Findings	Recommendations made by the auditor
	have a marketing training and makes this activity to be unsystematic and inefficient.	
3. Supporting innovation inside the university	In the center of technology transfer the human resource is quite poor, only two experts in intellectual property being available. It is necessary to increase staffing in order to cover other activities of the center (technology transfer, promotion, marketing, etc.). At this level there is no strategy to support innovation.	The management of the center will operate at full capacity the RDI infrastructure, correlated with the lack of personnel from the transfer center and the absence of a university strategy in innovation and technology transfer (ITT).
4. Professional prestige of the university	The number of appearances in editorial staff of ISI journals and international editorial boards has increased	The university will provide higher amount in the budget in order to cover travel costs incurred by

Hearing problems	Findings	Recommendations made by the auditor
	every year. Also, the number of appearances in the editorial staff of the magazine that are national recognized (Category B classification NURC) has increased. Even if there is a large number of teachers and researchers in the university, however, the awards are quite small.	teachers from external events.
The potential for knowledge creation		
1. The equity Finance for CDI; 2. Public funding for R & D, including European funds; 3. Attracted funding sources for CDI; 4. The ability to attract sources of founding.	The university assists in competition Projects funded by national and European grants. During the analysis, the funds raised by the university showed accelerated growth.	During the economic crisis (2009 – 2010) the university must diversify the funding sources.

Hearing problems	Findings	Recommendations made by the auditor
The ability of innovation and integration in a relational system		
1. The innovation; 2. The cooperation and collaboration with other universities.	The innovation capacity of the university in partnership with SME - s, the cooperation and collaboration with other units are not statistically pursued at the university. Generally, CDI projects are promoted by consortia formed between the university and these units. The evolution of the number of projects won can form a picture of the dynamics of such partnership. During the analysis, the university earned about 100 projects/year in	The university will make the necessary arrangements regarding the accreditation center and the preparation of own statistics in the partnerships.

Hearing problems	Findings	Recommendations made by the auditor
	partnerships, which reflects a good cooperation and collaboration with other business units and CDI.	
The performance innovation of activities		
1.The participation in the development of new products / upgraded or new technologies / upgraded for the market; 2.RDI activities ; 3.Consultancy activities (services); 4. Promotional activities, marketing and distribution.	During the review, it was shown a low degree of exploitation in the research results. As the number of researchers increases, the number of results of the center / researcher decreases, which reflects a decline in the "yield" research. Once the number of researchers increased, the innovative productivity has developed.	The university management will take the necessary steps in order to accredit the center. The reorganization of the activities in the center is based on programs and projects on the principle of profit center.

Hearing problems	Findings	Recommendations made by the auditor
	The promotional activities, the marketing and the distribution are not systematically organized.	
The exploitation of intellectual property		
1.Scientific publications and participation in scientific events, fairs and exhibitions; 2.Technical and economic documents; 3. Patents; 4.Others (copyright, trademarks).	Although the number of ISI per survey (AISI) and the number of books published per researcher (C) has increased, the percentage of the recovered documentation from the total documentation produced is zero, and the share of capitalized patents from the valued patents is also zero.	The university will deal with the development of inventions that are listed with a higher score, thus providing efficient capitalization of the intellectual property.

Due to the recommendations made by the auditors, the university may develop a strategy to provide implementation as soon as possible by ensuring the effectiveness of the work carried out by the innovation center established at the university.

Also, in order to develop the innovation center, we provide facilities, technological

and informational services to the faculties and the university research centers, and also to the economic enterprises for increasing competitiveness and sustainable economic development.[3]

4. Conclusions

It can be concluded that innovation management consists of a complex set of policies, practices and procedures that stimulate, organize and assess the innovation efforts within an organization and crucially depends on the promotion of an organizational culture, which encourages the free exchange of ideas and rewards creativity. Ultimately, innovation management issues both associated internal generation and innovation management skills.

From the above, it can be detached the main rule of innovation, which is not the exclusive development of the individual creativity, but creating an innovative environment in order to develop permanent organization.

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Environmental Management And Globalization

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Abstract

For Romania the adoption of an environmental management system is even more important as it may be an evidence of its orientation towards the modern European practices and, at the same time, it can facilitate its contacts and cooperation with external partners. This article deals with the development principles for a modern world with a view to meeting the needs of the current generations, without endangering the possibilities of the future generations to satisfy their own needs.

Keywords: globalization, economy, management, ethics

J.E.L.classification: F64

1. Introduction

The environmental management systems have emerged as a necessity to cope with the increasingly complex and strictly regulated problems in this field, reinforced by an unprecedented dynamics of the economic activities at international level.

2. Development principles for a modern world

2.1 Globalization

One of the most disseminated terms lately is "globalization". Whether we take into account the political, social or economic aspects, the pros and cons of globalization, but especially the contesting actions, the attention attached to this phenomenon has been increasing.

We can also talk about globalization as far as pollution is concerned due to:

- the industrial development, both because it is widely spread and, especially, due to production capacities encountered in advanced countries (the industrial "giants");
- the "historical" accumulation of negative effects on the environment, under the circumstances of the growth rate which prevented its restoration;
- the massive growth of population on all continents, in parallel with the adoption, at an increasingly wider scale, of a lifestyle that ignores the environmental issues;
- the unprecedented increase in ecological hazards which can have a direct consequence on the development and diversification of the industrial processes (e.g. nuclear plants) at a level that already brings into discussion the possibilities of control.

Along with the increasing possibilities of measuring possibilities/monitoring the environmental effects and the development of communications and data sharing, the cross border pollution and its effects at global level have become obvious..

As a response to these findings, the international community has initiated action programs based on the principle: *global problems require global solutions*.

Among the global pollution problems that the international regulations intend to address, or at least to control, there are:

- emissions of greenhouse gases;
- emissions of compounds with destructive effect on stratospheric ozone layer;

- pollution with persistent chemicals products;
- intensive use of natural resources, in particular fossil fuels;
- increasing quantities of urban and industrial waste. [4,6,7]

2.2. Sustainable development

One of the accepted definitions for sustainable development is that of *development that meets the needs of the current generations without compromising the ability of the future generations to meet their own needs* (Brundtland Report).

The sustainable development is based on the following principles:

- resizing the economic growth in terms of conservation of natural resources;- qualitative change of economic growth processes;
- meeting the basic needs of work, food, energy, water, housing and social assistance;
- ensuring a controlled population growth level;
- preservation and development of the resources base;
- technological restructuring and keeping its risks under control;
- integration of the economic decisions and those related to environmental protection in a single process;
- strengthening the international cooperation with a view to solving the global problems facing humanity.

2.3. Continuous improvement

The continuous improvement is a mandatory requirement in the design of the entire management system and in defining the company's environmental protection policy.

The continuous improvement of the performance is the ultimate goal of a modern management system, a target in continuous change, constantly in accordance with the new requirements from customers, authorities, public opinion, encouraging the further development of the company in order to cope with the competition and the market requirements which are, in their turn, in a continuous development. [1,2,4]

2.4. Strategic management

The strategic management approach responds to a complex decisional approach in which the management team must have available all the strategic information of the organization and the strategic relationship levers with which it can operate.

The management is the process by which the leaders determine the long-term direction and the performance of the organization, ensuring the achievement of a careful formulation, of a correct implementation and of a continuous assessment of the set strategy; it is also is the process of formulating and reformulating the focused objectives, based on the analysis of the operating environment, with an end and orientation previously set by means of the strategic planning. [5.6].

Any managerial process develops its strategies based on some key concepts that provide cohesion and focus and that observe principles such as:

- *the principle of the objective*: clear, decisive and tangible objectives meant to ensure continuity during the length of time allocated for the strategy and to give cohesion to the organization;
- *the principle of the flexibility*: a strategy designed so as to allow maneuver flexibility and choice of advantageous positions;
- *the principle of coordination*: coordination as a result of the control unit and consistency of action, but based on the harmonization of the employees' personal aspirations with those of the organization;
- *the offensive principle*: putting into practice the initiative in exploiting their own advantages and their opponents' weaknesses;
- *the safety principle*: providing a system of protection against unpleasant events coming from the external environment.

The formulation of a strategy requires, in the first stage, the analysis of all the elements that can influence it. (3.4)We cannot necessarily infer from the review of the possible influencing factors that they will all have significant effects at any time, but only some of them will induce a noticeable effect on longer or shorter period of time. There are currently numerous methods of analysis, different in form and which still retain largely the same content. The use of one or

another method depends on the preference and on the experience of the analyst.

3. Principles and models of strategic analysis

In order to be successful, a performing management needs a permanent help coming from the analysis and diagnosis performed in order to be able to guide his decisions, as the analysis-diagnosis represent the support for the decisional intervention and the subsequent actions of the managers.

Depending on the purpose which is attached to it, the objective of the diagnosis can be situated at:

- the strategic level, pursuing to produce a change within the organization, with the objective of spotting the strategies and the development opportunities;
- the tactical level in order to address the malfunctions and to clarify their causes.

The essential quality of a diagnosis is to be evolutionary, dynamic and prospective, contributing to shaping today's image of the organization, starting from the future (what the organization intends to be).

Currently, in the specialized literature there are several methods to assess and formulate a strategy, which are well-known and put into practice in the Western countries.

They can be also used by the Romanian companies in transition, provided they learn the various means and techniques, as well as the circumstances that make them more likely to be chosen. [5,7,8]

4. Environmental policy

In the vision of the modern management, the environmental protection policy of the unit must be the driving force of the entire management system in the field.

It is going to have a significant influence on environmental activities, as well as on other areas for a quite long period of time, so it should be initiated, developed and actively supported by the highest levels of the unit management.

Besides reflecting the system of values and principles, the policy must demonstrate the top management commitment to allocate the necessary resources for the implementation policy, and to encourage the

continuous improvement in the environmental domain performance, as an integrated part of the company's overall performance in accordance with a sustainable development.

The policy is not just a public document for external partners but, first of all, for its own employees who need to know and acquire the operating unit policy in order to be able to contribute to its successful implementation at all levels of the organization.

5. The structure of the local action plan for the environment protection

Priority environmental issues

(Description and analysis of environmental issues from the county X that must be urgently settled)

The problem solving strategy

(For each priority environmental problem, all the elements of the targets strategy and of the organizations' tasks are covered)

Implementation

(For each organization, the elements of the implementation program for the following year are discussed)

The future update of the plan

Conclusions and recommendations. [6.7]

6. Local Action Plan for Environmental Protection - Example –

The Local Action Plan for Environmental Protection (LEAP = Local Environmental Action Plan) is a process and an environmental management strategy which discusses the most severe environmental threats at local level, focuses on the skills and capacities of local institutions and administrations to coordinate and manage the settlement of these problems in a democratic, effective and efficient way. [9,10]

The criteria that must be satisfied by a plan are:

- Pursuing the achievement of a sustainable development;
- Involving a serious approach of the public participation, of interest groups from society and representative organizations industry.
- Aiming to harmonize the administrative cooperation between administrative agencies in order to achieve its goals;

- Focusing on local situations;
- It should include a part of the strategy as well as an implementation program;
- The local Environmental Management must be planned, organized and coordinated effectively and systematically like a business plan;
- The existing official limits must be taken into consideration (in our case):
 - the Romanian environmental legislation;
 - the central environmental policy;
 - the official, organizational position of IPM and the other agencies involved;
- The whole process of the plan should meet the democratic criteria which mean that it must be subject to the process of political deliberation and approval.

The purposes of this plan (which is done for a county X of Romania) are the following:

- improving of cooperation between institutions;
- changing the people's perception on the need for a schedule for the actions;
- changing the way of approach problems in general and especially of the environmental ones;
- changing the mentality of the people who have the right and the responsibility to participate in the democratic decision-making process.

If the process of the plan is fully supported by politicians and population, it will have many benefits: strengthening the democracy, enhancing the decision-making and their effective implementation; improving the Romanian international competitiveness by the new and effective way to approach the problems. [6,9,10]

7. Conclusions

The environmental management systems have emerged as a necessity to cope with the increasingly complex and strictly regulated problems in this domain, reinforced by an unprecedented dynamics of the economic activities at international level.

The large scale implementation of the environmental management, at European level and beyond, has also been spurred by the successful implementation of the quality management systems according to the series of standards ISO 9000.

For Romania the adoption of an environmental management system is even more important as it may be an evidence of its orientation towards the modern European practices and, at the same time, it can facilitate its contacts and cooperation with external partners.

Through a managerial approach, the environmental issues will be integrated into the overall management of the company, benefiting from the support of the top management of the unit, the existing organizational structures, the overall quantitative and qualitative progress of the enterprise.

The article studies the development principles for a modern world in order to meet the needs of the current generations without compromising the ability of the future generations to meet their own needs.

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Health and Safety at Work in the Context of Globalization

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Abstract

Mankind is facing a number of problems and pressures whose solution requires carefulness, thoughtfulness and concrete actions at national and international level. Globalization is the means or system of long-term receipt and approach of major contemporary issues caused by the interaction of multiple processes and phenomena: technical, political, social, cultural ones, as well as the prediction of their settlement in a wide perspective of international community.

This article aims to research opportunities, constraints, the way of implementing the concept of globalization adapted to the specific requirements of our country, of health and security at work in the context of globalization, as well as of the social effects of the global crisis in Romania

Keywords: globalization, economy, decentralization, social effects, global crisis.

J.E.L.classification: F69

1. Introduction

The first step towards a successful globalization was meant to be the very transition to market economy and open capital markets for poor countries. The main purpose of the global economy is that all countries homogenize into a whole. [1].

There are four main features that may explain the origins of globalization: the integration of national economies into global markets, the transition of the "high volume" economy to that of

"high value" resulting from better and better knowledge of all products and services used in the market, the end of bipolarity

between capitalism and socialism in terms of production costs and, last but not least, the establishment of new economic blocs.

Globalization offers a degree of individual freedom that no state can provide. But globalization also has its negative side. In less developed countries, many people have suffered due to globalization without receiving support in terms of social security system.

2. Globalization of the World Economies

By and large, the **globalization of the world economies** can be defined as the extremely dynamic process of increasing interdependences among the national states due to the expansion and deepening of transnational ties in broader and more varied spheres of the economic, political, social and cultural life implying the fact that the problems become rather global than national, requiring, in their turn, a rather global than national settlement.

From a strictly economic viewpoint, of the resource allocation and use efficiency, economic globalization appears as a rational phenomenon, likely to provide a larger volume of goods and services of scarce resources.

Therefore, **economic globalization** requires, essentially, the globalization of the process of creating gross domestic production of the world states [5,8,10].

2.1 Determinants of World Economic Globalization

The economic and trade factors that have influenced the deepening of the world economic globalization process include the free movement of goods, services liberalization, liberalization of capital

markets, the liberality of foreign investors to set up companies and other legislative and administrative factors favorable to globalization. [2,6,7]

The liberalization of trade in services, particularly in telecommunications, insurance and banking, represented the dominant trend of the '70s in the U.S.A. and was continued in the '80s in the UK and later in the European Union and Japan. This trend continues today, including the Central and Eastern European countries, Romania being among them. [2,6,7]

The liberalization of the capital markets as a result of phasing out the barriers imposed to the currency and capital flow is a positive step with a view to establishing some global financial markets.

This capital mobility reduces the risk of capital repatriation, especially for transnational companies, and there is also a decrease in costs under normal circumstances. [2,6,7].

The liberalization of direct foreign investments is another factor that favored globalization.

Starting with the '70s, the common interest of humanity to preserve the environment has resulted in the emergence of some concepts with global vocation: common goods of humanity, sustainable development and ecological security, which constituted the new factors that have boosted the world economy globalization [2,6,7].

The common properties of humanity are areas such as oceans, marine funds, which for various reasons are not likely to be divided and do not fall under the sovereignty of some states either. Except for the oceans, none of these commons have been politicized, as it is a relative fact that people possess the technical capacity to exploit and damage them. [2,6,7].

The sustainable development is defined as the development that meets the current needs without compromising the ability of future generations to meet their own needs.

The sustainable development is designed with a view to reconciling the economy with the environment, as a new development path to support human progress not only in a few places for a few years, but for the entire planet and for the foreseeable future. [2,6,7]

The ecological security is one of the basic dimensions of global security. Another

positive determinant for globalization is culture. [2,6,7]

3. Conceptual approaches to globalization

In the specialized literature globalization is addressed diversely and different conceptual approaches can be drawn.

- Globalization is defined by the economic interdependence among states, as a result of increased dependence coefficient towards the world economy.towards
- Globalization is conceived as a process of diminishing customs duties, abolishing the customs policy and restrictions on movement of goods, services, technology and capital, as the international economic exchanges develop.
- Globalization is considered as a factor diminishing the role of the national government following the extension of international investment capital action and of transnational corporations.
- Globalization is appreciated as the process of directing the world towards the transnational forces. [4,9,11].

4. The social effects of the global crisis in Romania

The world is changing and, along with it, Romania. We can see things that we used to considered eternal rapidly disappearing from our everyday life. We can notice with the naked eye the vestiges of the industrial society undergoing extinction: cranes, factories, plants, dead industrial cities. A world that is fading away, another emerging in its place, inevitably causing: unemployment, suffering, poverty. [12,13].

4.1. The world is changing and, along with it, Romania. We can see things that we used to considered eternal rapidly disappearing from our everyday life. We can notice with the naked eye the vestiges of the industrial society undergoing extinction: cranes, factories, plants, dead industrial cities. A world that is fading away, another emerging in its place, inevitably causing: unemployment, suffering, poverty. [12,13].

One of the problems Romania is currently facing emerges from its delay in the start of the the globalization race. Living in the communist space, of a state directed and

controlled economy under the myth of the worker and industry, Romania was among the last countries which benefited from the revolution of transport, communications, productivity, and, finally, information.

4.1.1. Consequences of globalization for Romania

i) Positive consequences

Romania needs foreign investment for development, being unable to produce this capital only from domestic sources. Being a country with many economic opportunities - from tourism and agriculture to the oil industry and metallurgy - Romania may become attractive for the foreign capital if it provides this capital with favourable internal conditions (legislative, fiscal ones).

ii) At the same time, the negative consequences - or more correctly, the risks - involved by globalization are not at all to be neglected. Firstly, we have to take into account the economic risks. The globalization phenomenon is accompanied more than anything else by a "philosophy of the victors" and we step into a world where there is little mercy for losers. The economic opening involves not only economic benefits but also risks. An open economy is an economy that will absorb the external shocks faster and more dramatically. As far as the security risks are concerned, Bucharest remains vulnerable to organized crime, as evidenced by the fact that in just ten years Romania has changed from a transit country for drugs into a consuming one.

4.1.2. Recorded Progress

The figures of the latest census show that a number of parameters starts to move towards normality. The decrease in the number of people involved in industry, the growth of those involved in the service sector, a transfer from the city to the countryside, which is again a good sign. The number of people attending universities and of those who are improving (Master's Degrees, doctoral studies) has increased, as well as the number of specialists in computing science, research and communication, leading branches of the modern economy. [8, 13]

However, chaotic actions keep appearing, which shows that we have not yet aligned to information society, thus, about 40% of the

population lives from agriculture or related fields, while the normal figure should oscillate between 5 and 10%. If the industry and agriculture are steadily reducing and resizing, we have favorable bases for the future: an education system still able to create people with multiple and diverse knowledge, with a high degree of linguistic and computing knowledge and, of course, adaptability as a basic feature of the Romanian people. The future belongs to the countries that produce ideas.

[3, 12].

5. Health and safety at work in the context of globalization

The world economy globalization, changing the social and interstate relationships, creates new barriers to achieving optimal working conditions for all the workers.

Ensuring health and security at work requires:

- A strong commitment from the management;
- Real involvement of the workers;
- A system of health and safety at work management



Figure 1. Safety and health at work

Table 1. Ensuring health and security at work

Social protection Health and safety at work	Is carried out through	Legal technical and organizational scientific (studies, research) measures	And aims at	Ensuring the physical, mental and social comfort, Lack of work hazards and occupational diseases
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The Specialists ILO (International Labour Organization) suggest possible solutions to minimize the negative social effects of globalization, especially concerning health and safety at work..

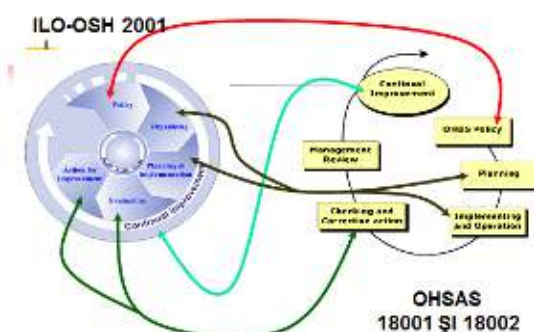


Figure 2. ILO-OSH Guidelines on the management systems for health and safety at work

The most commonly used referentials are:

a. Developing and adjusting new mechanisms or strengthening the existing ones. The ILO international standards represent a first example of an existing mechanism that is able to deal with the new generation of problems that arise due to globalization.

ILO has developed an effective mechanism to supervise the implementation of ratified conventions. Although there have not been so many ratifications for the conventions regarding health and safety at work as it was foreseen, the importance of these measures exceeds by far the legal obligations created by ratification. They form a group of internationally accepted standards and provide authoritative guidance to national authorities.

b. Developing, adjusting and harmonizing the international standards, although there are different views on the role of generally applicable regulations compared to the domestic.

Self-regulation is strongly supported in a number of industrialized countries and, along with globalization, it will expand. Simultaneously, the consumers' awareness has increased, which will lead to increased pressure on companies to comply with behaviour codes which will help protect the workers, the community and the environment. Therefore, in order to achieve their goal, the harmonization of standards will have to be a powerful aid for internal regulations.

c. Enhancing international cooperation in order to achieve higher national performance in the field of health and safety at work: sharing expertise between developed and developing countries (using foreign expertise and organizing exchange programs necessary to level the technical know-how); strengthening technical expertise specific to the workplace or related to it.

6. Conclusions

An objective analysis of the globalization process carried out so far proves that the economic benefits lean more towards developed countries and the major economic powers where the transnational corporations originate.

Globalization has become the symbol of our times. Globalization is an irreversible reality and any country that seriously prepares its future is forced to interfere with it.

The only chance that still remains is to try to gain a balanced view of globalization, which may help us in the concrete plan to fully benefit from its advantages and opportunities and, on the other hand, to be aware of the hazards it poses in order to alleviate its effects in time.

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Identity in the Economical Areal

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Abstract

Identity is an intricate subject matter, especially when it is placed in the context of globalization. It presupposes sharing language, values and attitudes. That is to say, it places two cultures into contact. This impact may reach to an acculturating process in the economical areal. The present paper focuses on the words, expression and syntagms which are acculturated without being translated.

Translation presupposes a difficult process but, if economists just get through a process of adjusting leaving behind the cultural traits, they may reach to foreignization that is an alienation from homeland's cultural language and values.

Key Words: *identity, culture, globalization, acculturation, translation*

J.E.L. Classification : Z 11

1. Identity in the era of globalization

The problematic of identity in the context of a globalized world is encountered in many domains such as linguistics, translation studies and even in the economical areal. We have chosen to focus on this subject because it raises difficulties in the last aforementioned field.

The growing interest in the notion of identity is an outcome of a continuous contact between distinct communities carried out by phenomena such as globalization.

For the purpose of our research, we consider it important to set the ground for the term 'identity' which has been tackled in many ways. Nowadays, we are faced with an identity crisis which manifests itself in many domains. Most of us easily use syntagms

such as "finding ourselves", "getting in touch with our feelings" or "self-expression".

As a rule, identity is associated to a feeling of belonging. In other words, developing a sense of roots may be a first step in the search for identity. Nonetheless, scholarships have perceived identity from different perspectives.

According to Georgakopoulou [3], identities are not fixed and static entities but they are constructed and deconstructed during the verbal interchange. Others insist on the fact that cultural identity does not manifest itself naturally but it is a construction grounded on verbal communication between a particular community's members. Therefore, identity is hereby created at the language level.

We may assert that language has played a central role in the construction and transmission of identities. Many scholars put forward the idea that language is a tool a person uses to negotiate a sense of the self across distinct locations in distinct moments.

Language is also an intrinsic part of culture. The language that people speak reveals both their own knowledge of the world and their understanding of the surrounding environment. As some linguists put it, people's language displays a particular perspective on what is right or wrong, real or unreal. Moreover, people must reach a certain level of global competence to comprehend the world they live in and their position into this world. It is a fact that people imagine the surrounding environment according to what the language they speak says about it. Therefore, each language has a different pattern of the world.

Language creates and shapes our sense of reality as well. For instance, reality may be perceived from different perspectives at the language level. Unlike an European who sees only snow when looking at a snow-covered area, an Inuit, who has numerous words for snow in his vocabulary, sees a different

landscape. Thus, the language people use allows them to perceive the world in numerous ways. In this respect, Ulrych [13] asserts that "the lexical distinctions drawn by each language will tend to reflect the culturally important features of objects, institutions and activities in the society in which the language operates."

As an outcome of the fact that more and more people live and interact in-between spaces in the era of globalization, a phenomenon such as language crossings has occurred. Their habitual use in inter-ethnic communication involves, as Kramsch puts it, "the switching of codes, i.e. the insertion of elements from one language into another, be they isolated words or whole sentences". [8]

Moreover, Norton [10] understands the notion of identity as a reference to the way a person perceives his/her relationship with the social environment and to the process this relationship is created across space and time. Following these terms, identity is built with reference to the social environment.

Starting from Lindholm's [9] assertion that identity "is confirmed by feelings, emotions, hopes, memories, plans, the acknowledgment of others, and spiritual experience", we may easily understand that identity is established/built in opposition to the other. Thus, identity has also been viewed in relation to alterity. Mention should be made that alterity may be perceived as 'the other' individual, 'the other' nation or 'the other' culture.

Schiffrin [12] treats the relation self/other in interactions from another angle. In her opinion, although every person has the identity "I", s/he is perceived as the other or "you" by the rest of the people. During interactions every person may be 'the other' for whom the intention is addressed. From her perspective, the shift between 'self' and 'other' would not exist without the two premises that invade all communication: reciprocity and inter-subjectivity.

The former refers to the fact that the acts of 'the self' represent a response to 'the other's' previous acts whereas the latter rests on the assumption that both 'the self' and 'the other' share common knowledge, therefore, they are both implicated in the same process. Schiffrin lays emphasis on the fact that both reciprocity and intersubjectivity represent the basis of social communication.

In other scholars' opinion, the encounter with the other may have different facets. In this respect, Bassnett [1] identifies six stages that the members of one culture experience in adjusting to the other culture: denial, defense, minimization, acceptance, adaptation, integration.

Furthermore, the scholar considers these stages as fundamental in the translating process viewed as a means of cross-cultural communication. The first three stages denote a refusal of the alien or, in other words, a rejection to communicate across boundaries. The next two stages imply a cross-cultural tolerance by learning to accept the discrepancies between the cultures coming into contact. Eventually, the last stage presupposes the ability to adapt, feel and act like a native does. In this process, the role of the translator is to mediate and facilitate cross-cultural communication.

2. Identity and translation

As we mentioned above, the role of the translator is of utmost importance since s/he has to mediate between the two nations or cultures, coming into contact. Nonetheless, in translating technical or economical terminology, the cultural equation plays a less important role. In other words, when having to deal with the lexico-semantic pattern of a specialized text, the translator's attention is focused on grasping the intention and the overall tone of the message. We consider Hall's model of culture to be relevant for the purpose of our paper. He distinguishes three levels of culture:

- Technical culture
- Formal culture
- Informal culture or out-of-awareness culture

Hall's Model of Culture

Technical	music, art, food and drink, dress, architecture, visible behaviour, language
Formal	appropriacy, rituals, customs, ways, styles (of discourse, dress etc)
Informal	action, communication, environment, time, space, power, individualism, competitiveness, structure, thinking.

(adapted from Katan [7])

As we may easily notice, language (or discourse) is part of the all three levels. Nevertheless, the technical level is our main concern. This is communication at the level of science. It can be shaped accurately and has no meaning that transcends itself. By way of illustration, we may choose the word 'time'. Time has a numerous meanings, depending on context and culture. Technical time, on the other hand, alludes only to the technical understanding of the concept and can be disseminated into 'isolates'. For instance, one of its basic isolates is a second.

Mention should be made that some languages are, by their very nature, 'technical'. Some scholars mention that, at this level, the language is so tightly constrained by its context that only a small degree of variation is permitted.

We should add that words rarely transmit meanings in isolation. They are seldom used in combination with other words and this does not happen at random. For this very reason, the collocations and expressions that are specific to a particular field become a privileged part for the translator.

Like the cultural mediator, the translator of specialized texts is required linguistic competence. Moreover, s/he has to be well-trained in the domain s/he is translating. Conversely, s/he will fail or create misunderstandings. As a rule, translators have been defined themselves as the 'guardians of language'. The word 'guardian' has been viewed as implying a closed attitude that is an attitude of defending one's language and culture.

At this stage, mention should be made that language is also a mark of a nation's identity. By means of language, language users send messages about their own identity or the identity of a nation. In other words, language shapes the identity of a nation. Hence, the language of a nation is both a mark of identity and an intrinsic part of culture.

As mentioned above, the role of the translator is of utmost importance since s/he has to mediate between the two nations or cultures, coming into contact. Moreover, the translator's own identity and background are also of most importance in the translating process. The translator's intention also plays an important part in the translation product.

As a rule, translation has been viewed as the rendering of a source language text into a target language text in such a way that the surface meaning of the two will be approximately the same. Seen in the light of the relevance theory, translation is related to the notion of communication since it involves decision making and evaluation processes. The process of negotiation of meanings, as Gutt puts it, brings about inference relationships such as cause and effect [5].

As a matter of fact, relevance theory reveals "a cause-effect account of translation as a phenomenon of communication". [6] As a rule, every action has a reaction.

According to Gutt, speakers initiate the communicative act with a verbal or non-verbal stimulus in order to make the receptors aware of their informative intentions. As a rule, the verbal stimulus develops in a 'mental' phase that has a particular significance in the real world. According to the relevance theory, context and context of situation are major factors that enable the interpretation of the communicative act.

Dollerup [2] offers us another way of viewing translation such as: "1. A sender in the source culture 2. encodes a message ('source text') uttered in the source language 3. which is, (near)-simultaneously received (=decoded), mediated (=encoded), 'sent' (in the translation process) 4. as a message ('the translation' or the product of translation) in the target language [...] for 5. subsequent decoding by recipients/the audience in the target culture."

In our opinion, translation is also an act which implies an exchange of identities. That is to say, the identity of a nation and culture is transposed into the other identity of a nation or culture. The translator has to be competent in transposing identities. For instance, Schulte, qtd. in Gutt [6], refers to the interdisciplinary nature of translation and areas of life as follows:

"Translators do not engage in the mere transplantation of words; [...] their interpretive acts deal with the exploration of situations that are constituted by an intense interaction of linguistic, psychological, anthropological, and cultural phenomena."

Besides, given the differences between language cultures, there are concepts whose meaning do not hold across languages and "concepts which in their supposed commonality and globality may conceal levels of difference that need to be opened up" [11].

Furthermore, we would like to add that due to the cultural diversity, in a different cultural setting, wrong rewording, ambiguous or erroneous reformulations may be caused more frequently by differing understandings rather than by misunderstandings. This may be due to the fact that we have a different mental model of some shared concepts or of the same concept(s), or, we may not have any such model.

3. Identity, acculturation and translation

The concept of "acculturation" is intriguing not only because it covers different meanings but also for its relevance for altering identity. This aspect involves adapting to one foreign system, whether it is economical, so that it should fit the requirements.

The term "acculturation" is used within anthropology and folklore to refer to modifications produced by intercultural impact which alter a variety of the deep structure of culture.

On the other hand, in cultural studies, the process of learning the socialization rules is labelled as "enculturation". It refers to a process of transformation which begins in the domestic environment through parental appeals which act as guidance for their children.

Brown, qtd. in Vîlceanu [14], conceives acculturation as a four-staged gradual process starting from euphoria, going through insecurity and recovery and, finally, reaching acceptance. Therefore, in Brown's opinion, acculturation refers to the ability to transit to cultural spaces.

In Gudykunst and Kim's perspective, cross-cultural adaptation is a part of an ongoing process [4]. They consider that adaptation is a result of 'enculturation', 'deculturation', 'acculturation' and 'assimilation'. Moreover, they link enculturation to the process of socialization of the home culture preceding the contact with the host culture.

Unlike Brown, they describe the terms "acculturation" and "deculturation" as a rooting out of the home culture and identity. The term "assimilation" is finally ascribed the highest degree of acculturation. In the light of Gudykunst and Kim's model, adaptation appears to incorporate the development of both the linguistic supply and socio-cultural traits.

In our opinion, acculturation is both a process of embracing a culture/product of a particular country and a product, that is to say, the outcome of a cultural alteration.

This discussion entails concepts like "localization" and "globalization", two major terms which stand in binary opposition.

Unlike localization, which presupposes staying true to one's roots and cultural identity, globalization implies crossing barriers and requires a uniformity of cultures. Moreover, unlike localization, which presupposes staying between borders, globalization is a means of transgressing borders.

We consider that the preservation of national identity is a process of localization. Localization does not only focus on authenticity, but it also relates to preserving both a language and genuine values between borders. Nonetheless, many scholars advance the idea that globalization is a destructive phenomenon. It depends on the angle it is viewed. For instance, some consider it to be a process which does not aim at constructing a holistic system, be it an economical one.

We consider that adapting, or acculturating, presupposes adjusting to the needs of the labour market, on the one hand, and rooting out of a nation's identity and cultural values, on the other. It entails a difficult process but, if any system just gets through a process of adjusting leaving behind the cultural traits, it may reach to "foreignization" (it is a concept introduced by Venuti).

Unlike "domestication" (which presupposes adjusting to the national cultural traits), foreignization transcends cultural norms by preserving the alienating tone of the culture coming into contact.

The fact must be mentioned that the invasion of Anglicisms into the other languages makes local people feel alienated from their own language-culture.

As a rule, the phenomenon of importing Anglicisms (such as "broker") appears in order to fill a lexical or cultural gap in the TLC (target language culture). Questions may arise: Is it a matter of style? Is it a matter of message? Is it a matter of untranslatability?

By way of illustration, we have chosen particular economical terminology (words and expressions) in order to demonstrate their translatability.

An example is the phenomenon "crowding out" which is not usually translated but acculturated as such. The D.E. [15] defines the syntagm "crowding out" as "ansamblul consecințelor negative pe care o politică fiscal expansionistă, stimulativă (pentru depășirea recesiunii sau încurajarea cererii agregate le generează asupra consumului privat de satisfacători, dar mai ales de investiții, ca urmare a creșterii inevitabile a ratei dobânzii".

Since this definition is too long to serve the purpose of the present paper, we agree with the D.T.U.B. [16] which explains the same phenomenon as "retragere a creditului de piață de către banca centrală". By contrast, the phenomenon "crowding in" is described by the D.T.U.B. as "impulsionare a investițiilor private". [16]

The term "goodwill" appears to be another example of acculturation. It does not fill a gap in the TL (target language), respectively in Romanian, since we have translations of the term. For instance, the D.E. [15] explains this entry as "excedentul valorii globale a unei întreprinderi în raport cu valoarea (justă) a elementelor identificabile de activ, stability la un moment dat". In this situation, either the language user may adopt it or simply use a shorter definition, namely, that offered by the D.T.U.B.: "renume; fond de comerț; suprabeneficiu". [16] Mention should be made that every translation serves a different context.

Another example of acculturation is the term "dumping". The fact must be mentioned that the D.E. [15] defines this entry as "politică de vânzare a unor mărfuri pe o piață externă la un preț mai scăzut decât costul marginal". In addition, the D.T.U.B. explains the term "dumping" as being "vânzare de bunuri pe piețe străine sub prețul de cost". [16]

We consider that this should not be the case of acculturation and we agree with the translation offered by D.T.U.B. [16]

4. Conclusions

Consequently, translation of economical terminology is necessary and possible. We are in favour of "translation" since acculturation implies not only the altering of a nation's identity but also a rooting out of the home country and an alienation from the cultural identity. Moreover, acculturation may be misunderstood as the impossibility of translation. Translation of economical terminology is a challenge addressed to the translator.

The translator has to be aware of the way s/he manages the translation act and the way s/he transfers the source material into another language and culture, respectively. In the translating process, the selection of one translation strategy may be dictated by both textual and extratextual constraints. Hence, the translator has to be competent in choosing the right strategy and make the right decision when choosing the counterpart of a specific term or syntagm. Perfect synonymy cannot be achieved among words and, moreover, perfect equivalence is never possible among different languages and cultures. Despite this fact, translation is and should be possible.

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The Economic Development of the Settlements from Onești Depression. The Role of SMEs in the Region's Economy

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Abstract

In the last 20 years a leading role in developing the economy was undertaken by the small and medium enterprises (SMEs), which tend to replace large industrial units raised during the socialist period. In the Onești Depression, in the past, the most important settlements were significantly trading with the surrounding areas, then starting the mid-XIXth century, the industry has become increasingly important, fact which, after 1950, boosted a powerful local centre, Onești. In the post-revolutionary period, the decay of industrial giants determined the investment of large amounts in the creation of new SMEs, which have emerged in this region, too. Even if most of them are small-scaled, they better adapt to the economic conditions of the present.

Key words: Onești Depression, small and medium enterprises

J.E.L. classification: M13, M21, N00, O1.

1. Introduction

Having priority in the development of human settlements, the economic activities depend not only on the potential of an area, but also on political implications promoted under various regimes that alternated on the country's government. In recent decades the global crises imposed major changes locally, or by the decline of industrial activities, the focus was increasingly on supporting small and medium enterprises that are active in various fields, as a measure of revival of the so weak economy of former communist countries.

The Onești Depression keeps to the rule, especially since in '50-70 in Onești one of the most representative pillars of socialist industrialization was raised, which managed

to work in that period, but after 1990 without an effective support, especially from the centre, it entered into a total collapse. A solution was the development of other sectors of the economy that have imposed themselves in some rural settlements from the area, although achieving the parameters from two decades ago is hardly feasible.

Onești Depression is located within the Sub-Carpathians arch, at the limit of Moldavia and Curvature Sub-Carpathians, in the lower basin of Trotuș river. In the Bacău County it occupies the south-west part of this administrative unit, being included in the NE Development Region of Romania. It is one of the most developed county areas from an economic and demographic point of view and also in the region, regarded as the poorest in the country.

2. Past economic activities

The first economic activities developed in the region have used local resources; for centuries the agriculture was the main branch; in the meadows and on extensive terraces there were cultivated mainly cereals, crops and fodder, orchards or vineyards being less, and shepherding was practiced on the hills and the heights of the surroundings. The existence of rich salt deposits at Târgu Ocna imposed hard labor exploitation even from ancient times: in the XVth century, falling under royal monopoly, the salt was exported to countries on 3 continents [7]. Vast forest areas have led to the emergence of a strong branch in Trotuș Basin area.

Localities from this area have benefited from its position near the border of Moldova and very close to Transylvania, which were connected by major routes crossing the region: "Brașov road", "Ghimeș road" through which an intense trade between the two principalities was carried on, having as proof the emergence of double towns Târgu

Secuiesc-Târgu Trotuș first, and then Târgu Ocna [1], with the most diverse crafts activities. Local products were sold in neighboring countries on a much more extensive territory that expanded from the Black Sea to Russia or Poland. In the year 1830, 115 commercial units were developed in Târgu Ocna (34% of the Bacău county), and in Căiuți 16 units were active (4.7%) [3].

Mining in the Onești Depression area was in full swing in the mid-XIXth century; in addition to salt there was the oil extraction: at Mosoare, ever since 1861, on Târgu Ocna's territory the first mechanical drilling well in Romania was assembled, and in 2 years time started working [7]; other secondary operations were in Ferăstrău-Oituz or Mănăstirea Cașin. Even if they could not compete with activities from Comănești coal basin, in 1862 it started the exploitation of the lignite deposit at Pralea [9]. Only some of these raw materials were processed locally, so that, around 1880, in Onești and Târgu Ocna small gasworks that produced lamp oil or fuel oil were set up, their small size was given by the installed capacity of up to 25 HP, or by the number of under 10 employees [12].

The region had numerous catering establishments, in every bigger village there were mills, slaughterhouses, alembics; an alcohol distillery functioned in Onești after 1840, and in Târgu Ocna, in 1895, a seltzer factory was activate [6]. Thanks to the existence of necessary resources, the Oituz settlement has established itself as a well-known centre for ceramics in Moldova; Blidari or Suseni villages emerged due to the same ceramic field. In the same Oituz, starting 1855, a glass factory operated for a short period, another one of higher capacity was built on the Curița streamlet and functioned between 1889-1914, being destroyed during the First World War. In the same period a hydraulic lime factory and a cement factory became known in Oituz, which were producing, up, passing by Ferăstrău village, 1500 t cement, there was a lime factory in Bogdana [8] and another unit that produced fat lime, cement and gypsum in Târgu Ocna.

The wood processing industry was represented mainly by sawing units, many workshops, which used a relatively low workforce. A first important unit was Scutaru

Lumber factory, emerged in 1909, with investments from Italy, which had 24 sawmills, developing a driving force of 520 HP, with a capacity of 6,000 m³/year, having more than 300 workers [8], after 1942, being moved to Onești. Other units were Târgu Ocna, Oituz and Heltiu.

The development of communication channels in the second half of the XIXth century imposed the growth of the settlements' importance in the region. Thus, first, the layout of the road over the Carpathians between Onești and Brașov (1866), then Adjud-Onești-Ghimeș road (1874), the railways entering the area through Adjud-Târgu Ocna line (1884), extended up to Ghimeș during the next decade, and only in 1974 the entire section was electrified [10]. In 1890, the railway station in Târgu Ocna ranked second in the county after the traffic of goods, and the one from Onești was the Vth[5].

If during the XVIIIth and XIXth centuries the fair in Cașin was very famous, considered the second largest in Moldova after the one in Fălțiceni, being organized in mid-August and held for about a week [4]; at the beginning of the last century the attraction pole moves to Onești, where since 1840 it has been organized a weekly market, and 7-8 fairs/year. Periodic markets were also held in Târgu Ocna, Bogdana or Căiuți. The main centre of the region in the early decades of the XXth century remained Târgu Ocna, which in 1924 had 170 business units within its territory (8 factories, 40 non-food units, 25 grocery stores, 23 storehouses, and also 4 hotels or insurance agents), the village of Onești being the second with 58 commercial units (3 factories, 16 pubs, 10 groceries, 7 manufactories, etc.) [11].

After 1950, the strong industrialization of the area by building the Borzești platform and the transformation of Onești into a town, this has become the polarizing centre of the entire region. 3 industrial giants were built up: Borzești Petrochemical Plant (formed by merging the Refinery with Chemical Factory and Synthetic Rubber Works, as the largest economic unit in the county and one of the pillars of the country's chemical industry), Borzești Power Station and Chemical Equipment Factory, and on the urban platform other 3 major businesses were working, with 27.000 employees working in

1990 [14]. The huge development of the urban centre was visible in the commercial area too; from 136 units in 1970 it reached 205 stores in 1986 with 2000 employees [8].

For Târgu Ocna, during the communism, the largest industrial unit remained Salina (the salt mine), the third largest in the country, with over 600 employees. Another older unit was the wood processing centre, which gradually developed from a small furniture factory, to timber, chipboard and furniture production in the late '80s, with 1000 employees. In 1952 the Drilling Scaffold started working, one of the most important units in the field, with many working jobs in the country and abroad. However, the town's participation to the county global production was relatively low (only 1.2% in 1968), only the salt extraction industry branch stands out with 98% of the entire county production, compared to 5.7% of the food industry [2].

Rural areas were very little developed, there was only one sawmill in Căiuți and in Oituz the oil drilling continued in several areas. Except for the employees working in the agriculture field or in the tertiary sector, all the others were working in the economic units of the two towns. Moreover, in 1989 the commuters represented 26.3% of the employees from Onești town [8].

3. The economy of the region nowadays

In the post-revolutionary period, the economy from Onești Depression settlements has undergone major transformations, most affected were the big industrial units, which, although most of them were privatized and went through a restructuring, the majority decreased their work a lot and the rest even had to be closed.

In the same situation the Borzești Platform Plants are struggling, being in a sharp decline in the recent years; the industrial production dropped from 50% share of county's total between 1990 and 2005 to values below 18% after 2010 [14]. Less than 10% of the employees of the year 1990 are still working in these units. Among the causes of this crash are: their huge size designing and the high proportion these units operated in the socialism period, the depletion of local raw materials and the impossibility of providing them from other

regions or from abroad, the drop of secure markets before 1990, but also less successful management of too many leaderships that succeeded at the helm of the factories concerned.

Not even the traditional industrial units within the city had a more favourable fate; though some have been successfully privatized (passing the former Vegetables and Fruits Complex into the ownership of one of the most important companies in the food industry), most have gone bankrupt or barely survived (such as the textile industry).

In Târgu Ocna town, over the last 20 years the industry has faced the same serious problems posed by the difficult adaptation to market conditions, over which only part of the companies were able to go through by finding different solutions. The salt mine goes on being the most important economic unit of the town, even if it reduced to half the amount of extracted salt compared to 1990; it has been heavily invested in the tourism activity, a sanatorium being set up here ever since 1972, which assures significant income; the staff scheme underwent a permanent reduction, now only 50% of the staff from the 90s work there. By privatizing the former Drilling Scaffold two smaller companies appeared, that have almost always had a fluctuating evolution, but, only after 2009 they reduced work further more. Although the woodworking centre was taken over in 2006 by a strong group and a considerable amount was invested in upgrading the production process, a more efficient unit meant the reduction in the number of employees (75% compared to 1990).

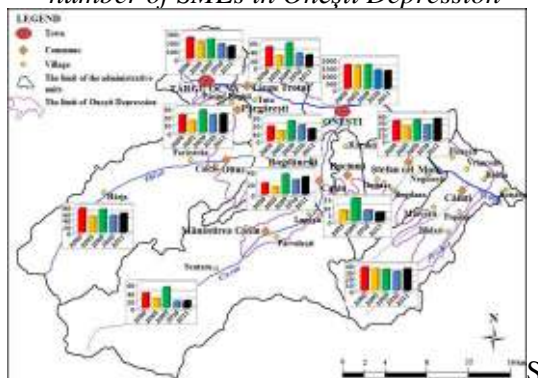
Since the last decade of the past century there has been a significant development of larger rural centres in the region. In the Oituz village, IIIrd largest in the county, it was set up one of the largest regional companies, first with activities in international transport of goods, then in 1994 it expanded into woodworking or construction sector, some of them running in Onești too. In Târgu Trotuș ever since 1995 a representative firm in the textile sector was set up, which uses a good deal of local female workforce.

Amid the collapse of major industrial units from the 2 towns, in the region there is increasing number of SMEs operating in various fields of the economy. If in 2000, 9 large industrial units were set up in Onești, 3

in Târgu Ocna and 2 in rural areas, today only 4 such economic units operate in Onești, that are found on the Borzești Platform, reducing their activity more and more, and other 3 in the two villages: Oituz and Târgu Trotuș.

The number of SMEs in the localities of Onești Depression was in the 90s in constant growth, only in some villages small fluctuations showing up; after 1999 there have been slight reductions in both environments, and as far as 2010 their total number declined by over 20% due to the global economic crisis effects occurring in the region (figure 1). In the analyzed localities it occurs 17.6% of the number of small and medium enterprises of Bacău county, on average, the two towns are responsible for 85% of the total area [14], but the largest share is given by Onești town, the most developed village being Oituz (3.8% of SMEs).

Figure 1. Territorial distribution of the number of SMEs in Onești Depression



Source: County Statistics Directorate of Bacău

Regarding their size, over 90% are micro enterprises (0-9 employees, with annual turnover and total assets of less than 2 million euro) which are typical sights in the villages from the region, with a much smaller workforce, but also in the areas such as the transport or trade within the towns (table 1). Small enterprises (10-49 employees and an annual net turnover of up to 10 million euro, less than 43 million total assets) represent 6.8%, occurring predominantly in Onești, and of the villages, Cașin is above average. And medium enterprises (50-249 employees and an average annual net turnover of up to 50 million euro, or total assets being at the same level as the previous category) are in higher number in the main town and almost missing

in the rural areas, except for a food industry company from Bogdănești village.

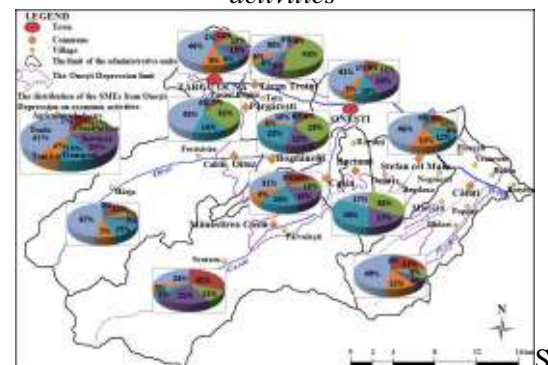
Table 1. Distribution of SMEs in terms of size in Onești Depression (2011)

Size of enterprises	Micro	Small	Medium
Onești	1158	72	36
Tg. Ocna	141	15	6
Bogdănești	15	1	1
Buciumi	5	1	-
Cașin	30	8	-
Căiuți	29	4	-
M. Cașin	18	1	-
Oituz	55	4	-
Pângărești	21	1	-
Ștefan cel Mare	29	4	-
Tg. Trotuș	30	3	-
Total	1531	114	43

Source: County Statistics Directorate of Bacău

As for areas and activities, the most numerous SMEs registered in the area are in trade (40.8%) and services (20.4%) (Figure 2), less in construction (11.8%), transport (10.1%), industry (9.6%) or tourism (6.1%) and almost missing in agriculture (1.2%) [13].

Figure 2. Repartition of SMEs on economic activities

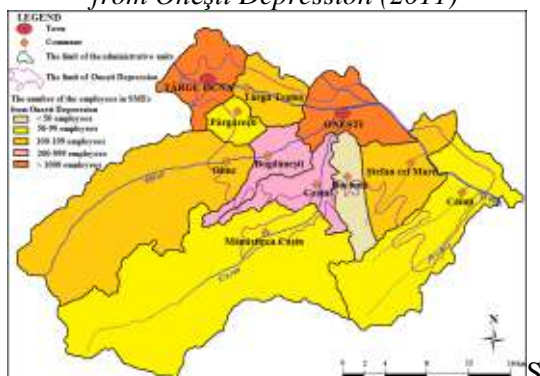


Source: County Statistics Directorate of Bacău

In Onești there is the highest employees share in small and medium enterprises, over 77% of the region (figure 3), in Târgu Ocna the values being lower (12.5%); as for the villages, the most important ones are in Bogdănești (2.2%) and Cașin (2.0%). In the industry work most of these units' employees

(3244), of which the major proportion is for wood (41.7%) and food industry (34.2%), following the commerce (2375 employees) and construction (1983 workers), and the least work in agriculture (153 employees) [13]. By activity sectors, 49.6% of the employees work in services department and an almost equal amount of 49% in the secondary sector, agriculture and forestry having an insignificant percentage.

Figure 3. The number of employees in SMEs from Onești Depression (2011)



Source: County Statistics Directorate of Bacău

After the turnover generated by SMEs in the period 2005-2011, there has been a significant decrease in towns and growth in rural areas, the highest values go back to Bogdănești or Cașin villages (table 2).

Table 2. Enterprises turnover (million euro)

	2005	2011
Onești	441,380	322,239
Tg. Ocna	39,398	37,715
Bogdănești	0,574	13,570
Buciumi	0,106	1,005
Cașin	2,452	7,365
Căiuți	1,422	3,156
M. Cașin	1,321	1,124
Oituz	5,557	6,854
Pârgărești	0,676	1,667
Ștefan cel Mare	1,636	2,177
Tg. Trotuș	4,177	4,359
Total	498,699	401,231

Source: County Statistics Directorate of Bacău

In urban areas the highest contribution to the turnover of SMEs comes from trade and industry, in Onești dominating the manufacturing and food industries and in Târgu Ocna especially the woodworking

industry; constructions have a significant participation in both settlements or services for the first town and tourism in the smaller urban centre, this one having the status of a resort. In the villages the activities with the highest turnover range from construction (Bogdănești, Buciumi and Târgu Trotuș), timber industry (Cașin or Căiuți) to trade (Pârgărești). In the localities where there are also large enterprises, SMEs contribution to the formation of total turnover in 2011 increased from 10.6% in Oituz to 33.1% in Târgu Trotuș and even 82.2% in Onești.

4. Conclusions

The economic development of the localities from Onești Depression was done quite slowly because, for centuries, most of them carried out activities only in the agricultural sector; due to trade the first urban centres of the region were built (Târgu Trotuș and Târgu Ocna), and the town of Onești gained some importance. The emergence of industry in the region in the XIXth century by using local resources and the introduction or upgrading of the communication channels has spurred in a strong way, the economy of the area.

After 1950 forced the industrialization of this area, Onești settlement becoming the main economic and demographic core of Trotuș Basin; tens of thousands of employees were working in the big industrial units, a significant number came from rural areas, which still remained underdeveloped.

In post-revolutionary period, the industrial giants have entered a sharp decline, resulted in several stages of restructuring, stagnation or even regression in the productive activity or, some units went bankrupt. Amid the bankruptcy of these companies, small and medium enterprises have increasingly imposed, better adapted to current economic conditions. Over 90% are micro enterprises, most occurring in the two towns, but they are also specific to the rural area, where medium sized units are missing. Most SMEs are engaged in trade or service field; although in some villages the land is widespread, few units operating in this sector show up. By number of employees, industry dominates this field, followed by trade and construction. The same economic sectors are also the main training turnover of SMEs in the region.

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Economic Impact on the Development of a Locality. Case Study: Onești Town

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Abstract

Among the causes of the occurrence and development of the human settlements, an especially important role had the economic activities. Onești town appeared as early as the 15th century, but remained at the stage of a rural settlement for a long period as a result of a low economic importance in the region. Starting with the 1950s, by building the Borzești Industrial Platform the settlement has become a major petrochemical centre of Romania, which turned into a pole of attraction for the population from a large territory. In the post-revolutionary period, local industrial enterprises have faced numerous problems, although most were privatized, they went through major restructurings, had to reduce their long activity, and some were closed. The effects have affected the entire town, which is in a visible decrease in the number of inhabitants, and most of the remaining population is strongly affected by poverty.

Keywords: Onești, economic activities, industry, inhabitants

J.E.L. Classification: M21, N00, O1, O15

1. Introduction

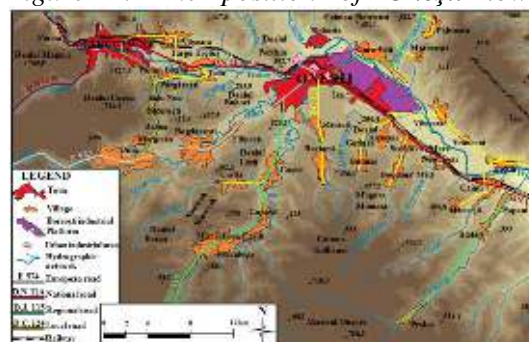
The economic activities represent one of the main factors in the foundation and development of the human settlements from any territory. If, over the time, the commerce or the transports have led to the development of numerous settlements on the territory of our country, in the recent centuries, the industry has required the building of some towns which have become among the largest. It is also the case of Onești town, one of the youngest urban settlements of Romania, which, in some decades, has succeeded in having over 60.000 inhabitants.

After 1990 the mono-industrial towns, category in which Onești is included, have gone through major transformations, as a result of the difficulties undergone by the industrial companies in adapting to the new conditions of the market economy [2]. Due to these problems, these towns have entered into a visible decline, characterized by depopulation, a high level of unemployment or a lower population income, especially outlined in areas affected by poverty.

2. Case study

Onești town is situated in the East of Romania, extending up within the limits of Cașin (Onești) Depression, where Moldavian and Curburii Sub-Carpathians meet, on the middle flow of Trotuș river (figure 1). Administratively, it is located in the southwestern county of Bacău, occupies an important position from an economic and demographic point of view, being the second largest after the county seat, Bacău.

Figure 1. The position of Onești town



Even though it has existed since the XVth century, due to some major trade routes in the area, through the Oituz Valley crossing the main road between Moldova and Transylvania [1], through the Ghimeș pass, by Trotuș Valley there is a secondary route, or due to the presence of some significant resources in the neighbourhood, Onești town

had a reduced development over the centuries, being dominated by the existence of two nearby towns: Târgu Trotuș (major centre in the XVth-XVIIth centuries) and Târgu Ocna (the main important town in the region between the XVIIth century and 1956), thus remaining in a rural settlement stage [4].

From an economic point of view up to the middle of the XIXth century, in the Onești village there were only some small craft workshops, over 90% of the active population earning their living from agriculture. This aspect influenced the settlement's weak demographic development, which numbered several hundred people (160 in 1803 or 980 in 1838) during that period [5]. After 1840, due to A. Aslan, the owner of the estate, in Onești there were organized a weekly market and 6 annual fairs, also there are built a large mill and a distillery of alcohol, which can process about 90 grain wagons [10], some small units as: fulling mills and water mills, especially by the end of the century when a oil pump was running, that used raw materials from the area, the town acquired a minor importance in the region, and the number of inhabitants has steadily grown (1045 citizens in 1846 or 1560 inhabitants in 1895) [12].

At the beginning of the last century, the settlement still had a weak economical development, even if the surrounding wood processing industry was booming and the building materials industry was well represented in the nearby villages, where glass, cement or lime were produced. The Onești village was important only for the harvested wood transit or for other manufactured materials, that was done through the local railway station, simultaneously with the construction of the railway network Adjud-Târgu Ocna (1881-1884) and a dense forest railway was put into operation between 1890 and 1916. The great N. Iorga, passing through the village, at the beginning of the last century, said that it was "revived by the movement of goods coming from the train station" [3].

The first large-scale industrial unit in Onești was the lumber factory, which was set up in 1942 by moving the equipment from Scutaru, started running in 1948, with a capacity of 6000 m³/year and operated with 319 workers [6]. However, the settlement of this plant imposed the electrification of the

village, which replaced the old system connected to the dynamo that powered only the public institutions and some housing [8]. If the set up of the industry in the Onești town was made quite difficult at that time, the number of population didn't have an important increase either, the settlement being only a common village of local interest. In the first decades, the increasing number of inhabitants was due mostly to a positive natural balance, thus the village had 2037 people in 1912 and in 1930 a little more, as 2945 inhabitants [5].

Only after 1940, by becoming an important centre of the wood processing industry, Onești exerted little attraction for the population from the surroundings, some moving to the small rural centre, others just worked there. However, in the 1941 census, the settlement had only 4501 inhabitants, just over half of the population of Târgu Ocna town, which was in full decline, after being the second largest in Moldova in the XVIIIth century [4].

After Second World War, with the change of political regime and the onset of important projects of urbanization and industrialization of the country, especially because Moldova was one of the most under-developed regions, Onești town goes through a whole new phase of its evolution. After researching the area's favourable aspects (accessibility, existence of salt and oil deposits, and the presence of surface water or sufficient human resources), the Borzești Industrial Group and the Onești proletarian town began to raise, as a result of a political decision [8]. The chemical major field of the area, completed by the energetic one, were considered as priority sectors in the industrial development policy of Romania in the vision of the communist government of the time. These daring projects were just oversized for the local resources to support the functioning of the already built industrial giants.

Borzești Power station plant was the first unit to function (1956); it was the largest in the country at that time, and the only one that could provide both electrical power and heat to consumers in the area. Also, in 1956, the first installation of the refinery plant began to work (atmospheric and vacuum distillation), considered as the main plant of the industrial group. In the subsequent years these units developed new facilities and equipment. By

building the Chemical Factory in the first phase (1954-1964) and the Synthetic Rubber and Petrochemical Plants (1957-1963), joined by Onești Refinery, in 1969 it was formed Borzești Petrochemical Industrial Group [9], which transformed the area in one of the main centres of the chemical industry in the country, ranked second in size.

The Onești settlement went through major changes not only in terms of industry, but also urban and demographic ones. In 1952 work began on the first residential areas, raised in the centre of the village, the existing population centre was moved, at first, in the marginal areas. In the industrial area there were built vast temporary colonies, in order to accommodate big contingent working people, attracted to one of the largest sites of the country. Along with the evident development of those years, in 1956 the Onești town received the title of rayon subordination town. Ranked as "new socialist town" [6], not even 5% of the buildings that remind of the old settlement are kept, but it fully benefits from the boom in construction during those decades (new neighbourhoods with the most modern buildings, wide boulevards that have trade centres, developed in the most important points of the city with well represented green spaces very well integrated in the urban landscape). Furthermore, the connection of the new establishments, built during that time, to Borzești Steam Power Plant, made Onești the first urban centre in Romania fully connected to the Steam Power Plant.

As a result of strong industrialization of the area, the authorities had to bring a significant number of workers, most from different counties, a significant part being covered by the increasing phenomenon of rural exodus. In the year 1955, Onești presented the highest index of population growth of the country's towns (216.9%) [8]. In just 10 years the number of inhabitants tripled from 11.253 people in 1956 and the town numbered 35.663 inhabitants in the year 1966. Out of these only 20.9% were born in the town, 31.0% in different districts of Bacău Region, mainly 42.6% came from other regions and 5.5% from other countries [12]. Most were working on industrial sites (9620 inhabitants), but a major proportion of these were still trapped in building factories' installations, residential areas and their

utilities (4717 people) or services (4775 inhabitants) rather than agriculture (1451 people).

After 1968 it started the building of a second steam power plant (C.E.T. 2) as a result of a growing steam and electricity demand, required by the development of industrial units. In the years 1979-1980 inside the main factory there were built new plants that formed Refinery II that reached the highest level of technology. At the same time, it continued the work for the Chemical Factory, and in the 70s-80s this unit has increased its production capacity but also diversified the manufactured products by the creation of 5 new installations. To complement the industrial activities on the Borzești Platform, in 1975 it went into production the Chemical Equipment Factory that could offer products not only to the units in the area.

On the town's industrial platform, all these years, there also existed Onești Forest Exploitation and Transportation Unit, and in 1975 the Glass Factory was built. As within the republican industry the workforce was male dominant, within the town there were built various smaller units that use predominantly female staff: "Flacăra" Cooperative (1958), Vegetables and Fruits Complex (1963), Bakery Products Factory (1965), Clothing-Textiles Division (1975) and Dairy Factory (1977).

Between 1970 and 1989 the residential area surface increased from 235 hectares up to 426 hectares [6], and in the suburbs over 300 homes were built, these left behind spaces being developed too. The population showed a lower level of growth, 40.463 inhabitants in 1970, with 5268 more in 10 years time, and in 1989, Onești town has 56.830 people [12].

The town's industrial activity was clearly the dominant one, for 1970, 51.8% of the working population worked in the industry, 22.5% in the constructions, 5.6% in the trade, 4.2% in the transportation, 1.5% in the agriculture and 14.4% in other activities [7]. At the 1977 census, no major changes occurred because the secondary sector comprised 69.0% of the total employment, with a 27.8% tertiary participation and the primary sector having the same reduced rates (3.2%) [12].

After 1990, the Onești town experienced

extensive changes in the economic and social structure, due to the emergence of the transitional period. The Borzești Platform industrial giants had difficulty in adapting to the market economy, and this has resulted in numerous stages of dismissals starting the 90s, due to the closure of many installations as they lost the secure markets for selling their products during the communist period.

Since 1990 Borzești Petrochemical Plant was reorganized into three units: S.C. Rafo S.A. Onești (Refinery), S.C. Carom S.A. (Synthetic Rubber Works) and S.C. Chimcomplex S.A. Borzești (Chemical Works), besides which other smaller companies were working.

S.C. Rafo S.A. remains the town's main industrial unit, when fully operating contributed by 2.0% to the Romania's gross domestic income. If in the early years it did not encounter difficulties, being part of state companies which provided for it the raw materials, in 1999 trouble began to appear by not being included in the new National Oil Company-Petrom, functioning very little in the following years, accumulating huge debts. After 2001 it was privatized by different companies that have failed to improve its situation, as, starting 2006, to be taken over by a Russian company; although its debts were paid off and a number of investments were made, in 2008 it didn't processed oil at all, surviving only by producing gas cylinders or selling environment certificates. The number of employees decreased continuously from 4070 in 1990 to 450 in 2013.

S.C. Carom S.A. is going through a similar situation: it was purchased by several companies, which led it to bankruptcy in 2005; most units were closed due to a lack of raw materials or no profitability. The establishment staff suffered major cutting, from 6000 employees in the early '90s to the present personnel of only 400 employees. Much better works S.C. Aroma Rise S.A., which is a company with only 50 employees, founded in 1990 with an American partner, that in 2001, took over the entire equity stake; they make food flavours and essences for perfumes, for the last ones the entire production being exported.

S.C. Chimcomplex S.A. was privatized in June 2003 with a strong Romanian company; in the last 20 years over 60% of the

installations have been stopped for energetic or environmental reasons. Although the portfolio of products has expanded considerably by major investments, the main export merchandise is the caustic soda, benefitting from its higher worldwide appreciation. The shut down of most of the divisions imposed the unemployment of important group of workers; if in 1990, 6500 employees were working here, by 2013 there are only 600 employees.

Electrocentrale Borzești Departament underwent huge transformations in the last two decades, even since the 90s it lost its platform customers to whom it provided electricity and heat, as they much reduced their activity, and some have built their own systems to ensure their energetic independence, and it cannot produce within the national system either because of the high costs. Among the first actions was closing C.E.T. 2, which provided mostly steam, nowadays this unit being completely demolished, trying to turn it into a shopping centre. At C.E.T. 1 all the electric sets were shut down one by one, and in 2013 ceased functioning entirely. The disjunction of S.C. Termion S.A. in 2002 which provided the town's heat energy and hot water was not a solution because, by the large accumulation of debts, the company was closed in 2012. Out of the 2500 employees in 1990, in S.E. Borzești there were only 100 employees at the closing date.

S.C. Uton S.A. (Chemical Equipment Factory) managed to thrive in the early years being a smaller firm, over 50% of the production being exported; however it reduced the number of employees more than at the beginning (1500 in 1990, only 400 in 2012). Because of the last year severe problems in the business, many of the contracts were lost, the market for the products was limited, and delays in paying salaries showed up and in 2013 it became insolvent.

Out of the companies emerging on the Borzești Platform, S.C. Albrau S.A. stands out after purchasing the brewery formed by the association of local firms in 1993; annually it has increased production by solid investments, nowadays being one of the largest independent producers of the country, although the number of employees is maintained below 200 workers.

Due to the reduced activity of big factories among the most affected were also the important construction and assembly sites that ensured lifting and repairing of various installations or other industrial facilities. If before 1990 there was the Industrial Construction Trust with 2000 employees, the Bucharest Installation Chemical Equipment Trust-Onești branch with over 1000 employees, the Bucharest Energo-Assembly site, which had over 600 employees, in the post-revolutionary period all these were separated into dozens of very small companies, that worked a few years, being replaced by new and emerging new units.

In the industrial areas of the town, the largest companies have significantly reduced their activity or went bankrupt. The former Preindustrialization Wood Centre was taken over first by a Spanish company that has more units in the county, its production being always low, and this was achieved with less than 250 employees; in the recent years it was purchased by a Polish group of companies which is trying to revive this unit. Wood processing industry is highly developed in the town by Chinese or Romanian capital investments in several companies, but in general these are small units.

By privatizing the former Bakery Products Factory, in 1990, S.C. Panimon S.A. showed up, which for years was the leading company in the Trotuș Valley; it also has a network of stores in Onești and surrounding towns, the number of employees maintaining between 200-400 workers. On the location of the Fruit and Vegetable Complex was formed S.C. Croco S.R.L., one of the largest food producers in Moldova, a major part of its production going abroad; though it reduced the employees to half, the quantity and variety of manufactured brands has risen.

The local textile industry has been hit hard after 2005 by the global crisis which occurred in this sector; however the existing companies were working especially in Lohn system; if in 1990 there were over 2500 employees in the two companies of that time, in 2012 there were only 300 employees in four companies.

A number of major industrial units in the communist era have disappeared in the recent years, unable to adapt to the market

economy: S.C. Probac S.A. (Dairy Factory) went bankrupt in 2001, with only 35 employees, the Glass factory (S.C. Sticla Prod S.A.) functioned until 2008 when the 130 employees were dismissed, but some other companies have also had the same fate.

When major plants from Borzești area worked normally, Onești share in the county's industrial production in 1996 reached 47.2% and even 58.4% in 2004; reducing the activity it resulted in a decrease to a level of 21.9 % in 2000 or even to 18.5% in 2011 [12].

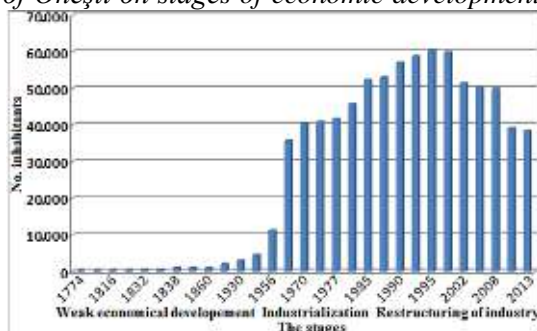
The serious problems faced by the large industrial units from Borzești Platform, and also by the firms from Onești have led to a considerable number of unemployed resulting from many stages of dismissals. Even from the early years since the phenomenon is recognized and recorded, the values were high in Onești (2900 unemployed in the year 1992, 1703 unemployed in 1995); after the restructures from 1999 they maintained at the same rate (2846 unemployed in 2000) only in the recent years it has decreased a bit more (985 unemployed in 2011) [11].

Due to the lack of jobs, a lot of labour force emigrated to European countries or on other continents, especially young people, so that we witness a strong depopulation of Onești town, which in 1994 reached 60.652 inhabitants, with only 51.416 citizens in 2002 census and a considerable reduction up to 39.172 inhabitants in 2011 (figure 2). Even if some of them moved to nearby rural settlements, the town has seen in 10 years time a decrease of 24% inhabitants, that putting it in the IInd place in Romania among the towns with the strongest depopulation.

The reduced industrial activity from Onești town is evident in accordance to the active population in the economic sectors; in 1992 the secondary sector represented 67.2% of the labour force out of which the manufacturing industry was of 52.4%, the primary sector fell to 2.0% and the tertiary had grown almost insignificantly to 28.2%. In 2002, the secondary sector had only 51.3% of the total active population, to which the industry participated with 42.4%, the agriculture and the forestry comprised 1.3% of the employable people, for services to reach 48.7 % [12], more than triple in over 40 years; the communist pride of the

"Romanian petrochemical citadel" is heading towards the tertiary sector development primarily due to its industrial decay.

Figure 2. The evolution of population in town of Onești on stages of economic development



Source: County Statistics Directorate of Bacău

The downward trend in employment, in the last two decades, led to a large drop in the residents income; certain areas were supersaturated by a population facing severe social problems (poverty, high crime, low educational level), such as areas in the Lanu Gării and Orizont neighborhoods, the train station receiving yard or in the nearest outskirts of the town, in Conți or Rădeana.

3. Conclusion

Over time, the economic activities imposed the formation of numerous settlements across the country, many of them having stagnated for a long time due to the absence of local resources that could be exploited. The emergence of the industry, in recent centuries, has given a strong impetus to many of these settlements that passed to urban phase attracting significant groups of population, especially from the rural areas.

Onești was developed during the communist period as a significant petrochemical centre in Romania, by building industrial units on the Borzești Platform. Declared town in 1956, the settlement has experienced extensive economic and social transformations, so that in four decades has grown to over 60.000 inhabitants.

After 1990 the town's important industrial units undertook great difficulties due to the lack of raw materials, huge costs for some

production operations, the loss of secure markets for selling the products, as well as unsuccessful attempts to privatize, all these leading to restructurings, long downtime or even to their bankruptcy. Although there emerged some new companies in the most diverse industries, they are in general small in size and they could not take over too much of the labour force.

The economic problems have affected the urban centre that was roughly depopulated in the last decade, many inhabitants leaving to work abroad, and, for most of the remaining, the poverty in which they struggle is evidently increasing, though the local authorities are trying to help them with various social projects.

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Ecotourism as a Rural Development Tool in Western Black Sea Region, Turkey

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Abstract

Ecotourism has been recognized as the backbone of economies of many developing countries with unspoilt nature which attracts tourists whose main motivations are natural beauties and local cultures. It provides economic and social benefits to host communities by expanding the community's economic base. Western Black Sea Region in Turkey is fortunate with its rich ecotourism resources and high potential for the development of ecotourism. This paper aims to explore the ecotourism landscape of Western Black Sea Region and to determine existing ecotourism activities. It also focuses on the impact of ecotourism activities in terms of the development of regional economy.

Key words: Ecotourism, rural development, Western Black Sea Region

JEL code: R11

1. Introduction

Tourism has a great potential in developing economies and it has been used as a strategy to promote regional development in both rural and urban areas. Turkey which hosts 32 million of visitors annually is a destination of sea-sun-sand tourism. By the end of 1990's Turkey has begun to promote new tourism types in order to provide economic development of many rural areas.

Ecotourism is one of the forms of sustainable tourism that is expected to support environmental conservation as well as generating economic opportunities and development of local people within Turkey [1]. Although there is no exact information about the market share of ecotourism, WTO (World Tourism Organization) has estimated

that the share of ecotourism in global tourism is 10–15 % [2]. Ecotourism is often cited as a fast growing segment [3] and it has been growing at an annual rate of 10% to 30% according to a study conducted by the World Resources Institute and it will continue to play an important role in international tourism market [4]. In 2011 nature tourism market constituted of 392 million international visitors [5].

For effective marketing, it is essential to provide specific knowledge concerning ecotourists' motivations for visiting natural areas [6]. Although numerous studies have been carried out on ecotourists' characteristics, particularly in terms of preferences and motivations in the western literature, very little market information on ecotourists' characteristics, preferences and motivations in the context of Turkey exists to date [7].

Alaeddinoglu [8] identified that ecotourists visiting Van Basin of Turkey are well educated (93% has university degree), earn higher incomes than average (46% has 1000-3000 US Dollars revenue), 53% are married, 60.5% are male, and aged between 18-40. 40.8% of the visitors spend five or more days in the region. Alaeddinoglu's research also reveals that exploring nature, visiting historical sites, experiencing new things, and contact with local people to learn about their culture are the main motivations of the ecotourists visiting Lake Van Basin. Nature walks, rural tourism activities, swimming in the lake, and photo safari tours were ranked as most desirable tourism activities in the Van Basin. Ay [9] identified ecotourism activities experienced by the ecotourists visiting Antalya region in 2010. The most preferable activities are (1) Trekking/Hiking, (2) Bird watching, (3) Flora observation, (4) Wild life observation, and (5) Photo safari.

Western Black Sea Region has become synonymous with the term "ecotourism" in recent years because of its unspoiled physical and cultural characteristics. The region has been designated as development zone of ecotourism in the 2023 Tourism Strategy of Turkey prepared by the Ministry of Culture and Tourism.

2. Ecotourism in Western Black Sea Region

2.1. The study area

The study area is the Western Black Sea Region that has an area of 41,020 km² and 500 km coastline. It is located in the north of Turkey (see Map 1). The area has a permanent population of 2.209.000 according to the 2012 consensus [10], which constitutes 3% of the total population of Turkey. Before the advent of tourism industry in the region, the area had a high rate of out migration. Because of lack employment facilities, residents have moved to big cities such as Istanbul, Ankara and Izmir and in the rural areas the remaining population is old.



Map 1: Western Black Sea Region

2.2. Ecotourism resources of Western Black Sea Region

The area has rich natural resources and a high ecotourism potential. Ecotourism resources of the area were determined by a project "Determination of Western Black Sea Region Ecotourism Resources" which was supported by TUBITAK (The Scientific and Technological Research Council of Turkey) between 2004 and 2009. Turker and Cetinkaya [11], identified 370 ecotourism resources in the area including caverns,

plateaus, waterfalls, lakes, canyons, rock cliffs and so on. The area attracts thousands of tourists with its endemic plants and hundreds of species of migrating birds. The Western Black Sea Region remains a vitally important refuge for wildlife, especially during the bird migration period. 280 types of bird species can be observed in the Filyos Basin of Zonguldak province.

The Black Sea Region is equally valuable for its 359.000 hectares of protected areas which constitutes 36% of the total protected areas in Turkey (see Table 1). Because of the majority of ecotourism activities experiencing in the protected areas, protected areas are important sources for ecotourism activities in the Western Black Sea Region. The area also hosts a variety of rare and endemic species like *Cephalaria duzc ensis*, *Crocus abantensis*, *Phlomis russeliana*, *Lilium martagon*.

Table 1: Protected areas in Western Black Sea Region

Protected areas	Hectares
National Parks	40.494
K�re Mountains National Park	37.753
Ilgaz Mountains National Park	1.118
Yedig�ller National Park	1.623
Nature Reserve Areas	3.447
Natural Monuments	271.680
Natural Parks	2.514
TOTAL	358.629 (%36)
TURKEY TOTAL	999.362

Source: milliparklar.gov.tr, 2013. [12]

The region has easily identifiable strengths on ecotourism. These strengths can be listed as follows:

- Unique natural environment,
- Rich cultural and archeological resources,
- Delicious local cuisine,
- Accommodation facilities compatible with natural landscape,
- Good climate,
- Traditional handicrafts and authentic souvenirs,
- Hospitable local people.

The area has remarkable bed capacity that consisted of small scale family owned BB enterprises which are consistent with the natural environment (see Table 2).

Table 2: Bed capacity in Western Black Sea Region

Provinces	Number of beds	
	Licensed by Ministry of Culture and Tourism	Licensed by Local Municipality
Karabük	1070	1806
Bartın	578	2504
Zonguldak	1682	1195
Bolu	3550	3798
Düzce	698	2354
Kastamonu	1188	2878
Sinop	798	2225
TOTAL	9564	16760

Resource: Data obtained from Tourist Information Offices of the provinces [13]

2.3. Ecotourism activities

The area offers countless opportunities for ecotourism including trekking, canyoning, hiking, bird watching, and camping. The most experienced activities in the region by the ecotourists are trekking, hiking, and walking. There are six regional routes which are marked by local authorities consisting of 2529 kilometers walking routes and 1124 kilometers mountain biking routes (see Table 3). Among these routes Kure Mountains National Park (KMNP), the top ecotourism destination of the region because of its unique vegetation and wild life species is the most popular area visited by 20.000 tourists annually [14]. The KMNP is one of the privileged protection areas of the World Wildlife Fund (WWF). It has been the first PAN Parks (the European wilderness protection organisation) certified protected area in Turkey. Yenice Forests, regarded by WWF as one of Europe's 100 forest 'hot spots' in terms of their diversity of monumental trees, deep valleys, rivers is the second most popular place for ecotourists. The area attracts 1000 visitors annually [15].

Table 3: Trekking, Hiking, Walking, and Biking Routes

Name of the route	Number of marked trails	Length (Trekking/ Hiking)	Length (Mountain biking)
Kure Mountains National Park	36	482 kms	828 kms
Yenice Forest Trails	21	396 kms	292 kms
Eskipazar walking routes	8	222 kms	-
Duzce walking trails	22	324 kms	-
Bolu walking trails	64	1000 kms	-
Independence route	1	105 kms	-
Erfelek Waterfalls	1	2 kms	-

Resource: Data obtained from Tourist Information offices of the provinces, cultureroutesinturkey.com [16]

Canyon passing is the second important ecotourism activity in the region that Valla canyon, Horma canyon, Ersizlerdere canyon, Tokatlı canyon, Yaci canyon, Şeker canyon, Çatak canyons are noteworthy resources for ecotourists who like adventure and outdoor activities which required high effort. Valla canyon is the most adventurous canyon in the region which is 12 kms long within the boundaries of KMNP, Kastamonu. There are also rafting facilities in the region including Melen River/ Dokuzdeğirmen Village in Duzce province and Dirgine River in Zonguldak province.

Bird watching and flora observation activities are also experienced by ecotourists in the region. Filyos basin is the most preferred area because of hundreds of bird species nesting in the area. Lake Efteni, Lake Sarikum, Lake Abant, Küre Mountains National Park, Ilgaz Mountains National Park are the other noteworthy bird observation areas. Küre Mountains National Park, Ilgaz Mountains National Park, Yenice Forests, Plateaus of Düzce Province, Lake Abant, and Lake Sarikum have very rich rare and endemic species for flora observation. Yedigöller (seven lakes) National Park, popular with its lakes formed by landslides is visited by 30.000 of tourists annually because

of its camping facilities and unspoilt natural landscape [17].

Western Black Sea region hosts 2 million tourists every year [18]. Including excursionists with a rough estimation this number reaches up to 5 million visitors annually. Although the area is visited by a remarkable number of tourists every year there is no statistical data about the total tourism revenues and the percentage of nature-based tourists visiting the Western Black Sea Region.

3. Conclusion

This paper provides insights in ecotourism development in the Western Black Sea Region. In the region trekking, hiking, and walking are the most desirable activities for ecotourists to participate in. There is some indication in the literature that walking activities are the most popular activities for nature-based tourists in many destinations. These activities are also consistent with the activities identified by the research conducted in Van Basin and in Antalya. Canyoning, bird watching and flora observation are also new types of tourism activities for ecotourists visiting Western Black Sea Region.

Ecotourism is an opportunity for rural and regional development of Western Black Sea Region. Such type of tourism can create tremendous impact on the local economy and the quality of life of the residents. Development of ecotourism will rejuvenate the area by creating new job opportunities for people and attracting the immigrated local people back to the area to work in the tourism industry. It appears that tourism will stimulate the local economy and increase the standard of living in the near future.

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The Ways of Counteraction to the Financial-Economic Crisis at the Regional Level

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Abstract

The article is devoted to the grounding of directions that can be used by regional government bodies with the aim of minimization of negative influence of financial-economic crisis.

The peculiarities of regions as subjects of economic development are considered.

The mix of measures is proposed to increase the competitiveness of regional economy in conditions of financial-economic crisis.

Key words: financial-economic crisis, region, regional economy, competitiveness.

J.E.L. Classification: R11

1. Introduction

The tendency of socio-economic processes regionalization is clearly seen both in Ukraine and in the whole world. Regionalization is also the organizational and spatial form of development of the modern productive forces that provide the optimal conditions of their realization.

It should be noted that the regional economic system has really formed and is functional now. It can be represented as the set of institutions, mechanisms of functionality, regulation and development of the economic processes within a certain territory which is aimed to meet the needs of the regional community.

The regional economy objectively shows the higher effects of the public economic activity, which gives grounds for talking about the following regional advantages:

- better using of the local resources;

- real potential opportunities for augmentation of the social capital;

- the opportunity of making a close contact and productive cooperation between local government and enterprise;

- better ensuring of needs and improving living standards of the local community.

The regionalization of socio-economic processes makes it possible to increase the real income per capita that is concerned by V. Izard as the most important indicator of success of the regional integration. Debates around the issues of overcoming the financial crisis concentrate largely around the central government objectives. The regional aspect of counteract the crisis is hardly discussed. The aim of the article is to research and show possibilities of the regional government, business and community to resist financial crisis.

Taking into account the fact that regions are seriously affected by the external factors, it is also important to ensure their competitiveness. It is expressed in the region's ability to operate successfully in a global environment, realize its geoeconomic interests and provide the external economic security.

2. Institutional support of the anti-crisis policy at the regional level

The current crisis is time for active use of the potential of the regional development. In spite of the existing defects, the region has at its disposal tools, which can not only mitigate the consequences of the financial and economic processes but also exhilarate the exit of the crisis. There can be highlighted two aspects of such activity:

- creating institutional providing of the anti-crisis actions;
- activities to counteract the crisis and revival of economic dynamics territories.

The first part of tasks which consists in creating of institutional support of anti-crisis actions comes to a following triad: anti-crisis program, anti-crisis center, anti-crisis management.

First of all, it is a really significant thing to develop an anti-crisis program of actions that will give an opportunity to reveal the main problematical areas – the places of making efforts and concentration of intellectual, financial and material resources. In fact, the question is to identify "growth poles" that are able to work in crisis conditions. Each region has its own specialties, its own production structure, its own "anti-crisis" enterprises and industries. Despite these differences, we can point to several common areas for Ukrainian territories: agriculture, domestic tourism, infrastructure projects. The local authorities should focus their attention exactly on their development, provide their maximum assistance.

Realization of the program requires creation of the regional anti-crisis center, in which should be presented the main subjects of the territorial economic complex. We can talk about the existence of regional business "pentagon", which includes the local authorities, associations of entrepreneurs, research institutions, professional associations and chambers of commerce. It is also reasonable to join to them the members of the bank business. Crisis center should be chaired by the manager of the regional government.

It should be noted that there is a connection between institutions and policy that should be conducted because the economic policy is nothing more than "... the ability to involve in a specific game all actors – entities of the liberalized economy" [2]. It follows that the success of anti-crisis policy requires creation of the special institutional framework that would unite the efforts and creativity of all the participants of the regional business process.

The anti-crisis management requires presence a group of the "quick reaction" in which all the current information about the development of the socio-economic situation

in the region processed. The aim is to use the scientific community and provide the analytical support of the economic decisions and development of regional policy for the benefit of the community.

In this area the important task of regional authorities is a specialization as a way to rationalize social production. It promotes the growth of labor productivity, reduction of production costs and improvement of its quality. Thus, specialization creates a competitive advantages of the areas, strengthens their position in the world. John Mayer notes that the internationalization of markets is accompanied by increasing the level of the international specialization [3, p 91].

3. The measures of the crisis expressions counteraction and intensification of the regional economic growth

Further countermeasures of the crisis and revival of the economic dynamics of the region from the standpoint of the competitiveness raising are briefly considered. These activities are divided into two groups: aimed at finding and mobilization of internal reserves of development and directed to search of the same external. First consider the measures aimed at searching and mobilization of a number of such internal possibilities: the development of the internal market, encouragement of the investment activity of the population, measures of import substitution, infrastructure projects.

The development of the internal market takes a prominent place in the first group of measures. As the access to the foreign markets is complicated, major efforts should be aimed at increasing the capacity of the domestic market. Measures are also known: providing incomes of the community, availability of prices for goods and services, overcoming trade monopoly. Another step must be the price controls and the fight against unreasonable price advance.

The other group consists of the public investment stimulation measures. It is known that in conditions of instability banking system considerable funds are concentrated in the hands of public. Such funds investment in reliable business projects could change the situation. Public could entrust their money to

companies that operate on the basis of public-private partnerships [4].

Another course of anti-crisis measures is the import substitution. It can be confirmed that the current crisis's the most proper time for projects of import substitution, replacement of non-strategic import with Ukrainian goods. Although their realization is really time-consuming, but only creating such assignments would mean the revival of economic activity in the region.

The most significant resource of development is based on the infrastructure projects. The circumstance of involving the foreign direct investments is the developed infrastructure existence. It's said about productive, transport and energy and social infrastructure.

The increasing of the industries of the social services significance in the modern world, determines the creating of the new approach to their development. It consists in the maximum involvement of private capital and realizes through the means of the new system of the government management which rests on commercial grounds and are aimed at reducing of the government expenses on the rendering of social services. For this it is used the government-private partnerships as one of the component of the mixed economy. It uses public-private partnership as one of the elements of a mixed economy. At the local level, it can be municipal - private partnership. So, the main problem consists in searching of private investors, providing them with guaranties and creating of incentives.

Globalization encourages regions to their own entrance in the world economic area to realize its geo-economic interests. In this format of presentation we point at such regional activities related to the international economic activity: the aid in establishing business migrants returning home, the loans from foreign financial agents, the use of fraternal relations with foreign cities, connecting regional offices of the Chamber of Commerce to seek foreign counterparts.

An extremely significant task of the regional authorities is the innovative behavior and innovation development in the region stimulation. It is worth mentioning that innovative development provides the country and regions with the transition to a technological competitiveness. It is advisable

to consider that in the world was determined the tendency of advance the pace of the technological changes of economic development [6].

It is advisable to use the capabilities of the regional offices of the International Chamber of Commerce. They not only concentrate information about foreign traders and investment interests, but also make the research of the counterparties, exchange with information with other departments of Commerce, including abroad. Therefore, it is necessary to use the possibilities of these institutions, bringing them to the active cooperation with the regional authorities [7].

4. Conclusions

The above confirms that a regional government has the significant resources and opportunities to influence on the course of the crisis. The problem is to organize the search of domestic and external development resources and maximize their using. It is necessary to create an appropriate institutional structure that would embrace and mobilize the efforts of all the agents of social and economic process of the region. The realized analysis showed that the regional government has a number of activities, application which can simultaneously help reduce the negative impact of financial crisis and significantly increase competitive position of the territory in the international economic rivalry.

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Section II
Business Economy and Administration

Subsection 1
Economy and Economic Informatics

The Factorial Correspondences Analysis of School Population by the Level of Education, at Regional Level

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Abstract

This analysis assumes that there are differences between the Romanian regions regarding the structure of school population, by the level of education. Within this framework, there are considered the identification of the structure of the school population, by the level of education, and also the presentation of the differences in this respect between the eight Romanian regions. Thus, depending on the level of education, where the school population operates, we intend to identify the training level profile specific of each region of the country.

The data used in this analysis are taken from the Statistical Yearbook of Romania, NIS, Bucharest (Anuarul statistic al României, INS, București), 2013, and represent the values of the indicators registered, at regional level, in 2011. [10] [11] The statistical method used in this analysis is the factorial correspondences analysis, applied by means of the SPSS statistical software.

Keywords: factorial correspondence analysis, school population, level of education, Romanian regions

JEL classification: I21, C10, C40, C80

1. Introduction

According to a new report of the European Commission, the European area in which one lives can have a considerable influence on the education and on the life perspectives. The report, which is named "Mind the Gap – education inequality across EU regions" shows significant disparities of the educational opportunities and of the

related results between the member states and within them. It seems that there is a big difference between the north and the south regarding the achieved educational level - the highest shares of the persons with a low qualification level that have passed the secondary school or lower can be mainly found in the regions from the Southern Europe, especially in Portugal and Spain. By contrast, the regions with the lowest shared of the persons with a low qualification level are mainly found in the United Kingdom, Belgium, and Sweden and in the Netherlands. The geographical inequalities in education persist despite the arrangements undertaken by the member states in order to promote the equality in education and in the professional training. The report - the first one of this kind – urges the member states of the European Union to undertake more efforts in order to reduce these inequalities.

"All the European citizens should benefit of education and high quality training, regardless of the place in which they live. It is the moment to respect the assumed commitments. The fight against the geographical inequalities in regards to education is a prior condition for the social cohesion and for the balanced regional development. The European structural funds can and should be used in order to aid the elimination of the inequalities" declared Androulla Vassiliou, the European commissioner for education, culture, multilingualism and youth.

Highlighting the specific socio-economic characteristics of regions, according to their potential, and the level of school population, by level of education, is an important aspect in the development of national and regional economic strategies and policies.

2. Methodology

The factorial correspondences analysis (FCA) is a descriptive method of multivariate data analysis that describes the connections between two non-numeric (categorical) variables: region and level of education. [2] [8]

The method shows a system of factorial axes which, starting from a large data table, focuses the initial information in an easily interpretable graphical form. The representation of the graph is performed in a small Euclidean space. The axes are ordered in a descending way, according to their importance in explaining the total variance of the point cloud obtained [7].

FCA applies especially to the data presented in the form of contingency tables.

The distribution of statistical units is shown in the contingency table, where the rows and columns represent two partitions of the same population and, therefore, play similar roles (contrary to principal component analysis). [1]

The initial information contained in the table is concentrated in a system of factorial axis where there are projected the points represented by the categories of the recorded variables.

Our aim is to find those unrelated orthogonal axes where there are projected the point line cloud and the point column cloud. This is done by calculating the eigenvalues of the inertia matrix and the coordinates of the eigenvectors associated with each eigenvalue. [3] [5]

The distance between the two line sections, i.e. i and i' , is determined using the distance χ^2 , as it follows:

$$d_{\chi^2}(x'_{ij}, x'_{i'j}) = \sqrt{\sum_{j=1}^p \frac{1}{f_{\cdot j}} \left(\frac{n_{ij}}{n_i} - \frac{n_{i'j}}{n_{i'}} \right)^2},$$

where: $i = 1, m; j = 1, p, m$ and p s are the number of rows and columns of the contingency table,

$x'_{ij}, x'_{i'j}$ are values of variable X_j observed for the individuals i and i' ,

$f_{\cdot j} = \frac{n_{\cdot j}}{n}$ represent the marginal relative frequencies,

$\frac{n_{ij}}{n_i}, \frac{n_{i'j}}{n_{i'}}$ are partial relative frequencies,

n_{ij} are partial absolute frequencies.

In an analogous manner, there is also determined the distance between the two column sections, i.e. j and j' .

In order to assign a meaning to the distance between the row-points and the column-points, the relative frequencies are used, thereby obtaining "profiles" of rows and columns, respectively, by the common transformation of descriptive statistics.

The factorial correspondences analysis will be used in order to highlight the structure of the school population in the Romanian regions, depending on their level of education. Thus, the analysis will include two non-numeric variables: regions and levels education.

3. Data and results

After processing the data, we obtained the statistical indicators calculated for the row-points and for the column-points, and the graphical representation of these points in factorial axis system.

The following table 1 shows the *distribution by the levels of education* of the school population, by region, in 2011.

Table 1: Row profiles

Regions	Correspondence Table Level of education		
	Preschool	Primary education	Secondary education
North-West	96025	103610	103548
Center	91319	99149	93994
North-East	123920	158496	161692
South-East	85430	104263	104470
South-Muntenia	94675	121549	124284
Bucharest-Ilfov	59956	70293	66498
South-West	66297	79624	86200
West	56016	66918	68653
Active	673638	803902	809339
Margin			

Correspondence Table

Regions	Level of education		
	High school	Higher education	Active Margin
North-West	119822	78862	501867
Center	97341	61699	443502
North-East	157464	66356	667928
South-East	111455	45988	451606
South-Muntenia	127412	26110	494030
Bucharest-Ilfov	88471	166853	452071
South-West	102060	32762	366943
West	84743	61222	337552
Active Margin	888768	539852	3715499

* Source: Table processed in the SPSS programme, based on the data from Statistical Yearbook of Romania, NIS, Bucharest (*Anuarul statistic al României, INS, București*), 2013

The values presented in Table 1 show that, by the education level, the largest school population in the Romanian regions is to be found in high school.

Most of the school population at the preschool (18.4 %), primary education (19.7 %), secondary education (20%) and high school (17.7%) levels is concentrated in the North-East region and the school population in higher education (31%) is concentrated in the Bucharest-Ilfov region (with the great university center of Bucharest).

The lowest level of school population was recorded in the West, for preschool, primary education, high school and secondary education levels, and in South-East region for higher education (4.8%).

Another important aspect highlighted in Table 1 shows that 58% of the school population in higher education is focused in the Bucharest-Ilfov region and in the North-East and North-West regions, the remaining 42% being distributed in the other five regions.

The values presented in the table 2 above form the row profiles of regions.

Table 2: The regional distribution of the school population by levels of education. Column Profiles

Regions	Level of education					
	preschool	Primary education	Secondary education	High school	Higher education	Margins
North-West	.143	.129	.128	.135	.146	.135
Center	.136	.123	.116	.110	.114	.119
North-East	.184	.197	.200	.177	.123	.180
South-East	.127	.130	.129	.125	.085	.122
South-Muntenia	.141	.151	.154	.143	.048	.133
Bucharest-Ilfov	.089	.087	.082	.100	.309	.122
South-West	.098	.099	.107	.115	.061	.099
West	.083	.083	.085	.095	.113	.091
Active Margin	1.000	1.000	1.000	1.000	1.000	

* Source: Table processed in the SPSS programme, based on the data from Statistical Yearbook of Romania, NIS, Bucharest (*Anuarul statistic al României, INS, București*), 2013

Table 2 shows that, of the total school population in preschool, primary, secondary and high school levels, the highest percentages are in the North -East, and, in terms of higher education, it is concentrated in the Bucharest- Ilfov region. Also, of the total number of school population in the first three levels of education, between 18% and 20% of the school population is situated in the North-East region, while less than 10% are in the Bucharest- Ilfov region.

By analyzing the values in this table, it appears that there are similar regional distributions between the preschool, primary, secondary and high school education levels. Within the system of the first factorial axes, these fields of activity will be closely spaced to each other.

The values shown in Table 2 form the column profiles of the fields of activity.

In the application of the factorial correspondences analysis, it is necessary to test the hypothesis of the independence between the variables. The test of this hypothesis is based on the calculated value of

χ^2 statistics and implies the formulation of the following statistical hypotheses:

- H_0 : the hypothesis of variables' independence;
- H_1 : the hypothesis of variables' dependence. [6]

The calculated value of the test statistics, presented in Table 3, is the $\chi^2 = 257037.619$, higher than the tabulated value $\chi^2_{0.05;28} = 41,337$ (for a risk of 0.05 and $v = 28$ degrees of freedom), indicating that the hypothesis H_0 is rejected.

With a probability of 95%, we can guarantee that there are connections between the considered variables. These connections will describe the results obtained from the application of the factorial correspondences analysis.

Table 3 The calculated value of χ^2 statistics, the eigenvalues and the inertia explained by each factorial axis

Dimension	Singular Value	Inertia	Chi Square	Sig.	Proportion of Inertia	
					Accounted for	Cumulative
1	.259	.067			.973	.973
2	.036	.001			.019	.992
3	.023	.001			.008	1.000
4	.004	.000			.000	1.000
Total		.069	257037.619	.000 ^a	1.000	1.000

Source: Table processed in the SPSS programme, based on the data from Statistical Yearbook of Romania, NIS, Bucharest (*Anuarul statistic al României, INS, București*), 2013

According to the Benzécri criterion, there are chosen those factorial axes which explain at least 70% of the total variance. In this case, the first factorial axis explains 97.3% of the total variance.

The coordinate values of the points in the system of the first and second factorial axes are shown in the following two tables, Tables 4 and 5:

Table 4 The coordinates of row points

Regions	Mass	Score in Dimension	
		1	2
North-West	.135	.070	.056
Center	.119	-.037	.362
North-East	.180	-.264	.087
South-East	.122	-.243	.011
South-Muntenia	.133	-.519	-.051
Bucharest-Ilfov	.122	1.250	-.029
South-West	.099	-.305	-.362
West	.091	.207	-.238
Active Total	1.000		

Source: Table processed in the SPSS programme, based on the data from Statistical Yearbook of Romania, NIS, Bucharest (*Anuarul statistic al României, INS, București*), 2013

An important aspect that can be noticed in the results table on row points is that there are only two positive coordinates on the first factorial axis, i.e. the Bucharest-Ilfov region and the North-West region.

Thus, it can be stated that there is a significant difference between the distribution of the population by the level of education in the Bucharest-Ilfov and North-West regions and the distribution of the population in the other Romanian regions.

Table 5 The coordinates of column points

Education level	Mass	Score in Dimension	
		1	2
Preschool	.181	-.188	.256
Primary	.216	-.235	.124
Secondary education	.218	-.274	-.028
High school	.239	-.142	-.293
Higher education	.145	1.230	.019
Active Total	1.000		

Source: Table processed in the SPSS programme, based on the data from Statistical Yearbook of Romania, NIS, Bucharest (*Anuarul statistic al României, INS, București*), 2013

By analyzing the results of column points, we notice that the points corresponding to primary, secondary and high school education levels have a negative coordinate on the first factorial axis. We can conclude that there are significant differences between the distribution per regions of the school population in these four areas in relation to the distribution per regions of the school population in higher education.

The two negative coordinates of the secondary education point (-0.028 on the first axis and -0.274 on the second axis) show that there is a concentration of the school population in this field (secondary education), in some regions, unlike the other fields where the distribution of the school population is more balanced. The same holds true for high school education, where both values are negative on the first factorial axis.

Figure 1 provides a graphical representation in the first two factorial axes system, of the row profiles and column profiles, respectively, based on the data presented in Table 1.

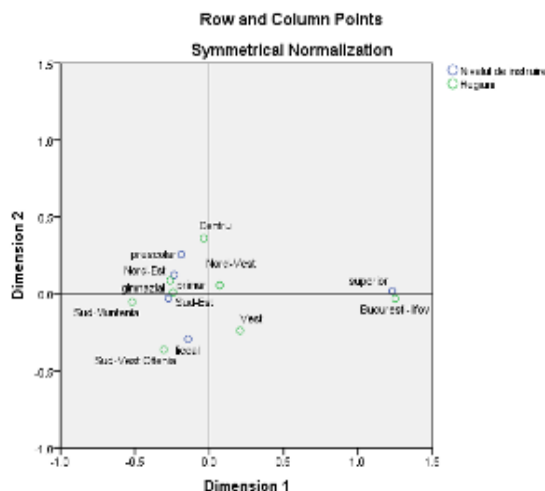


Figure 1. The representation of the categories of statistical variables in the system of the first two factorial axes
Source: The author's processing of the data provided by NIS

By analyzing the positions of the points represented by the levels of education, in the system of the two factorial axes of the chart above, it may be noticed that there are great differences in the regions between the school population in higher education, on the one hand, and the school population in the

preschool, primary and secondary and high school education, on the other hand.

The regions where the number of the population in higher education is high are characterized by a low level of the population in preschool, primary and secondary and high school education, and vice versa. Between the points represented by the Romanian regions, the greatest distance is between the North- East, South -West, South - Muntenia, South-East regions, on the one hand, and the Bucharest-Ilfov region, on the other hand. This means that between these regions there are the greatest differences in the structure of the school population by the level of education.

The complete results regarding the row points (regions) and the column points (education levels) are calculated in the *Score in Dimension* column in Tables 4 and 5.

Between the points represented by the Romanian regions, the greatest distance is between the North-East, South-West, South, South-East regions, on the one hand, and the Bucharest-Ilfov region, on the other hand. This shows that between these regions there are the greatest differences in the structure of the school population by the level of education.

This representation in relation to the two factorial axes highlights both the specific characteristics of each region, as well as the significant differences between regions in terms of the structure of the school population, by the level of education. However, it is noted that, in the Bucharest-Ilfov region, higher education is prevailing.

4. Conclusions

The analysis revealed the characteristics of the school population from the eight development regions of Romania in terms of its distribution by the level of education.

The results show that the Bucharest region is distinguished by the highest percentage of the school population in higher education, compared to all the other regions. The South- East, South -West and South-Muntenia regions are characterized by a high proportion of the school population in high school education. In the Central, North-East and North-West regions, preschool, primary and secondary education levels are most present.

Detaching the specificities of our regions and drawing their socio-economic profile should underpin regional development patterns. These patterns need to capture the regional specificities and the economic decision makers must apply economic policy measures based on the development potential of each region.

Regionally, this study can be used to define and develop options and sectorial development programs in the economic, social, education, health, transport, tourism fields etc.

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Romanian's Food Consumption and its Implications on Health Condition and Quality of Life

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Abstract

The analysis of the food consumption of the Romanian population reveals the fact that a series of foods are consumed in excess, while other nutritional factors register deficient intake, which considerably increases the risk of chronic diseases. Thus, the high saturated fat consumption (foods high in saturated and trans fatty acids), cholesterol, salt, sugar, refined grains and even alcohol increase the incidence of chronic disease risk. Unbalanced consumption of fish and dairy products, fresh fruit and vegetables results into a lower intake of essential amino acids, polyunsaturated fatty acids, vitamins (C, A, B, D, folic acid), calcium and iron, according to recommendations of nutritionists. Therefore, there are required some nutritional recommendations to ensure the optimal nutrient and energy needs of the body, thus reducing the risk of chronic diseases and ensuring the health of the population.

Key words: food consumption, energy intake, nutrient intake, population health condition, quality of life

J.E.L. Classification: I15 – Health and economic development.

1. Introduction

Nutrition plays an important role in promoting and maintaining the health

condition during the entire life, a non-sanogenous diet playing an important role in determining the incidence of many chronic diseases and alarming prevalence in current civilization such as obesity, type 2 diabetes mellitus, cardiovascular disease, cancer, osteoporosis and dental diseases.

Recent reports of the World Health Organization show that chronic diseases contributed with approximately 60% to the total all deaths reported worldwide (almost half of this figure being due to cardiovascular diseases) and with almost 46% to the current global morbidity, 79 % of deaths registered in the world due to chronic diseases occurring in developing countries. It is expected that by 2020, deaths due to chronic diseases to increase to 57% worldwide, and the mortality caused by these could reach about 75% of all deaths (Nutrition Society of Romania, 2006).

A common feature of chronic diseases, however different may be their mechanism of production is that each represents a great potential of prevention, which once achieved could provide significant reduction in medical costs, as well as in all costs socially and economically related. The target of primary prevention of chronic disease is the modifiable risk factors, among which stand out especially the eating habits and sedentary lifestyle. To these there may be added other measures regarding risk factors such as chronic smoking, alcohol consumption, overweight, dyslipidemia, hypertension, etc. (Nutrition Society of Romania, 2006).

Food quality is a concern because it

directly affects the health condition of the population. Thus, it is known that certain deficitary food patterns are associated with 4-10 causes of death (coronary heart disease, some cancers, stroke, type 2 diabetes). Moreover, a healthy diet may reduce major risk factors for a number of chronic diseases such as obesity, high blood pressure, high cholesterol content in the blood, etc.. It is estimated that the main means of improving the state of health of the population is improving its food.

2. Characteristics of food consumption of the population in Romania

Main determinant of long-term changes in food consumption is the consumer's income. The decline of real income and the increase of the prices of products during 1990-1999 have decreased the purchasing power of the population which was reflected in the changes occurring in food consumption patterns.

Another reason for the substitution effects of structural changes occurring in consumption is that until 1999 the consumer price indices of food products were superior to total consumer price indices (Costin, G.M. and Segal, R., 2001). Thus, this period is characterized by the reduction the consumption of fruit (27.06%), sugar (23.44%) and vegetable fat (14.5%) of the food category of vegetables, respectively, fish (with 56.86%), meat (with 20.82%), eggs (with 16.26%) and animal fats (with 35.29%), of the group of animal products. On the other hand there is a substantial increase in the consumption of potatoes (with 44.95%), vegetables (with 22.83%) and cereals and cereal products (9%), of vegetable origin products category and respectively, milk and milk products (with 38.47%) of the category of animal products.

With regard to the consumption of drinks in the period 1990-1999 there is an increase in the consumption of soft drinks by 89.42% and the consumption of wine, until 1998, with 74.05% compared to 1990, while the consumption of beer decreases until 1997, with 21.84% compared to 1990, the same trend being registered in the consumption of distilled alcoholic beverages.

In the period 2000-2008, due to an improvement in the economic situation of

Romania and as a result of doubling the consumer incomes, as evidenced by increasing real earnings index by 119.2% in 2008 compared to 2000, increased consumer purchasing power which is also emphasized by increased food consumption in all commodity groups except for cereals and cereal products whose consumption decreased by 5.9% in 2007 compared to 2000. The biggest increase in consumption (with 212.09%, in 2008 compared to 2000) had soft drinks, followed by fruit and fruit products derived (with 86.97% in 2006 compared to 2000), fish and fish products (with 76.92% in 2006 compared to 2000), beer (with 67.27% in 2007 compared to 2000), meat and meat products and edible offal (with 50.97% in 2006 compared to 2000).

Decreasing population incomes in 2008-2011 as a result of economic recession caused further changes in food consumption structure, except for fish and fish products all groups of food registered decreases.

Thus, the average annual consumption of fruits and fruit products decreased with 7.5% in 2011 compared to 2008, the consumption of milk and dairy products decreased by 10.6% (in 2011 compared to 2008), the consumption of eggs decreased by 6.8% (in 2011 compared to 2008), meat consumption decreased by 25.9% (in 2011 compared to 2008), the consumption of beverages also followed the same downward trend which was stronger in the case of alcoholic beverages.

With regard to the consumption of vegetables and fruit, leguminous bean plants and watermelons, the largest proportion in the diet have tomatoes, followed by cabbage, melons, dry onions, edible roots and pepper. Tomato consumption showed a fluctuating variation from year to year. The consumption of leguminous bean plants declined until 1994 after which a slight increase was registered until 2009 without large variations from year to year. Nevertheless, the average annual consumption of leguminous bean plants of the year 2010 represents only 71.79% of the average consumption registered at the level of the year 1990. Remaining vegetables consumption recorded average annual growth in the period under review, as follows: cucumbers with 114.29%, melons with 99.19%, cabbage with 85.27%,

green beans with 69.23%, edible root vegetables with 62.16%, peppers with 56% and dry onion with 52.46%.

With regard to consumption of fruit and fruit products, the highest rate in the current food of Romanians is registered with the apples, followed by southern and exotic fruits, grapes, plums, cherries and sour cherries, peaches and apricots and sour apricots. It should be noted that until 1997 the grape consumption held the second place among Romanians preferences with regard to fruits and fruit products, after apples, and since 1998 the consumption of southern and exotic fruit has greatly increased leaving behind the grape consumption. Actually, southern and exotic fruit represent the only categories whose consumption increased during 1990-2011, most types of fruits registering a decrease in consumption.

In the case of meat, the highest consumption is recorded for pork, followed by chicken, beef, mutton and other types of meat and offal. In the period 1990-2011 the consumption of pork increased with 25.1%, while the consumption of chicken, although some variations were recorded in the year 2011 is similar to that of the year 1990, the consumption of other types of meat increased in the years 2007-2008, and later returned to the values recorded in 1990, beef consumption dropped with 50.46% compared to that corresponding to the year 1990, and edible offal consumption recorded a decrease of 17.07% compared to that corresponding to the year 1990. High consumption of pork is attributed to Romanian traditional preferences.

In terms of vegetable and animal fat consumption during the analyzed period there is a decrease of butter consumption on account of the vegetable oil and margarine. Although the effects of substitution in consumption are usually influenced by changes in relative prices (higher accessibility of margarine), it is possible that these trends represent the onset of health concerns or at least aspects of nutritional food selection.

Other factors contributed as well to these patterns of food consumption in Romania, namely cultural factors (the use of refined sugar, eggs and animal fat in preparing traditional homemade cakes), socio-psychological factors: traditional preferences

are sometimes contrasted with medical recommendations: preference to fatty foods (cabbage rolls stuffed with meat) educational factors: poor knowledge about the implications of different food products consumption on individual health.

The analysis of average daily food consumption, per capita, expressed in kcal (Figure 1) compared to average daily caloric needs, per capita, calculated taking into account the structure of the Romanian population and FAO recommendations, indicates a surprising dietary caloric surplus up to 20% in the period 1990-2000, in the context of the decreasing of the average real income, probably maintained by consuming cheap calories, because in 2001-2008 caloric surplus grew to 24-33% compared to the necessary one, and after 2008, as a result of the registration of a further fall in average real wage levels of the population that surplus has fallen to 27.2% compared to the needs.

Reducing food quality in Romania in the period 1990-2000 can be evidenced by the reducing of protein intake by 3.16% in 2000 compared to the corresponding 1990.

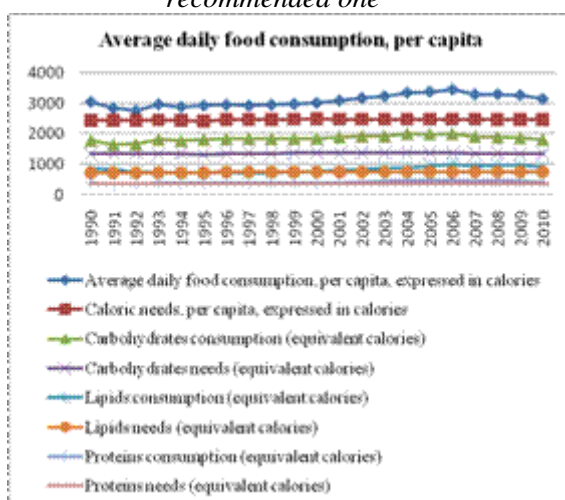
Moreover, the proportion of animal protein with high biological value is below the proportion of vegetable protein and the recommended value of 50%. During the period 2000-2011 food quality improves slightly, fact often remarked upon by increasing protein intake with 1.51% compared to the corresponding year 1990 as well as by increasing animal protein with high biological value. Thus, in 2004, the share of animal protein with high biological value equals the percentage of vegetable origin protein and dietary recommendations, and as a result since 2005 the proportion of proteins with high biological value has exceeded 50%.

Regarding the balance between fat intake and requirements, we can say that in the period 1990-2000 it is quite balanced, but starting with the year 2001, based on the increase of real incomes of consumers, the fat intake also increased to a maximum of 32.7% compared to necessary intake, in 2006, and later declined slightly to 24% from necessary (corresponding to 2011).

Analyzing the structure of the intake of lipids we can see an imbalance compared to the recommendations of nutritionists

determined by the share of more than 10% of saturated fatty acids at the expense of intake of polyunsaturated fatty acids which is significantly below the recommendations of FAO, namely 10%. Since 2003, it has been noticed a fat intake of over 35% of the average daily energy intake, which may be associated with increased saturated fat intake and daily caloric intake, favoring obesity.

Figure 1. Evolution of the average daily food consumption, per capita, compared to the recommended one



Data processing by the National Institute of Statistics

The greatest imbalance is registered between intake and need for carbohydrates, based on high food intake of cereals and cereal products, which in the context of low income level in Romania, contributes in a high proportion to provide the necessary calories (above 40% compared to 30% in developed economies). Thus, the imbalance between glucides intake and needs is noticed throughout the analyzed period, constantly increasing from 21.78% in 1991 to 46.16% in 2003, when, due to higher incomes of population, the imbalance begins to decrease, reaching 32.7% in 2010.

Disaggregating the caloric consumption on types of families suggests potential nutritional deficits among poor families. Thus, the average caloric intake of unemployed families was below the minimum amount recommended for adults by nutritionists in Romania (2450 cal), calculated on the basis of the consumption basket needed for a healthy life. Thus, in the year 1999, families from the first decile of

income had an average daily intake of 2036 calories below the recommended by nutritionists for a healthy life.

There are signs of nutritional deficiencies of the level of numerous poor families, given that poverty was systematically associated with an increased size of the family. Most commonly, these casualties are children of poor families. Food quality is poor in low-income families, remarking lower proportion of animal protein, due to the reduction of purchasing power for meat and dairy products. For these families the dominant share of caloric and especially protein consumption is represented by vegetal products, animal calories representing on average only 25%, which is considered an indicator of poor quality of food.

The analysis of nutritional factors consumption depending on the income deciles suggests that as income increases there is a reduction in the share of plant products in caloric intake, especially in the protein.

With the increase of the level of education and of income and with the decrease of the average size of the family, there is an increase of the contribution of animal products in caloric intake and especially the protein. However, the level of education is accompanied by a decrease in the share of animal fats, which indicates a possible positive association between this variable and the level of knowledge of healthy eating.

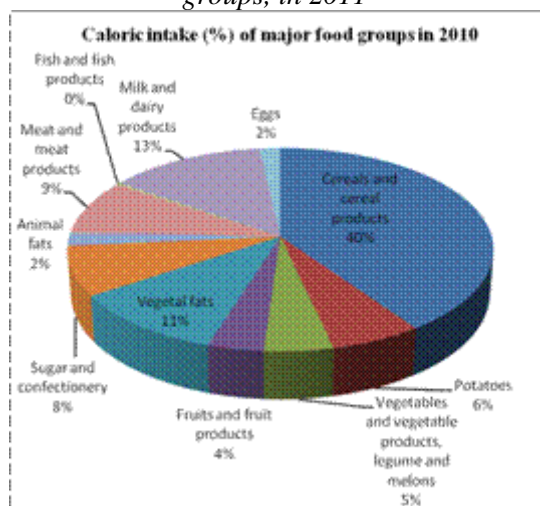
Figure 2 shows what can be called a typical Romanian diet, which is based on grains and grain products (breads, corn, etc), milk and milk products and vegetable fats and to a lesser extent meat and products meat, potatoes, vegetables, fruits and fruit products, animal fats, fish and fish products. It can be appreciated that the Romanian diet is close to that of Mediterranean countries (high share of cereals and less meat).

Compliance with religious customs, especially in rural families, creates opportunities for protein and calcium deficiencies due to abstinence from animal products, on relatively long periods of the year. Families with low income among the unemployed and pensioners constitute a special risk group.

In Romania the consumption of fruit, vegetables, fish and milk and dairy products are even lower than nutritional

recommendations, what determines a lower contribution for a number of necessary nutrients such as potassium, calcium, vitamin D, polyunsaturated fatty acids, leading thus to reasons of concern for ensuring the health of the population.

Figure 2. Caloric intake (%) of main food groups, in 2011



Data processing by the National Institute of Statistics

In order to avoid these potential drawbacks which may maintain long-term adverse implications on the health of the population the following recommendations can be made:

- increase the consumption of fruits and vegetables;
- reduce the consumption of potatoes and increase the consumption of vegetables and legumes;
- replace refined grains with whole grains;
- increase consumption of partially or completely skimmed milk, of soy-fortified foods and beverages;
- diversify the sources of protein in the diet: fish and seafood, lean meat, poultry, eggs, legumes, soy products, unsalted oleaginous fruits;
- decrease the share of pork in the diet and increase the share of fish and seafood;
- replace foods high in solid fats with the others of a lower-caloric value or rich in non-hydrogenated vegetable oils;
- replace solid fats consumption with oils whenever possible.

There are three reasons behind the recommendation to increase the consumption of fruit and vegetables. The first is that most

fruits and vegetables are the main sources of certain nutrients whose daily food intake cannot match the needs of the body, namely magnesium, potassium, calcium, dietary fiber, vitamin A, C, folic acid, becoming thus a concern to ensure health of the population. Second, consumption of fruit and vegetables is associated with reduced risk for many chronic diseases.

Although Romanian diet contains sufficient amounts of cereal products, a problem that can have serious repercussions on the health of the public draws attention, namely the share of increasingly highly refined grain products rich in solid fats and sugar, at the expense of whole grains.

Whole grains are an important source of iron, magnesium, selenium, vitamin B complex and dietary fiber. Thus, in order to maintain within the limits of recommended daily energy intake and a better control of body weight, at least half of the grain intake should be represented by the whole grains, the rest of the cereal products being necessary to be fortified with the a number of vitamins and minerals. Many nutritionists believe that wholegrain cereals should be the second main constituent of food, after water.

Regarding protein intake in the diet of Romanians may be considered adequate in terms of quantity but not quality. Therefore varied and balanced consumption of foods rich in protein intake can improve and bring a number of health benefits. Some studies have shown that a number of oleaginous fruits (walnuts, almonds, pistachios) reduce the risk of cardiovascular diseases if consumed in adequate amounts within your daily caloric needs. Due to their high energy intake they should be consumed in small portions, substituting other foods high in protein and should not supplement a daily diet.

With regard to consumption of milk and dairy products, it is slightly below the nutritional recommendations, which is why it is recommended increasing of food intake of milk and milk products, apart from those totally or partially skimmed to ensure increased intake of potassium, vitamins A and D and decreased sodium intake, cholesterol and saturated fatty acids.

More and more evidence are coming to support the health benefits of consuming fish and seafood. This is why experts recommend a minimum of weekly consumption of 225 g

fish or seafood, respectively, accounting for 20% protein derived from this source.

Fish consumption among the population in Romania is very low and it is recommended to increase it in the future because, among other nutrients, it represents an important source of fatty acids, ω -3 and eicosapentaenoic acid (EPA) as well as of docosahexaenoic acid (DHA).

Correcting all these deficiencies of food consumption of the population of Romania is absolutely necessary to achieve and maintain the health condition of the population, in order to avoid nutritional imbalances that could lead to an increased risk of chronic diseases.

3. Conclusions

The structure of caloric consumption at the level of the year 2011 does not reflect major signs of concern in the proportion of protein (14.13%), carbohydrates (57.39%) and lipid (29.23%) being close to OMS recommendations.

However, regarding the structure of consumption in depth, although fat intake is within the limits of the nutritional recommendations, the high percentage of saturated fat (because of the high consumption of pork and animal fats) increases the risk of cardiovascular diseases, which is supported by the high rate of cardiovascular diseases in Romania, one of the highest in the European Union.

The examination of the incidence of mortality on categories of diseases of the circulatory system outlines a very high incidence especially for cerebrovascular diseases, women being more vulnerable, a situation different from the distribution of ischemic heart disease. The analysis of population food consumption showed that some nutrients are below the recommended level for vitamins (especially A, B, D), calcium, as a result of low fish consumption and consumption of dairy products which are inferior to the nutritionists' recommendations, vitamin C, folic acid, iron (following the low consumption of fresh fruit and vegetables).

Deficiencies of vitamins and mineral salts, especially in children, can have dramatic effects on the long term: visual impairments due to vitamin A deficiency,

anemia due to the reduction rate of absorption of iron from food, especially for children with deficits of vitamin C, increased risk of diarrhea and respiratory diseases caused by lack of iron.

The biggest challenge for consumers is the compliance with nutritional recommendations which carefully control the body weight. Therefore, it is recommended to use so-called "dense foods" that provide vitamins, minerals and other substances with favorable effects on health but have low caloric intake.

These foods are rich in dietary fibers and contain no or very low content of solid fats, sugar, starch, sodium or high sodium containing compounds. Vegetables (except for potatoes), fruit, whole grains, milk and partially or completely skimmed milk, fish and seafood, lean meat and poultry, eggs, legumes, oleaginous fruit, which are prepared without added solid fats, sugars starch and salt are considered dense foods.

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Hayek's Economic Ideology

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Abstract

A proponent of free-market liberalism, Friedrich A. Hayek made fundamental contributions in political theory, psychology, and economics. His significant intellectual contribution to a number of scholarly disciplines was mainly grounded in his critique of socialist economics. And Hayek's critique of socialism was grounded in his scientific understanding of economics. Many of his contributions are so remarkable that people still read them more than fifty years after they were written. Spontaneous order, also known as self-organization, is one of his major conceptual contributions. It is in fact the spontaneous emergence of order out of seeming chaos from a combination of self-interested individuals who are not intentionally trying to create order through planning. Hayek is well known for his use of the concept of spontaneous order to praise the market, reject socialism, and argue that moral traditions are the products of evolution.

Keywords: spontaneous order, market, catallaxy, ideology, liberalism.

J.E.L Classification.: B310

1. Introduction

Hayek's immense work covers several decades and several fields: law, psychology, social and political philosophy, epistemology, and, of course, economics. It fascinates by its unity and coherence which spring from Hayek's ideological approach. Hayek places the individual at the center of the world and starts his analysis with the individual's actions in order to understand the world. In his eyes, the spontaneous social order takes shape around the free market. Supporter of liberalism, he criticized those who were attracted by planning, which he

saw as a step towards totalitarianism. His entire work is the expression of an achieved ideological way of thinking.

Unlike natural sciences, like physics and biology, social sciences, and particularly economics, do not deal with relations among things, but rather relations between individuals and things and between individuals. Human actions cannot be defined using physical terms. Human actions are what the acting individuals think they are. Therefore, understanding and explaining a social phenomenon can only be done starting with subjective representations of the acting individuals.

Hayek favored an individualistic approach to social realities. The phenomena that occur in our world appear to him as the complex result of the actions taken by individuals. So that understanding these phenomena is to look into the motivations that guide human action.

Hayek also favored a subjective approach to the individual. For him, individual action lays upon opinions, perceptions, beliefs, which differ from the realities of the physical world. So for Hayek there is a duality between the physical and social context in which individuals are immersed, on the one hand, and the perceptions of the individuals, on the other hand. What finally guides human actions are the opinions and the personal knowledge of individuals and not the objective material context in which they act.

Human spirit is not only an individual's guide but also the product of the individual's cultural evolution. Plus there are important psychological and physiological differences between individuals. As a result each individual has his own perceptions and representations according to the particular information he possesses. So, social life is characterized by what he calls division of knowledge, similar to and just as important as the division of labor.

It is no wonder that Hayek criticizes the

holistic macroeconomic approach which treats society, economy, capitalism, a class, a nation as a whole and discovers their laws observing their behavior as such. He also criticizes the inductive method of historicism whose essential idea is that history is the observation based study of society out of which we can infer its development laws and tendencies. Constructivism was also under criticism by Hayek. According to constructivism, social life is subjected to rules for everybody. For Hayek, this way of conceiving social order is justified only if there is a small number of individuals that are taken into consideration, such as a family, a company, or an association, but not society as a whole.

2. Hayek's Ideological Thinking

Hayek's ideology is systematic in its inspiration and coherent in its prescriptions. And his liberal theses are self evident and persuasive. They enjoyed great popularity in the 70s and the 80s.

His works can be divided into three phases.

The works of his youth cover the period between the Great Depression and WWII and contain pure economic analysis. The most prominent of these works is *Prices and Production* in which he builds a theory of economic activity. His conclusion: the only way to constantly mobilize all the available resources is to not use artificial stimulants but to let time work and let the production means adapt and build capital. And as a direct consequence, once a crisis has set in nothing can be done before it comes to its end.

The period between WWII and the 60s is Hayek's maturity as an economic writer. His tone is completely different and his approach is political. The keyword is freedom. The *Road to Serfdom* and *The Constitution of Liberty* display opposite thinking strategies. In the former Hayek's approach is negative and targets the planned society, whereas in the latter his approach is positive and pleads for a free society. For him, freedom is lack of coercion and the law can only prohibit actions, and not situations.

By coercion he understood the control over an individual's environment and circumstances by another individual, so that,

in order to avoid a greater evil, he is forced to act not according to his own coherent plan, but to serve the other individual's interests. [1]

In the name of freedom, Hayek condemns interventionism in all of its shapes. His axiological premise in this phase covers the ground of law and politics.

Economic freedom, the ground for any kind of freedom, cannot be the relief from economic worries, as the socialists promise; it cannot be attained by sparing the individual's need and prerogative for option; it must be the freedom of our economic activity, which, along the right to have an option, involves the risk and responsibility of that right. [2]

The climax of his economic thinking is reached in the third phase, after the 70s in *Law, Legislation and Liberty* and his testament *The Fatal Conceit*. In this period he revisits some of his previous economic and political conclusions. But he also brought forth new concepts, such as spontaneous order, catallaxy or market order, and dispersion of information. In this period he built a theory of cultural evolution similar in many ways to Darwin's theory of biological evolution.

There is one element that appears to be constant throughout Hayek's entire work: the remarkable constancy of his conclusions. He constantly underlined how harmful interventionism is both in the economic and the political fields. As far as his premises are concerned, in the first phase they are entirely economic, then they become axiological in the second phase, only to turn anthropological in the third phase.

Nonetheless, his entire work, though conceived under the dominant influence of ideology, has a great scientific value.

3. Spontaneous Social Order and Catallaxy

Spontaneous self-generating order is one of Hayek's main elements of analysis. It is not artificially induced, least of all imposed by someone's will.

Generally, it is believed that order within a system can be created by forces outside the system. But a spontaneous order has very different characteristics. The analysis of the spontaneous order is relatively recent and

quite strange. A designed order is by nature exogenous and perceived as an organization, while a spontaneous order is endogenous and natural, not manmade. The latter appears because its components obey certain behavioral rules or rather regularities that are not explicitly known to those who obey them. The overall order is not attained when different individuals do the same thing under similar circumstances, but when they obey definite rules which were not deliberately designed and limit their actions to a certain extent. The same group of people can act as a spontaneous order maintained through conventional rules without the need for any command or as an organization led by a leader. Spontaneous order and organized order will always co-exist. But out of the two, spontaneous order has rules that are independent of the purpose and similar for all members. They must be able to apply to an unknown and undetermined number of people at the same time.

Social institutions such as language, money, morals are the result of human action, they are not the product of a project. They spring from the interaction among individuals who freely and independently pursue their own objectives. They do not intend and they do not need to promote a common objective. But they need to observe certain rules, not conventional or natural, but issued out of customs and traditions. They are abstract and apply to a large number of individuals and in a large number of situations. They create a sort of guide for human action within society and help the individual act freely within a certain circle without interfering with somebody else's freedom.

In Hayek's view, a group of individuals who adopt such rules will be able to adapt to changes more easily and efficiently.

Social rules and institutions are the product of a long cultural evolution and its mutation or variation (how new social rules emerge), selection (how the best adapted rules help people prosper) and transmission (how rules evolve and how they are transmitted from one generation to another) mechanisms. In time, rules evolve and thus explain the evolution of spontaneous order on the principle of self organization.

Cultural evolution is enforced when customs and information are transmitted not

only by natural parents, but also by an indefinite number of "ancestors". Just like any other evolution, it is a process of constant adapting to unpredictable events and circumstances that cannot be foreseen. Cultural evolution is neither genetically nor in any other way determined, and it results in diversity and not uniformity. [3]

Hayek's liberal beliefs are underlined by this way of perceiving the evolution of complex societies based on spontaneous mechanisms.

Politically speaking, no individual should be subjected to the arbitrary will of another. Coercion by certain agents such as the state should be reduced to the minimum, so that everybody could use the means they possess to reach their own goals.

Economically speaking, spontaneous order gives way to a market order that Hayek called catallaxy, which is the order resulting from the mutual adjustment of the numerous individual economies on a given market.

The word Hayek adopted comes from the Greek verb *katallatein* which means not only to change, but to receive within a community or to change an enemy into a friend. [4]

Catallaxy is used to describe the order generated by mutual adaptations of several market economies. It is a particular type of spontaneous order generated on the market by people who act according to the limits imposed by rules related to propriety, prejudice, and contract.

For Hayek catallaxy is a wealth creating game in which all participants have a certain gain despite the fact that they pursue different objectives. The gain cannot be foreseen, which makes everybody interested in achieving the maximum possible result, even though they do not know how much will be theirs. And they do so with the lowest possible costs. [5] And this catallaxic game has generally accepted rules that limit the freedom of each individual only to guarantee everybody's freedom. All that matters in this game is the starting situation for each individual given by the division of knowledge. Out of the individual actions comes a spontaneous order favorable to many. Catallaxy allows coordination among individuals without the individuals having agreed upon any common objective. Because individuals look after their own objectives and do not care about the objectives of the

others. The power of catallaxy is to turn selfishness into the benefit of all. And it maximizes the total product and its distribution on the market. But the spontaneous order must not be manipulated so that profit should fit within an ideal of distributive justice.

The entire economic activity has got to bring conciliation of objectives and decide which of them will receive the limited means available to take shape. The market-generated order brings conciliation to different non-economic objectives without ordering them. This spontaneous ordering must amplify any given individual's chances of reaching his objectives on the whole and on the long term rather than at any given moment.

This market-generated order is achieved through prices. Prices guide individuals in their choices, showing what is to be done and not what has been done previously. As a consequence, the results of their efforts will often be different from what they have been expecting.

But for the price mechanism to provide individuals with correct information, the catallactic process must be laid upon competition. Competition is discovering and exploiting favorable conditions for profit. Competition is letting everybody know that there is such an opportunity.

The relative prices of the production factors will indicate the least costly combination to be used. By lowering the prices as much as they can, producers will increase production as much as possible within the catallactic environment.

Prices act as signals, as changes in price will provide useful information in order to avoid uncertainty.

The rules to be obeyed can only guarantee everybody's chance and not the certainty of a result, given the fact that these rules can only refer to some and not all the conditions of human action.

For Hayek, the market is a long term efficient system and the only institution to preserve individual freedom. It is a subjective concept: the most efficient means for everybody to discover the convenient way they can distribute the recourses they have at their disposal. The market is not a machine that automatically distributes scarce resources.

Any attack upon the market is an attack upon freedom and efficiency.

An interference occurs when a component of a system or process is altered in order to achieve a different result, but in such a way that it is no longer in accordance with the general rule. This is an action that destroys the overall order and hinders the mutual adapting of components based on spontaneous order. So, an interference can only be used if it is imposed by rules that equally apply to everyone.

Hayek has always been loyal to the idea that any form of state intervention is harmful, for moral reasons (it stifles creativity and responsibility), economic reasons (it destroys the market self regulating mechanism and it prevents spontaneity), and political reasons (there is a great risk of going towards totalitarianism). Thus, his anti-interventionist judgments.

In conclusion, society is a spontaneous self-regulatory order and the state must only interfere to insure economic freedom.

4. Conclusions

Hayek will always be remembered as a critic of socialism rather than a philosopher of liberalism.

His work is an ideology of the universal superiority of spontaneous order.

His political thought rests on the concept of spontaneous order: unplanned social order generated by goal-directed individual action. He uses this concept to offer accounts of market competition and cultural evolution, and he argues that these self-organizing social phenomena are useful because they transmit more information than can be conveyed through conscious design.

The concept of spontaneous order is also the basis of his liberal political theory, in which individual freedom is the central value.

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Bastiat: To See or Not To See

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Abstract

*One of the most important liberal theorists of his time, Claude Frédéric Bastiat began as an economic journalist and lobbyist for the free-trade. It took him some years before he made the transition from journalist to theorist, when discovering he had both a facility for writing and some profound insights into how the free market operates. But then he ran out of time when his illness ended his life and he did not have time to flourish fully. Bastiat was indeed a superb writer. His brilliant and witty essays are remarkable to this very day. He was the first, and one of the very few, to be able to convincingly communicate the basic propositions of economics. Bastiat strongly believed that what was really needed was a science of economics that would explain the harmony of a free society. He made a major contribution to this end himself by publishing his incomplete magnum opus *Harmonies of Political Economy*.*

Key words: consumer, value, utility, competition, free trade.

J.E.L. Classification: B310

1. Introduction: the Life and Style of Claude Frédéric Bastiat (1801-1850)

An orphan at the age of nine (he first lost his mother when he was seven, then two years later he lost his father as well), Frédéric was raised by his grandfather and his aunt. After graduation in 1818, Bastiat began working for his uncle in the trade field, but did not enjoy it. He also helped his grandfather manage a 250 hectares estate that he later inherited after his death in 1825. He tried to be a farmer and to practice modern agriculture, maybe under the influence of the Physiocrats. But his interests lay with reading about history, politics, philosophy, religion,

and political economy. This period was one of Bastiat's self-education in economics in which he read everything about economics he could get his hands on in four different languages. But he had no mentor, no other professionals to discuss his ideas with, and no feedback from critics or supporters of his ideas.

He traveled to Spain, Portugal, and England. It is in Southampton that he discovers the freedom of the trade through Richard's Cobden's ideas, famous British apologist of free trade doctrine. This will be the turning point of his existence. Back in France he wrote an article titled "*De l'influence des tarifs anglais et français sur l'avenir des deux peuples*" for the *Economist's Journal*. The chief editor of the journal recognized the master behind the article and published it without any recommendation. It was a complete success. So, he was asked to write more articles, and he did.

He moved to Paris. The free trade, the French stock exchange, and democracy were among his points of interest. Bastiat's dream of a free-trade association came true in early 1846 when the Association pour la liberté des échanges (Free Trade Association) was founded in February 1846 in Bordeaux. Bastiat was made the secretary of the board and appointed editor of the Association's journal, *Le Libre-Échange*. He also wrote his first book in 1854, *Cobden et la ligue*. He also lectured on political economy at the School of Law in Paris. He began writing a theoretical treatise which was probably an early version of what would later become the *Harmonies of Political Economy*. Bastiat also became involved in what is a fourth kind of economic activity, that of an economic policy adviser to the government of which he was a member.

Actively involved in the political and ideological debates of his times (his writing must be filtered through the three revolutions

he witnessed – 1789, 1830, 1848), he was dubbed “Cobden of France”.

But the tumultuous Parisian life and his larynx illness took their toll. Many times he was unable to speak, but his power to persuade was just as strong. The progress of his illness could only have been stopped by complete rest, but he sacrificed his life for his work. One month before his death in 1850, he published his last and probably his most brilliant pamphlet.

He was an eclectic personality. He won a prize and a medal for poetry. He spoke English, Spanish and Italian. He translated Richard Cobden's works. Sometimes he wrote the same text three times: the first time for himself, the second time for the ordinary reader, a text without technical terms, and the third time for the ignorant reader, a dialogue-like text this time. He observed the society around him, he read and wrote a lot. He taught a course of political economy. Towards the end of his life he victoriously engaged Proudhon and demolished his arguments one by one in cold blood and irony.

Bastiat was a superb writer. Bastiat's prose is always crystal clear, entertaining, and accessible. His writing style is clear and logical, precise and elegant. Also, it is lively rhetoric, humorous and colorful. His aim is not to build certainties but to generate doubts and to make science accessible. Everything he did was to observe realities and not to draw abstract models and theories. He helped to spread and vulgarize political economy, he was even called “La Fontaine of political economy”. Bastiat dreamed up personalities and has them dialogue with each other in order to describe situations and places. For example, his dialogues often revolve around the imagined personality of “Jacques Bonhomme” (John Goodfellow), portrayed as a stout worker, an exploited consumer, an “average citizen” who speaks sense. Also, he liked to write petitions addressed to imaginary recipients. His works contain plenty of such petitions.

In his works, Bastiat anticipated the evolution of certain economic concepts (such as opportunity cost) and political measures. For that he can be considered a real Jules Verne of economics. [1]

2. Bastiat's Political Economy

Bastiat stressed the idea that social science should concern itself primarily with the behavior of individuals, their beliefs, and their intentions. This is exactly the method of the Austrian school, of which Bastiat was in a sense a forerunner. Political economy is not an art but a science. He observed that political economy is a science concerned exclusively with the observation and description of phenomena. Yet it does not seek to rebuild the world but merely to explain reality as objectively as possible.

In his very last piece, titled “That Which Is Seen, And That Which Is Not Seen,” Bastiat warns economists not to confuse cause with effect. Bad economists, he says, see only the immediate effects, whereas good ones see the real causes, which lie deeper and which can produce a true explanation.

Between a good and a bad economist this constitutes the whole difference—the one takes account of the visible effect; the other takes account both of the effects which are seen and also of those which it is necessary to foresee. Now this difference is enormous, for it almost always happens that when the immediate consequence is favorable, the ultimate consequences are fatal, and the converse. Hence it follows that the bad economist pursues a small present good, which will be followed by a great evil to come, while the true economist pursues a great good to come, at the risk of a small present evil.[2]

Bastiat's insistence that economists should go beyond the mere observation of facts reminds us of his own approach. His reflections on the state, the law, freedom of the press and, more broadly yet, on human nature testify eloquently to the breadth of his thinking.

Bastiat did not begin his analysis with production or exchange, but with the acting, choosing individual who has limited time and resources and competing preferences that need to be satisfied in their order of priority. The logic behind Bastiat's economic system has as its starting point the fact that man has non-stationary, progressive, unlimited, infinite needs and desires:

To pretend that the wants and desires of man are fixed and stationary quantities, is to mistake the nature of the human soul, to deny

facts, and to render civilization inexplicable. [...] Our wants being indefinite, the presumption is that the means of satisfying these wants should be indefinite also [...]. I say indefinite, not infinite, for nothing connected with man is infinite. It is precisely because our faculties go on developing themselves ad infinitum that they have no assignable limits, although they may have absolute limits.[3]

Even when Bastiat dealt with macro phenomena (free trade, value, etc.), he never ignored individuals and their rationality. It means that there can be no conflict between the interests of the individuals and that of society. But according to Bastiat, individuals are the only concrete reality.

In his *Harmonies of Political Economy*, Bastiat wanted to point out the fact that the seemingly disorder of the world was nothing but a shallow disorder, that underneath the energy released by a thousand greedy individuals turned into a superior social benefit thanks to the market. [4]

And, driven by personal interest, individuals seek to satisfy their needs and desires.

They do so through change. There is absolutely no society without exchange. Isolation and impossibility of exchange is sure death.

To render these exchanges more efficient, men unite their forces and divide their labor, thus multiplying exchanges:

Exchange has two manifestations—namely, union of forces, and separation of occupations.[5]

They do so by using capital, which is not the monster depicted by socialists, but the mankind's benefactor. He emphasizes the fact that capital is not money, but equipment, tools, machines, etc, used to tame natural forces, put them to work for man's benefit and constantly increase the wealth and the satisfaction produced during one hour of labor.

What is capital, then? It is composed of three things: First, of the materials upon which men operate, [...]—wool, flax leather, silk, wood, etc. Second, instruments that are used for working—tools, machines, ships, carriages, etc. Third, provisions that are consumed during labor—victuals, fabrics, houses, etc.[6]

Bastiat identifies savings as source for capital and as moral virtue which cooperated very directly in the amelioration of the individual's condition:

To control his appetites, to govern his passions, to sacrifice the present to the future, to submit to privations for the sake of greater but more distant advantages—such are the conditions essential to the formation of capital. [7]

Capital makes one labor hour more and more productive. Bastiat is one economist who perceived what we nowadays call productivity from the very beginning of the industrialization process.

Bastiat is considered to be an 'optimistic' economist given the fact that he states that an increase in wealth translates into a decrease in interest, which will result in a decrease in the percentage of capital on the one hand, and an increase in the percentage of labor, on the other hand within the national product. He uses this idea to counter the socialist belief that capital will dominate labor. [8]

The role of the capital is also to put the nature's forces at man's disposal in order to increase the percentage of free utility by comparison to monetary utility in a good, merchandise, material or immaterial act. For Bastiat utility is that which has the quality to serve, which satisfies needs. So utility is inside the good. Not to be confused with value - which arises from the comparison between two services.

Through competition the free utility moves from individual property to the consumers' community. Competition makes it impossible for rent to stay forever in the hands of a single owner. Competition establishes harmony, equilibrium and justice, by making rent disappear. For Bastiat, competition is freedom:

Competition is only the absence of constraint. [...] Competition is Liberty. [...] Let us see now how Competition acts: Man, under the influence of self-interest, is always and necessarily on the lookout for such circumstances as may give the greatest value to his services. [9]

Somebody invents something and gets rent for their invention. But then comes the second phase – imitation by competitors, and the final phase – generalization and universal diffusion. Competition grabs the inventors'

rent and gives all consumers the possibility to benefit of it. The expensive invention becomes nothing more than an ordinary cheap and easy to find product. The whole community takes advantage of it.

Competition is therefore one of the branches of the great law of human solidarity.

Personal interest and competition constitute social harmony.

In the end, it is the consumer who takes advantage of the capital and collects rent. The consumer is the main actor in Bastiat's political economy. He represents the general interest, while the producer only represents particular interests. The aim of the economy is to bring the best goods to the consumer.

In all of his writings, the consumer takes first place because he is the final cause for all economy. Everything is organized around him, everything is drawn to him. Bastiat's economy is an economy of the demand (unlike Say's economy which is an economy of the offer, the producer being the main character on the economic scene). For the liberal economists, the consumer is always the neglected character, "always left in the shadows", as Bastiat said. [10]

For Bastiat, the consumer has three dimensions: an economic one, since he is the demand, the main motive for the creation of wealth; a social one, him being the only economic agent to incarnate the general interest; a moral one, as he has the moral destiny of society in his hands.

On his deathbed in 1850, one of his last advice to his disciples was to treat political economy from the consumers' point of view.

In Bastiat's system, the exchange settles the value of the exchanged services. Value is a ratio between two services. Value is not in labor (Ricardo), it is not utility (Jean-Baptiste Say), but it is in the spared effort.

The concept of service is extremely important for Bastiat. The clothes manufacturer renders the consumer a service as he spares him the effort to make them himself (spared effort). Bastiat speaks of the mutuality of services: you do this for me, I'll do that for you. So, it's very important for all offers and demands to have complete freedom to produce themselves, to be compared and discussed. It's exchange that records and measures value and gives it birth. Value is in fact the ratio between two

services that are exchanged. What is free has no value. Value is not to be found in substances and materials, but in the efforts made to modify them compared to the similar efforts in an exchange. Two people who exchange two goods exchange in fact their efforts and pains. The value is not in the water, but in the effort to get it. What is in the water is utility.

Value being simply a relation, is of as much greater importance to each individual as it is of less importance to society at large. What renders service to the masses is utility alone; and value is not at all the measure of it. What renders service to the individual is still only utility. But value is the measure of it; for, with each determinate value, he obtains from society the utility of his choice, in the proportion of that value.[11]

For the system to work properly, it must enjoy total freedom. The most disturbing element for this freedom is the state that regulates and protects. The state should stick to its three main missions – to make justice, to provide internal security, to defend the territory, and should not interfere with economic activity, so that the natural social laws could find their equilibrium, could compensate one another and could manifest themselves. Thus economic relations can be harmonious.

3. Conclusions

Bastiat was a truly sophisticated analyst, even though later historians of economic thinking disputed his abilities as a theorist: his story is the story of a person who enjoys himself bathing in shallow water and then goes farther from shore and drowns himself (the harmony of class interests is just as absurd and hard to prove as their antagonism). [12] His argumentative essays cover the important institutions of society—law, government, money, and capital. He believed that all human beings possessed the God-given, natural rights of "individuality, liberty, property." Bastiat made the vital contribution of returning economics to a focus on wants, exchange, and consumption. He was a great champion of liberty and a true advocate of the free market. He condemned the legal plunder of protectionist tariffs, government subsidies of all kinds, progressive taxation, public schools,

government "jobs" programs, minimum wage laws, welfare, usury laws, and more. Bastiat was also wise enough to anticipate what modern economists call "rent seeking" and "rent avoidance" behavior. His contributions were numerous and significant, and his important intellectual legacy continues to raise much debate even today.

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Government Failures in Regulating Markets

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Abstract

Assuming the failure of the "magical power" of free market to exploit always the positive influences and to counteract the negatives ones in order to assure the economic equilibrium and progress, the present paper analyses the regulatory or "curative" intervention of public power in economy, often socially justified and really eligible, but in the same time not inerrable.

Key words: market failure, government failure, regulation process, interest groups

J.E.L. classification: D72, D73, Z18

1. Introduction

Although the market has in many cases internal supports and self regulation possibilities when it fails in its role of generating economic efficiency, still these are mostly limited in action, they take a long time until the positive effects appear, and the dynamic and complex characteristic of economic activities makes it impossible to control the effects that can be initiated by such a failure.

Under these conditions, the intervention of public power represents a solution for rectifying the deviations that compromise the efficiency of markets. But unfortunately, even when it is based on objective reasons, by following the assurance of the favorable frame for the functioning of a market economy, this intervention is often criticized as useless and at other times even prejudicial, the pre-requisites of substituting a failure – that of the market, with another one – that of the government, being shown.

2. Sources of government failures

One of the most often invoked sources of government failures is the imperfect information, just as in the case of market failure, in the sense that not even the state is provided with all the information it needs in order to determine accurately the level of a market failure and to intervene efficiently on purpose to re-establish the equilibrium within the market. Moreover, even when this would be possible, and the governmental authorities might know the exact dimension of a market failure and consequently intervening, the results of such an intervention does not have to lead necessarily to the acquirement of an allotting economic efficiency within the market.[1]

Another source of government failure consists in the fact that politicians and bureaucrats involved in the delineation and adoption of public policies are also humans, each one having interests which rather reside in the maximization of personal welfare and power, which is more important than the interests of the community who elected them and whom they should represent. Such an idea on the state is a consequence of distrust in the political system, starting from the development of public elections and finalizing with the efficiency of the decisions which were adopted and public policies promoted by the political class.

Not lastly, the imperfection of government actions is emphasized by the existence of interest or pressure groups, who strive after influencing governmental authorities by different methods on purpose to change public policies in the sense of the mutual goals, objectives or values shared by their members. The reason brought in order to support this hypothesis consists in the capacity of influencing chosen representatives which is much more powerful in the case of small and compact interest groups, where each member stands to gain

from a change of property rights, and the group profits by an easy access to relevant information, being capable of controlling and manipulating them in his favor. Those under-privileged in the warfare of the interest groups are the individuals belonging to big groups, thus being put forth the tendency of exploiting the big one by the small one.

In the desire to influence the political process in their favor, interest groups engage in actions of finding redistributive benefits at other people's expense [2,3], so that, in fact, the bigger the benefits that can be obtained from the state (a subsidy, for example), the more persistent the action of the interest groups will be, who will use all the available resources (ink, paper, time etc.) in order to dip into "the abundance" of the state. As a result, a major part of the expected benefit will dissipate, generating a net social loss. Thus, governments become an instrument manipulated by interest groups to their own advantage and against the too many in order to organize coherently.

Against this background, the theory of "special interests" or the "capture theory" took shape in the development of governmental regulations, which, as a matter of fact, came to contradict the idea according to which the regulation of various economic activities by the state serves the public interest of maximizing the general economic efficiency.

The most frequently used classification of the interest groups is done depending on the nature of represented interests, sense in which a distinction between "public interest groups" and "special interest groups" is made. The nuance of "special" involves the fact that there are interests shared by a small part or a fraction of the community, and the respective group excludes other groups and it can be even opposed to them. Because of the represented interests, the organizations constituted by special interest groups usually have strict and selective rules for acquiring the capacity of member (for example, professional associations). On the contrary, public interest groups do not use selective criteria for accepting the members, and the promoted interests are not adverse to other exclusive groups (for example: ecologic non-governmental organizations or those for consumer protection).

In order to support "special interests" theory, George Stigler constructed a model of the regulation process imagined as a severe fight between the producers and the consumers on purpose to obtain the access to the rents associated to the conditions of a natural monopoly [4], a fight won by the producers. This point of view is supported by Stigler starting from the pre-requisite that, in general, producers' efficiency in the influencing actions, to the prejudice of consumers' interests, of the decisions of governmental agencies with authority in the regulation field is due to their high level of organization, in the sense that, by being fewer, and the aimed objectives more coherent, it is easier for them to mobilize in the pursuit of the same goal, situation in which they ask about the entire process of elaboration and enactment of laws, especially when there is a perspective of considerable financial earnings after enacting a favorable regulation.

Richard A. Posner argues that, on the contrary, in many cases, regulation activity can strongly advantage certain consumer groups.[5,6] The establishment of some uniform rules of constructing the prices for railway transport, gas, water or electric energy distribution toward the general public or the supply of certain categories of services at a price situated below the marginal production cost represent only a few examples of rules designated to serve the interests of certain categories of consumers. But, unfortunately, their capacity of organization on purpose to defend the specific interests is limited by the action of three factors, namely: the high costs for obtaining relevant information, the relatively small gains which come to each consumer and the problem of individualism.

Consequently, the situation of the consumers who have to choose between supporting or not a campaign meant to prejudice producers' interests is similar to the one in which the protagonists of "prisoner's dilemma" lie: each consumer might consider the lack of information related to the behavior of other consumers and the high price of the information as grounded reasons for not supporting such a campaign, this being considered rational from the economic point of view.

The lines of the disarming scene with regard to the chance of success in the fight involved by the regulation process of the interests of the many, including the consumers', are also emphasized in dull colors by Sam Peltzman.[7] He images the authorities in charge with the regulation as rational, individualist actors, in search of maximizing their own political support, purpose to which they share the benefits resulted after the promoted policies, among different interest groups who recompense them with supplementary votes and substantial contributions within the election campaign. Still, it is difficult to initiate a clear delimitation of economic activities which are to be strongly regulated or not by virtue of this hypothesis, but, generally, Peltzman affirms that the legislative activity developed internally is most likely to point only the segments where producers gain most by forming political coalitions.

Considering the important potential benefits that can be obtained after influencing the legislative process in their favor, the number of interest groups grows within the economic activity segments, getting to an authentic competition between them, imagined by Gary S. Becker under the form of a severe fight won by the groups which cumulate three advantages: they register scale economies in the production of pressure on legislative authorities, they are more efficient in confuting the "free rider" problem and they profit by increased access to the mass communication resources.[8]

Consequently, the image of the overall picture, surprised by Mancur Olson under the form of the multiplication of redistribution coalitions, which contributes to the increase of the complexity of regulations, the role of government and the complexity of conventions, and finally modifies the direction of social evolution [9] - draws more and more attention to the problem of substance from which we started in the scientific approach of this subchapter, respectively the opportunity of state intervention in the economic activity in order to rectify market failures.

In our opinion, this problem is more empirical than theoretical because, as Richard Nelson appreciated, there is no perfectly valid normative theory for the identification of the most appropriate

functions the state can perform in a mixed economy.[10] Accordingly, the solution must be analyzed in terms of net benefits (if they exist) stimulated by a certain possible institutional settlement, state intervention being imposed only where the generated benefits exceed its costs. But, unfortunately, a diagnosis scheme cannot be constructed, scheme which indicates such a situation for any general brand of cases, so that the empirical analysis invites governmental authorities to evaluate the particular costs involved by each situation and to decide consequently, in favor of performing those functions for which the coercive power of the state represents an absolute advantage to the detriment of other institutional settlements.

3. Conclusions

In this context, starting from the opinion shared by Joseph E. Stiglitz according to which "the invisible hand" invoked by Adam Smith remains literally invisible because of its actual existence [11], the functioning at optimal parameters of any market becomes impossible failing some public institutions to support it, the success of an economy depending on the establishment of an equilibrium between the government and the market, defined by the observance of certain principles as:

- the restriction of government intervention in areas in which there is evidence of a systematic and significant influence of special;
- the promotion of governmental actions destined to intensify competition not to obstruct it;
- the support for private provision of public goods, including through non-governmental organizations;
- the democratization of the fulfillment process of public policies by encouraging the participation of all those interested in making decisions in the field;
- not lastly, the achievement of a balance between expertise and democratic representativeness and accountability.

Consequently, all these elements contribute to the good functioning of a competitive market economy, in which consumer's sovereign role is guaranteed.

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European SMEs Facing Challenging Times

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Abstract

In today's worsening economic environment, one of the most important roles governments, business leaders, and civic organizations can play is to take action to fuel entrepreneurship. The aims of our paper are to underline in short the importance of small and medium enterprises (SMEs) for the European economic recovery and to present an X-ray of the SMEs sector in the European Union, highlighting the way these enterprises are coping with the various challenges raised by the current economic crisis. The methodological approach is literature review. In spite of the fact that the economic crisis has created a tough climate for SMEs they play an important role in the recovery of the global economy. Above all, the reluctance of the banking system to support ventures and growth seems the worst.

Keywords: *small and medium enterprises, European Union, entrepreneurship, crisis*

JEL Classification: L26

1. Introduction

The 21st century has brought to the global economy a huge amount of opportunities and threats in a highly globalised world. Today's economy, with its increased turbulence, is strikingly different. Both nowadays and in the foreseeable future, the 'economy of the new realities' means more than having normal ascending and descending fluctuating periods, which, after all, have granted the activities at a macroeconomic level a certain degree of predictability. Business people may expect more great shocks and more dramatic disturbances, resulting in greater general risk and uncertainty levels, both for the macro- and the micro-economic level. Beyond the

day-to-day difficulties due to functioning on a perpetually hypercompetitive market which is also subject to common economic cycles, the leaders in the business world must detect an intensified series of major and minor disturbances which are coming to defy the planning of activity [1].

When he was talking about the turbulence during the deep recession at the beginning of the 1990s, P. F. Drucker stated that "In turbulent times, the management of an enterprise needs to consider both the company's ability to support sudden strikes and the ability to take advantage of the opportunities emerging unexpectedly. This means that, in the context of turbulence, the fundamental principles must be managed, and managed well, at that." [2]. Since the end of 2007 and the beginning of 2008 "the economies of Europe have undergone a number of seismic financial shifts which have transmitted themselves into the business and consumer sectors enforcing recessionary processes which brought to an end the long period of benign growth over the last 15 years" [3, p. 1].

Although turbulence in business cannot be avoided, the enterprises may definitely choose the way to face it. They may sail through the vortices or they may get swallowed. In this respect, the small and medium enterprises (SMEs) are not only some of the most dynamic business organizations in any economy, but also the most sensitive and worst affected by crises. It is obvious that "while large firms grab headlines when disclosing layoffs and dramatic declines in sales and earnings, many micro, small and medium sized enterprises are also trying to cope with weak demand, tight credit and reduced orders from larger companies" [4, p. 6].

The aims of our paper are to underline in short the importance of small and medium

sized enterprises (SMEs) for the European economic recovery and to present an X-ray of the SMEs sector in the European Union (EU), highlighting the way these enterprises are coping with the various challenges raised by the current economic crisis. The methodological approach is literature review.

2. SMEs and the economic recovery of EU

In time of crisis, a society as a whole behaves chaotically and ends usually in dangerous waters and eventually crumbles. Who could fiercely fight the tidal wave? The entrepreneurs!

That is why there has always been a vivacious discourse about the importance of the SMEs sector within the economy. During the time, the numerous and vast researches on SMEs led to the establishment of an important field of study.

Since their absolute recognition in the business world SMEs have begun to fulfill a major function in the global economy. They account for more than 90% of enterprises in all countries and contribute substantially to job creation, wealth creation and economic growth all over the world.

In the EU, the 20,355,839 SMEs employed 86,814,717 people (66.5 % of all European jobs) in 2012 [5]. Consequently, the role of SMEs is fundamental for the economic recovery of the EU. This statement is based on the following arguments:

- the huge number of the current European SMEs;
- the high employment capacity of the European SMEs;
- the greater sensitivity to changes in demand of the SMEs;
- the value added created by the European SMEs;
- the higher adaptability of SMEs in comparison with the large companies;
- the contribution of SMEs to the wellbeing of local and regional communities.

In essence, "SMEs can survive and grow in a turbulent global economic environment if they are flexible, innovative, customer focused, and both proactive and reactive in their business strategies" [3, p. 3].

In order to unleash Europe's entrepreneurial potential the European Commission has adopted the Small Business

Act for Europe in 2008 and the Entrepreneurship 2020 Action Plan in 2013. The Small Business Act promotes the following ten principles:

"I. Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded.

II. Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance.

III. Design rules according to the "Think Small First" principle.

IV. Make public administrations responsive to SMEs' needs.

V. Adapt public policy tools to SME needs: facilitate SMEs' participation in public procurement and better use State Aid possibilities for SMEs.

VI. Facilitate SMEs' access to finance and develop a legal and business environment supportive to timely payments in commercial transactions.

VII. Help SMEs to benefit more from the opportunities offered by the Single Market.

VIII. Promote the upgrading of skills in SMEs and all forms of innovation.

IX. Enable SMEs to turn environmental challenges into opportunities.

X. Encourage and support SMEs to benefit from the growth of markets." [6, p. 4]

On its turn, the Entrepreneurship 2020 Action Plan proposes the following three main areas for immediate intervention:

"1. Entrepreneurial education and training to support growth and business creation.

2. Strengthening framework conditions for entrepreneurs by removing existing structural barriers and supporting them in crucial phases of the business lifecycle.

3. Dynamising the culture of entrepreneurship in Europe: nurturing the new generation of entrepreneurs." [7, p. 5]

The EU has understood that providing the appropriate conditions in which SMEs can flourish constitutes a key element for ensuring a sustained economic recovery.

3. European SMEs in time of crisis

It is a painful reality that small businesses are most affected by the economic crisis. In these turbulent financial times, SMEs need to spend as much time as they can focus on what really matters: boosting their turnover and reducing their overheads.

For companies of all sizes, managing working capital in these volatile times is easier said than done. But it's even trickier for smaller companies, which don't have as much room to maneuver as their larger counterparts, making their management of cash on a day-to-day basis which is more critical than ever [8].

The European SMEs find themselves in a totally different situation in comparison with big companies. The corporations are experiencing cash excess, because ever since 2008 they have been accumulating cash, waiting to see what is going to happen with the economy, where to invest and what opportunities the future will present, whereas the SMEs are in an opposite situation: the obvious growing strategy (especially during a boom period) has led to an ambitious investment program, that is, one involving external sources (loans) especially on a long and medium term, for the acquisition of production equipment and other assets, commitments which obviously remained operational even during a crisis period-which led to a severe compression of the market and the prices practiced, with a serious and immediate impact on the cash inflows.

Most SMEs were confronted with two related stress factors: "a) increased payment delays on receivables which added - together with an increase in inventories- result in an endemic shortage of working capital and a decrease in liquidity and b) an increase in reported defaults, insolvencies and bankruptcies" [9]. These factors led to a higher insolvency rate among SMEs, a fact that confirmed their inability to obtain short-term financing.

Access to finance has remained one of the "most pressing problems for euro area SMEs" [10, p. 13]. As banks have become extremely reluctant in granting short term current activity loans, the European SMEs have rapidly and in quite large numbers reached the dangerous situation of cash crisis. In fact, a large number have already ceased their activity because of this, unable to face the monthly outflows of money (equipment leasing or investment loans) and to ensure the operational capital.

In some cases, the market simply couldn't objectively cover the enterprise's development ambition, reflected in the

acquired production capacity. In most cases, however, viable firms have had to cease their activity due to the impossibility of paying their bills out of the receivables, in the lack of an exterior source.

The SMEs that managed to survive or even flourish were those that had both the ability and chance to rapidly restructure themselves to the new reality of their market segments, in some cases switching from the financial management mindset of focusing on balance and balance sheet to the cash-flow management mindset, a manner of thinking which proved to be the agent with the biggest effect over the firm's survival in turbulent times. Essentially, at present the effort of SMEs must be focused on the rhythm of the cash inflows and outflows, that is, on the speed of rotation between the suppliers' payment and the customers' receivables.

In other words, in order to be able to cope with the ever growing paying pressures, the management of SMEs must be permanently concerned with generating cash because, in times of recession or stagnation, an accentuated supplier nervousness is emerging, whether we are talking about raw material suppliers or cash suppliers (banks and other financial institutions). These resource suppliers are in these times much more inflexible, more eager to cash their bills and more distrusting in the company's efforts of getting added value in the future, hence they are extremely reluctant to renegotiate new deadlines for the resolution of receivables.

SMEs form the backbone of the EU economy, accounting for 99.8 % of non-financial enterprises in 2012. The overwhelming majority (18,783,480 enterprises or 92.1 % of the total number of European SMEs) are micro-enterprises, defined as those with fewer than ten employees, 6.6 % of SMEs are small enterprises (10-49 employees) and 1.1 % of them are medium-sized enterprises (50-249 employees). Large businesses, with more than 250 employees, account for just 0.2 per cent of the enterprises in the EU's non-financial sector [5].

The performance of SMEs across the EU is measured by using three main indicators:

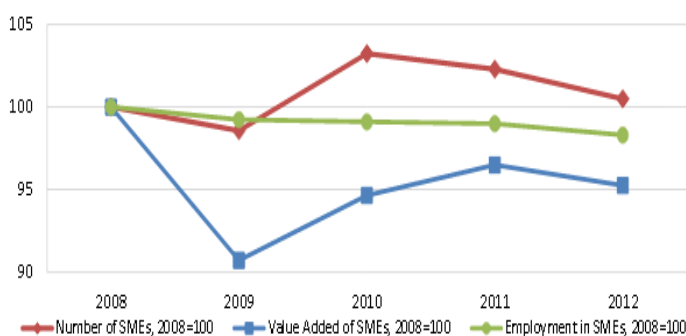
- the number of enterprises,
- their output via their gross value added (GVA),

- the number of employees on their payroll.

These three indicators reveal a mixed picture.

SMEs were hit hard by the economic and financial crisis up until 2009, with yearly deteriorations across all three indicators, although large enterprises fared even less well [11]. GVA clearly increased from 2009 for all sizes of SMEs types, revealing a recovery from the recession of 2008-2009. This was not the case for employment (Fig. 1).

Fig.1 Number of SMEs, employment in SMEs and value added of SMEs (2008=100)



Source: [5]

The European SMEs are operating their businesses in a difficult macroeconomic environment and continue to struggle to recover their pre-crisis levels of value added and employment. There are divergent trends of SMEs performance among Member States. In 2011 only Austria, Germany and Malta exceeded their 2008 levels of real value added and employment in their SMEs. Belgium, Finland, France and Luxembourg have experienced a flat SME performance since 2008. In the other EU countries, SMEs have not recovered to their pre-crisis levels of real value added and employment [11].

This year is likely to mark a turning point for the European SMEs. After five years of an uncertain economic environment, 2013 is expected to be the first year since 2008 with a combined increase in aggregated employment and value-added of European SMEs. The total employment in the SMEs is going to increase by 0.3% and the value-added by 1% as compared to 2011. Preliminary forecasts show that these positive developments will further accelerate in 2014, according to the Annual Report on European SMEs 2012/2013 [5].

It can also be observed the very probable fact that statistics are not completely accurate because it is known for a fact that quite a number of SME's, facing terrible financial adversity, shifted in the grey or even in the black zone, disappearing from the official evidence. This is a vivid example of the indomitable force of entrepreneurship, which confronted with innumerable bureaucratic and financial obstacles, finally overcomes all the enmities against all the odds, and produces value added, creates jobs, pays taxes, creates wealth and fulfils the fundamental societal needs.

4. Conclusions

In spite of the fact that the economic crisis has created a tough climate for SMEs (e.g., reduction in demand for goods and services, contraction in lending provided by banks and other financial institutions) they play an important role in the recovery of the global economy. However, the reluctance of the banking system to get involved in a partnership with the SMEs has become extremely dangerous. How this huge obstacle will ever be overcome still remains to be seen in the future.

Given the importance of SMEs for a multitude of economic problems such as employment and regional/local development, governments should fulfil their promises and act immediately to establish and implement a proper long term strategy designed to create a friendly environment for SMEs.

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Motivations for Women to Get Into Businesses: a Case Study on Female Entrepreneurs from the North-East Region of Romania

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Abstract

The paper aims to investigate motivations of female entrepreneurs to start their own business within the North-East Region of Romania. It reviews the main motivators for start-up in the case of women and gender differences with regard to start-up motivations. The research discusses the results of a pilot study on a number of female entrepreneurs from the North-East Region of Romania. The findings identify doing enjoyable work and the need for flexible work schedule among the main motivators to get into businesses in the case of women from this region.

Keywords: women, female entrepreneurs, motivators, North-East Region.

J.E.L. Classification: J16, M13, L26.

1. Introduction

The literature often shows the existence of various "push" and "pull" factors as motivators for business start-up [1] also referred to as negative and positive factors [2].

While entrepreneurs' personal motivations for initiating start-up activities has received significant attention in the entrepreneurial literature [3][4] being considered one essential component for entrepreneurial success [5](cited in [6]), female entrepreneurship is an under-researched area and so their motivations to enter entrepreneurship are.

The paper intends to contribute to the literature on women entrepreneurship as it aims to investigate the motivations of female entrepreneurs to start their own business in the North-East Region of Romania.

To reach this goal, the paper presents a short literature review about the types of

motivators for start-up in the case of women and about gender differences with regard to start-up motivations. Results of a pilot survey are then discussed in order to identify women's motivations to enter entrepreneurship in the North-east Region of Romania. The paper ends with the concluding remarks and references.

2. Types of motivators for start-up in the case of women

There are factors that inspire a woman to become an entrepreneur are various and circumstances are unique to each person.

The "push" or negative factors refer to necessity factors that force the woman into pursuing her business idea. These can be job loss, unemployment, frustration with previous jobs, the need to earn a reasonable living and a flexible work schedule, which reflects the role of family caring that is still expected from women [1] [7] (cited in [6]). The Global Entrepreneurship Monitor (GEM) refers to this group as "necessity" entrepreneurs, meaning that all other options for work are either absent or unsatisfactory [8].

Catley and Hamilton [9] state that self-employment was a last option for some women involved in their study. Deakins and Whittam [2] argue that negative motivational factors are more important with entrepreneurs that come from certain groups in society that may face discrimination, such as ethnic minorities, young people and women.

Fielden et al. [10] (cited in [6]) emphasize that an overriding factor stated by women with domestic responsibilities was the belief that owning a business would be the only way that they could make a sustainable living around other family commitments.

Such women see self-employment as an alternative to waged employment because of

the flexibility it offers them to care for their children while pursuing their career [11] [12] [13] [14] (cited in [15]).

According to Kjeldsen and Nielsen [16] and Valiulis et al. [17], women start businesses to gain more flexibility and freedom in dealing with work, leisure and family commitments [18].

Besides the flexibility offered in fulfilling the responsibilities of child rearing [14], other reasons for women to choose self-employment include personal health concerns, family obligations such as caring for elders [19], and other personal reasons (such as death and divorce) [20].

If the household income is inadequate, owning and operating a business gives women a way to help supplement the family budget [21]. For women seeking self-achievement outside the family sphere, owning a business is often a means of emancipation to get rid of the unpaid home labour, to acquire a sense of self-valorisation and to feel self-determined [22] [23] [24] (cited in [15]).

The "pull" or positive factors are those associated with factors of choice [7] and the desire for entrepreneurial aspirations [2]. They refer to autonomy, independence, self-achievement, self-fulfilment, being one's own boss, doing enjoyable work, using creative skills, entrepreneurial drive and desire for wealth, social status and power [1] [7] [25]. GEM refers to this group as "oportunity" entrepreneurs [8]. The need for independence and the challenge of owning a business are the most frequently mentioned 'pull' motivators for female entrepreneurs [26] [27].

Literature has also suggested that women are motivated by the social contribution their business can make to society [7].

3. Gender differences

Welsh [28] and Carter and Cannon [29] found evidence of a "glass ceiling effect" that obstruct executive women from reaching top leadership positions and thus pushes them from management positions into their own [6].

Buttner [30] (cited in [31]) outlines that an important difference between men and women in their motivation to start a business is that "men often cite economic reasons,

whereas women often cite family needs. Whereas men generally see entrepreneurship as a business decision, many women view it as a life choice – a way of integrating family needs and career needs."

Women are more inclined than men to assume family-related obligations, being especially those with young children more likely than men to mention flexibility of schedule and family related reasons for becoming self-employed [32] (cited in [33]). Men's reasons show little association with their parental status.

As stated by Still and Timms [34] [35], women start their own businesses with the goal of "making a difference," which means being more customer-focused than men [36], ethical in operations and making a social contribution besides the pursuit of economic motivations.

Rosa et al. [37] also add that women do not go into business for financial gain, but to pursue intrinsic goals such as independence and flexibility to intertwine commitments to family and work.

Brush [36] has put forward the "integrated perspective", whose main premise was that many female business-owners design their businesses as a network of cooperative relationships rather than as a separate entity making profit.

In their study, conducted on a sample of 56 women entrepreneurs across 6 countries (Canada, Singapore, South Africa, Australia, New Zealand, and Ireland), McClelland et al. [6] noticed different motivations for creating their own ventures at women entrepreneurs in the sample: dissatisfaction with previous job and facing dismissal as reasons for start-up, the potential to increase personal income as a strong motivation, the desire to use a hobby to create a viable business opportunity, the desire to develop a flexible working life. Moreover, all entrepreneurs involved mentioned a critical incident which acted as a major motivating factor for start-up [6]. The authors also noticed strong social motivations for starting a business at female entrepreneurs across all six countries. Analysing individual profiles of women involved in the study, the authors found that these entrepreneurs have a strong, altruistic desire to create a better environment for their family and overall community and are highly

aware of the social contribution their businesses can offer.

This would support the findings of Brush [36] who states that women blend their business relationships with other relationships in their lives including family and ties to the community and, therefore, a key motivation among female entrepreneurs is an interest in helping others [6].

4. Material and method

To identify the main motivations of women from the North-East Region of Romania to get into businesses, a pilot study was carried on a sample of 11 women entrepreneurs from this region.

The selection procedure of the female entrepreneurs included in the study refers to network-based methods which start with a set of initial respondents, who refer their peers; these in turn refer their peers, and so on, as the sample expands from wave to wave.

The reasons for choosing this type of sampling include reduced costs, reduced pressure of time and improved access to the hard-to-reach population of female entrepreneurs.

The limitations of the methodology followed for this study refer to the small number of women who were involved in the study, who may not be representative of a "stereotypical female entrepreneur" within the region chosen. The sample may also be open to a certain degree of bias because most people recruit those whom they resemble in ethnicity, religion, income, and education, which makes that entrepreneurs less connected or those less accessible may not be reached by the sample.

However, the purpose of this study is simply to highlight results which seem to be indicative of a trend in female entrepreneurship with the North-East Region of Romania based on the sample available. The emphasis of the research is to explore a subject that has not received much academic attention in the past and it is hoped that the issues raised will deserve further investigation, using a larger number of female entrepreneurs from each county of the region.

The following selection criteria were applied to maintain consistency:

- The organisation have been founded by

the female entrepreneur.

- The organisation is at least 51% owned by one or more women and the management and daily business operations are controlled by one or more women.

In order to identify more precisely women's reasons for becoming entrepreneurs, the questionnaire gave them the possibility to openly respond to this question. In addition they also had the possibility to choose from a total of 31 items, representing a synthesis of the motivations identified through the study of the literature in the field.

The large number of response choices opted for in the pilot survey is justified by the desire to capture as accurately as possible the profile of female entrepreneurs in the North-East Region in terms of motivations for start businesses. This also allowed to further select the response items that are the most representative to the segment of women entrepreneurs targeted in this study.

This research is exploratory in nature and the results are analysed using frequency tables.

5. Results

The main reasons for which women included in the study have chosen to become entrepreneurs are (table 1):

- need of a flexible work schedule (18,2%);
- doing enjoyable work (18,2%);
- potential to increase personal income (18,2%).

Table 1. Distribution of respondents by main reasons for which they have become entrepreneurs

Motivation	%
Need of a flexible work schedule	18.2%
Economic reasons	9.1%
Independence	9.1%
Autonomy	9.1%
Self-achievement	9.1%
Doing enjoyable work	18.2%
Entrepreneurial drive	9.1%
Potential to increase personal income	18.2%
Total	100.0%

Source: Data obtained through a pilot survey

Other reasons mentioned as first response option are:

- economic reasons (9.1%);

- independence (9.1%);
- autonomy (9.1%);
- self-achievement (9.1%);
- entrepreneurial drive (9.1%).

If we consider the first three choices of the respondents (table 2), we note the following reasons as being the most cited:

- doing enjoyable work (45.5%);
- need to earn a reasonable living (27.3%);
- need of a flexible work schedule (27.3%);
- self-fulfilment (27.3%).

Table 2. Distribution of respondents according to the main three reasons for which they have become entrepreneurs

Motivation	Option		
	I	II	III
Need to earn a reasonable living			27.3%
Need of a flexible work schedule	18.2%	9.1%	
Impediment from reaching top leadership positions		9.1%	
Economic reasons	9.1%		
A way of integrating family needs and career needs			9.1%
Belief that owning a business would be the only way that they could make a sustainable living around other family commitments		9.1%	
Freedom in dealing with work, leisure and family commitments		9.1%	9.1%
Other personal reasons (such as death, divorce)			9.1%
Independence	9.1%		9.1%
Self-fulfilment		18.2%	9.1%
autonomy	9.1%		
Self-achievement	9.1%		9.1%
Using creative skills		9.1%	
Doing enjoyable work	18.2%	18.2%	9.1%
Entrepreneurial drive	9.1%	9.1%	
Potential to increase personal income	18.2%		
Desire to use a hobby to create a viable business opportunity		9.1%	
Desire to develop a flexible working life			9.1%
Total	100%	100%	100%

Source: Data obtained through a pilot survey

A more in depth analysis of the response options chosen by women entrepreneurs included in the study, shows that about 85% of them mentioned the need/ desire for flexibility to meet caring and financial family

necessities as well as their personal needs of professional achievement and leisure in the top three motivations for becoming an entrepreneur.

The choice of becoming an entrepreneur plays an important role in the relationship between work and life of women which is highlighted by the fact that 54.5% of the respondents see business ownership and operating a business mainly as an alternative to waged employment because of the flexibility it offers them to care for their children while pursuing their career, compared to only 36.4% of them who see a business as a way to help supplement the family budget (table 3). This finding is particularly significant as the respondents have already been entrepreneurs for at least one year and their answers reflect not only their beliefs, but also their personal experiences.

Table 3. Distribution of respondents according to their vision of owning and operating a business as a woman

Vision	%
A way to help supplement the family budget	36.4%
An alternative to waged employment, because of the flexibility it offers them to care for their children while pursuing their career	54.5%
Something else	9.1%
Total	100%

Source: Data obtained through a pilot survey

6. Conclusions

Addressing the need for more in-depth research of female entrepreneurship and their reasons for getting into businesses, the paper investigated the motivations of female entrepreneurs to start their own business in the North-East Region of Romania.

Results of a pilot study on 11 female entrepreneurs show that *doing enjoyable work* and *the need for flexible work schedule* are among the main motivators to get into businesses in the case of women from this region. About 85% of the women entrepreneurs included in the study mentioned the need or desire for flexibility to meet caring and financial family necessities and personal needs of professional achievement and leisure in the top three motivations for becoming an entrepreneur.

Although the significance of the findings is limited by the small number of women who were involved in the study, who may not be representative of a "stereotypical female entrepreneur" within the North-East Region of Romania, the results are still valuable as they might be indicative of a trend in female entrepreneurship within this region.

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The Extent of the Variation to Greenhouse Gas Emissions – GDP at EU level

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Abstract

The purpose of this paper is to measure to which extent the variation of greenhouse gas emissions (GHG) is consistent with the distribution of gross domestic product (GDP), at EU level. For this purpose we used the coefficient of dissimilarities that enables comparisons between the structures of two different variables. We studied the dissimilarities at EU-28 level and for two groups of countries, EU-15 and the group of member states which joined the EU since 2004.

Keywords: greenhouse gas emissions, gross domestic product, disparities, EU

J.E.L Classifications: O44, Q51

1. Introduction

This empirical paper focuses on the variation between values in GHG emissions and GDP for EU countries.

The present economic and political context reflects the EU tendency to settle an energy policy and climatic changes meant to support the convergence of actions of the member states in a strategic area for the European development. Emission reduction of greenhouse gases, according to the obligations undertaken by EU when signing the Kyoto protocol, determines the adoption for the member states of those decisions meant to establish the economic development course and the associated boundaries, the development and the negotiation of competitive elements, the development of energy markets and of the emission markets.

In this context, at EU level, total greenhouse gas emissions (excluding LULUCF) increased in 2010 after five consecutive years of emission reductions, starting in 2004. The annual percentage

increase in emissions in 2010 was also the largest of the past 20 years of emissions. The increase in emissions in 2010 was partly driven by the economic recovery from the 2009 recession in many European countries, which had itself caused substantial emission reductions in 2008 and 2009 in all Member States [6].

In our work we tried to determine the dissimilarities between greenhouse gas emissions and GDP by country at EU level and to identify clusters, if any. For this purpose, we used a modified form of the coefficient of structural changes, named coefficient of dissimilarities and developed by Z. Goschin [3]. Noted with CD this coefficient enables comparisons between the structures of two different variables.

2. The relation between GHG emissions and GDP

Numerous researchers studied the correlation between GHG emissions and GDP to find what is the impact of increasing GDP to increasing GHG emissions. In his study, Richard York [5] has found that greenhouse emissions are growing even at times of recession. Having analysed statistical data on over 150 nations across the world by World Bank, he drew a conclusion that greenhouse gas emissions dropped just 0.43 per cent for every 1 per cent of GDP decline during the period 1960-2008. The reason for a modest fall is quite obvious – even at times of deepest recessions, roads and other infrastructure are still actively used; even though people defer from buying new cars, they don't stop driving at all; factories, at least some of them, continue working, contributing to the emission of the gases; air conditioning systems still carry on operating.

Greenhouse gas emissions rise when economies expand but don't fall as quickly when recession strikes, according to new

research that emphasizes the risks of relying on economic downturns to keep future emissions in check.

In contrast to York, Doda[1] demonstrate that for a large majority of countries in the world the relationship between changes in emissions and GDP is different in periods of economic growth relative to decline. Moreover, there is significant quantitative heterogeneity in the strength of the relationship between emissions and GDP both during periods of growth and decline.

Without very significant changes, the continued growth of the world economy will commit us to nearly commensurate increases in emissions. Presently economic growth brings a highly predictable increase in greenhouse gases [4].

Effective global climate change mitigation action will require speed, depth and breadth well beyond any efforts seen to date, and will need to involve all major emitters, including developing countries [2]. Any agreement on a global goal for climate change mitigation requires that effort to be distributed among countries.

3. Data analyse and methodology

We used as source of data Eurostat Databases, as the indicators included in ours study was greenhouse gas emissions (GHG), measures in thousands of tones in CO₂ equivalent, and gross domestic product at market prices, in millions of euro. Also, for comparisons, we included in our study two years: 2007, before the international crisis, and 2011, the most recently available dates after the crisis.

We started our research with analyze of the relationship between GHG emissions dispersion and GDP dispersion in the EU countries. Absolute values of GHG emissions and GDP, presented in the table 1, show us a big countries variation. In 2011, the coefficient of variation for GHG emissions, for EU-28, was 133.77% against the 152.27% variation of GDP. In 2007 the coefficient of variation for GHG emissions was 132.15% against the 154.29% variation of GDP. So, the variation increases for GHG emissions and decreases for GDP, but with little changes.

Also, we compared the values of greenhouse gas emissions with GDP values

and we noticed that there are very few countries of EU which managed to have a high GDP and emit little GHG emissions, as Denmark, France, Austria and Sweden. On the other hand, there are numerous countries, which have a low GDP, but they have different GHG emissions, ranging from very low to very high like Bulgaria, Estonia, Poland, Czech Republic and also Romania.

Table 1 The GHG emissions and GDP values for EU-28

Member states	2007		2011	
	GHG emissions	GDP	GHG emissions	GDP
Belgium	133670	335815	120172	369259
Bulgaria	68488	30772	66133	38505
Czech Republic	147625	131909	133496	155486
Denmark	67187	227534	56248	240487
Germany	975946	2428500	916495	2609900
Estonia	21047	16069	20956	16216
Ireland	68406	189655	57512	162600
Greece	134186	223160	115045	208532
Spain	432009	1053161	350484	1046327
France	536000	1886793	485543	2001398
Croatia	32430	43380	28256	44384
Italy	555367	1554199	488792	1580410
Cyprus	9808	15902	9154	17878
Latvia	12085	21027	11494	20211
Lithuania	26157	28739	21612	30959
Luxembourg	12359	37497	12098	41731
Hungary	76040	99423	66148	98921
Malta	3106	5575	3021	6626
Netherlands	204199	571773	194379	599047
Austria	87246	274020	82842	299240
Poland	407861	311002	399390	370851
Portugal	80510	169319	69986	171126
Romania	142704	124729	123346	131327
Slovenia	20690	34594	19509	36150
Slovakia	48520	54811	45297	68974
Finland	78417	179830	67019	188679
Sweden	65506	337944	61449	385451
U.K.	643895	2086520	552594	1770910

Sources: Eurostat

As we mentioned above, we used the coefficient of dissimilarities. This one was calculated as the ratio between the values of the variable for unit i and the arithmetic mean, as in the formula below:

$$CD = \sqrt{\sum_{i=1}^n \left(\frac{GDP_i}{GDP_m} - \frac{GHG_i}{GHG_m} \right)^2}$$

where:

$\frac{GHG_i}{GHG_m}$ is the ratio between the level of greenhouse gas emissions for country "i"

and the average level of greenhouse gas emissions for the group of countries under discussion;

$\frac{GDP_i}{GDP_m}$ is the ratio between value of gross domestic product for country "i" and the annual average value of gross domestic product for the group of countries under discussion;

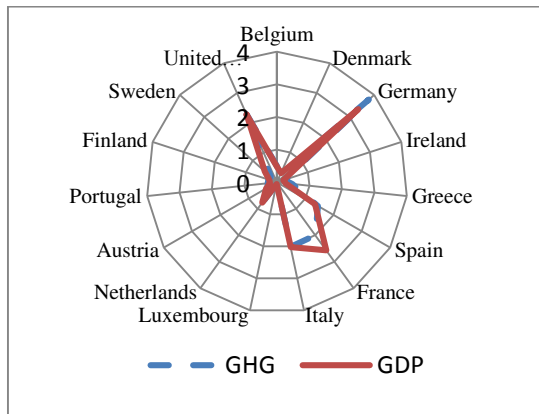
n is the number of country in study.

This indicator measures the overall dissimilarities between the spatial distributions of GHG emissions and GDP value and its values lays between 0 and $\sqrt{2n}$. For example, when territorial inequalities of GHG emissions perfectly mirror the ones of GDP, that is for each country i the position it holds against GDP average is exactly the same as for the GHG emissions, there is no discrepancy between the two distributions and the coefficient of dissimilarities is zero. On the contrary, when the country's GDP hierarchy is totally different from the one of GHG emissions (e.g., the country with the highest GHG emissions has the smaller GDP level) the dissimilarities reach their maximum level: $CD = \sqrt{2n}$, where n stands for the number of country.

4. The results

First, we have studied all 28 EU countries, so the CD level varies between 0 and 7.48. Second, we structured EU countries in two groups: the group of old EU states member states (EU-15), for which CD values are between 0 and 5.47 and the group of member states which joined the EU since 2004, including Romania, Bulgaria and Croatia, with CD values between 0 and 4.89.

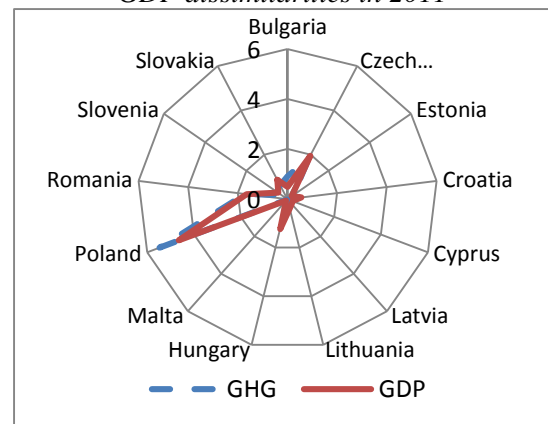
Figure 1. Country of EU-15 GHG emissions–GDP dissimilarities in 2011



For EU-28 the coefficient of dissimilarities was 0.4828 in 2007 and in 2011 was 0.4726. These values are near the lower limit of its variation range, proving that the regional distributions of GHG emissions and GDP are connected.

The ratio between the maximum and the minimum GHG emissions by country was 303.37 in 2011, which means Germany emits 303 times more GHG than Malta. The same ratio in 2007 was 314.21. For GDP, these ratios were 393.87 and 435.57 respectively.

Figure2. The group of member states which joined the EU since 2004: GHG emissions – GDP dissimilarities in 2011



We have much little values for the coefficient when we calculated separately for EU-15 and for the group of member states which joined the EU since 2004. So, for the EU-15 the CD was 0.2132 in 2007 and 0.2058, much nearly to the lower limit. For the group of member states which joined the EU since 2004, the CD was 0.2973 in 2011 and 0.3037 in 2007.

The evolution of the coefficient of dissimilarities shows a little decrease in GHG emissions–GDP countries differentials in 2007-2011 periods. Although it is almost double for EU-28 compared with GHG emissions – GDP dissimilarities for the other two groups of countries, but it is still very low.

5. Conclusions

There is a tendency favoring the reduction of these differences in time, mainly due to a faster decrease of GDP compared to the decreases of GHG emissions, thus reducing the gap.

An economy dominated by heavy industrial production, for instance, is more likely to have higher GHG emissions intensity than one where the service sector is dominant. Likewise, a country that relies on trade to acquire (import) carbon-intensive goods will have lower GHG emissions than those countries that manufacture those same goods for export.

The extent to which greenhouse gasses are a direct cause of the world GDP dropping or increasing remains to be seen – a myriad of additional factors should be considered – but these issues will continue to be at the forefront in such volatile times. In this context the economists have to rethink the future growth of greenhouse gas emissions.

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Empirical Analysis of the Relationship between R&D Expenditures and Labour Productivity for EU Countries

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Abstract

This paper presents the impact of R&D expenditures on labour productivity growth for the EU countries, in the time of economic crisis and after this, starting with Mario Coccia's research. For this reason we took into account two indicators: % of R&D expenditures in GDP and the real rate of labour productivity growth. As you know, at EU level, the quantitative goal is 3% R&D expenditures in GDP, to increase productivity and to respond to the challenges of globalisation and the knowledge-based society. But, not all the time, a 3% value or higher could assure a higher rate for labour productivity growth, as we shall see.

Key words: R&D expenditures, labour productivity, economic crisis

J.E.L. Classifications: E03, E60, O40

1. Introduction

One of the important lessons learned from the wave of empirical growth research in the last years is that no single factor determines a country's growth rate. Therefore, there is a widespread acknowledgement in the specialized literature regarding the R&D as a key determinant of competitiveness and productivity growth. From both points of view theoretical and empirical, the various measures of R&D expenditures are generally considered the most important of these potential variables. Since R&D is carried out mostly in developed countries and the extent of the R&D varies through time and across countries, its ability to explain the variation in productivity growth in developed countries can be potentially very high.

R&D investments contribute directly to knowledge accumulation and technological change which determine productivity growth

for long periods of time. Investments in R&D encourage innovation, which in turn, contribute especial to economic growth and particularly to labour productivity.

2. Some considerations on the relationship between R&D expenditures and labour productivity

Many authors tried to estimate the optimal level for R&D intensity at different aggregation levels for economy. For this aim, they selected various relevant indicators that should allow to optimize labour productivity in relation to R&D expenditures. In some studies they tried to determine the optimal amount of R&D investments that maximizes the productivity growth in the long run [1, 4, 5].

However, empirical results are mixed and not always confirming the theoretical proposition. Some researchers found that the private returns to innovation could be at same time positive and high. By contrast, several other studies indicate that although a firm's innovative efforts advance significantly society's pool of scientific knowledge made a limited or even negative contribution to the firm's own economic performance [6]. Unfortunately, the rate of return to research and development in relation to some economic measures is not always positive, therefore, the estimated relationship between R&D and productivity remains elusive.

Countries can benefit to a large degree from foreign R&D without undertaking heavy R&D expenditures through the purchase of patent rights, franchising, and trade of goods in which R&D is embodied. Specialisation in R&D, and higher R&D ratios in high productivity countries, may increase the flow of new technology available for all countries [3].

The importance of labour productivity growth determined by R&D investments is

indisputable and it has been demonstrated by numerous studies. Even if the labour market is strongly influenced in turn by the state and economic change any boom or economic decline nationally and worldwide, will affect one way or another the level of employment and unemployment [7] and also labour productivity.

3. Methodology and results

In our research we verified if the results obtained by Coccia in his models could be applied for EU countries in the time of crisis and after this. Consequently, we want to know which was the relationship between R&D expenditures - labour productivity in order to obtain a maximum growth for labour productivity when the optimal ratio GERD in GDP for EU countries ranges between 2,3% and 2,61% [2].

We collected available data of the EUROSTAT, for % of totals R&D expenditures in GDP and the real rate of labour productivity growth per hour worked. We considered that it is more significant for our research to use average indicators, than the simple values in some years. For the R&D expenditures as % of GDP we used simple arithmetic average and for labour productivity we used average rate of growth calculated using average index of dynamics.

In the first part of the our study, we considered the period 2003-2008 for the R&D expenditures and period 2005-2010 for labour productivity, considering a two-year temporal lag between the R&D investment and their impact on labour productivity. The average values, presented in table 1, show us that for some countries the relationship R&D expenditures - labour productivity respects the results obtained by Coccia and for the other countries not.

The share % of total R&D expenditures in GDP in the period 2003-2008 varied between a minimum 1.82% in 2005 and a maximum 1.92% in 2008 for EU27 countries, below the optimal level that maximizes hourly productivity, according to Coccia's optimum, that is between 2.3% and 2.61%. The medium rate of real labour productivity growth in period 2005-2010, for EU27, was negative for 2008 and 2009, which shows us the labour productivity decrease for these two years.

Table 1 - The relationship between R&D expenditure – labour productivity for the first part of the research

	Average to % of total R&D expenditures in GDP (2003-2008)	Average rate of real labour productivity growth (2005-2010)
EU-27	1.8516	0.7500
Group A		
Austria	2.4266	1.5323
Germany	2.5516	0.8787
Denmark	2.5716	0.4235
Group B		
Finland	3.5033	0.5235
Sweden	3.6200	0.5703
Group C		
Cyprus	0.4050	1.1540
Romania	0.4567	2.7426
Bulgaria	0.4683	2.2210
Slovakia	0.5017	3.4261
Malta	0.5050	-0.1581
Latvia	0.5467	3.3307
Poland	0.5667	2.4773
Greece	0.5820	0.5807
Lithuania	0.7617	4.1420
Hungary	0.9583	0.5684
Portugal	0.9817	1.3508
Group D		
Estonia	1.0067	3.2447
Italy	1.1317	0.0286
Spain	1.1750	1.4380
Ireland	1.2733	1.8084
Czech Republic	1.3550	2.2989
Slovenia	1.4617	2.5504
Luxembourg	1.6233	-0.9877
United Kingdom	1.7200	0.4616
Netherlands	1.8683	0.6260
Belgium	1.8800	0.2345
France	2.1267	0.5102

Source: Our own calculations using the EUROSTAT Database

The groups of countries taken in study were formed by arranging the countries after the values of % of R&D expenditures in GDP.

Group A is composed of Denmark, Austria and Germany. Their R&D intensity was inside the "optimal interval" suggested by Coccia for the period 2003-2008. The labour productivity growth values were different, such as 1.5323% for Austria and 0.4235% for Denmark. It is worth mentioning the fact that, even though the

R&D investment intensity of this group was very similar, the productivity growth was different, suggesting the interference of other important productivity factors.

Group B, composed of Finland and Sweden, is characterised by the highest R&D intensity, exceeding Lisbon Strategy target (3% of GDP for R&D), the productivity growth rates were lower than the EU average. A possible explanation could be the effects of economic crisis.

In group C we included the countries with values for R&D expenditures as % of GDP less than 1%. Here we find countries such as Romania, Bulgaria, Poland and Hungary. Except Malta, with a negative rate for labour productivity growth, for the other countries of the group, the rate was positive, with a minimum value of 0.5807% for Greece, and a maximum value of 2.7426% for Romania. The target for R&D expenditures set for the focused period, of 3% of GDP, proved unrealistic, especially for the year 2008.

We mention the fact that Romania registered for 2008 a value of 0.58% for ratio of R&D expenditures in GDP and in the following years this rate decreased, related both to public and private sources. Moreover, the economic crisis has sharply reversed the upward trend that the R&D investment registered during the economic boom between 2005 and 2008. Taking into consideration the mentioned tendencies, it is, therefore, unlikely that within the next 10 years the 3% goal of Lisbon Strategy 2020, would be achieved [9].

Group D included the countries with % of R&D expenditures in GDP between 1% and 2.3%, the minimum limit of Coccia's "optimal interval". For these countries the real rate of labour productivity growth did not follow a rule. Luxemburg recorded negative values for labour productivity even if % of R&D in GDP was 1.6233%, higher than that for Slovenia i.e. which for a 1.4617 % of R&D in GDP had a real labour productivity growth rate to 2.5504%.

In the second part of our study we want to explore "What happened to the relationship between R&D expenditure and productivity, during and after the economic crisis?". For this aim we have focused on the period 2008-2010 for % of R&D expenditures in GDP and on the period 2010-2012 for the labour

productivity, complying the two-year temporal lag between the R&D investment and their impact on labour productivity.

Table 2- The relationship between R&D expenditure – labour productivity for the second part of the research

	Average to % of total R&D expenditures in GDP (2008-2010)	Average rate of real labour productivity growth (2010-2012)
EU-27	1.9766	1.1498
Group B		
Austria	2.7233	0.6998
Germany	2.7700	1.0975
Denmark	3.0267	0.1499
Sweden	3.5633	0.9999
Finland	3.8467	0.0939
Group C		
Cyprus	0.4733	0.4988
Romania	0.5033	3.2976
Slovakia	0.5267	2.0000
Bulgaria	0.5333	3.7490
Latvia	0.5600	8.9508
Malta	0.5800	-2.1422
Poland	0.6700	4.7669
Lithuania	0.8133	4.4188
Group D		
Hungary	1.1133	1.5424
Italy	1.2433	-0.4521
Spain	1.3767	2.5455
Estonia	1.4467	1.7858
Czech Republic	1.4800	0.4409
Portugal	1.5767	0.8992
Luxembourg	1.6200	-1.5018
Ireland	1.6433	2.2350
United Kingdom	1.7800	-0.5578
Netherlands	1.8133	-0.5024
Slovenia	1.8667	1.7272
Belgium	2.0033	-0.2500
France	2.2100	0.6987

Source: Our own calculations using the EUROSTAT Database

As you can see in table 2, for the indicator % of R&D expenditures in GDP there were no values in the "optimal interval" defined by Coccia. "What does this mean?". In order to find an answer, let's analyse group B, in which we included the countries with values for % of R&D expenditures in GDP higher than 2.61%. For these countries the values for real labour productivity growth rate were between 0.0939%, for Finland, which had the highest value for % of R&D

expenditure in GDP 3.8467%, and 1.0975% for Germany, which had a value for % of R&D expenditure in GDP 2.7700%.

For group C we have a high variability for real rate of labour productivity growth, even if the values for % of R&D expenditure in GDP had a very little variability, with values in the range between 0% and 1 %. Significant increases for the rate of real labour productivity growth were recorded for Latvia, Poland, Lithuania, Romania and Bulgaria. If we look back, in Table 1, for Latvia, we see that the average real rate of productivity growth was 3.3307%, for the period between 2005 and 2010, and now, for the period 2010-2012, the indicator registered a spectacular growth, with an average of 8.9508%, almost three times higher. But this did not occur in other countries, like Malta, for which the average for real productivity growth decreased further to the value of -2.1422%.

A possible explanation for low labour productivity level for some EU countries could be the migration of the specialists (brain drain) and labour shortages in certain sectors of the national economy leading to reduced productivity and income, and also the quality of life [8].

In group D we had five countries with negative values for the average of real rate of labour productivity growth, even if the percent of R&D expenditure in GDP was high enough, between 1.1133% for Hungary and 2.2100% for France.

4. Conclusions

Assuming that the "optimal interval" determined by Coccia, for % of R&D expenditures in GDP is between 2.3% and 2.61%, which generates a real rate of higher labour productivity growth, we can say that for the member states of the EU this is not proved.

On the contrary, at EU level there are countries for which a little % of R&D expenditure in GDP generates a higher real rate for labour productivity growth. We can explain this by the fact that the variability of labour productivity is determined by a large number of economic factors but also non-economic, that had not been considered here.

Increasing the level of R&D expenditures remains a strategic priority for the EU

countries. Authorities should increase not only public investments in R%D, but they must also support private R&D companies' investment efforts.

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The Impact of Budgetary Revenues on Economic Growth. Study Case: Romania

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Abstract

Public revenues have become an important part of the market economy and is the basic method in obtaining government revenues and allocation of resources. A change of budgetary revenue may affect consumption, investment and savings, and thus GDP may be affected. For this reason, many countries, especially developing countries attach great importance to the influence of public revenues on growth.

Key words: revenues, impact, growth, fiscal policy, taxation

J.E.L Classification: H21, H21, H24, O40, O47

1. Introduction

The relationship between economic growth and budgetary revenues is a debate that has existed for a long time in history. The discussion on the two variables revealed disagreements between academics and policy makers. Some argue that taxes hurt the economy, while remaining supporters considered taxation as being beneficial for any economy.

If we look at things from a general perspective, every tax has a distortionary character on economic growth because it influences the economic decisions taken by economic subjects, economic agents or individuals, engaged on activities: production, investment, consumption, savings.

For example, corporate tax negative influence on motives and resources of economic agents to invest, income tax has a

negative impact on consumption and individual savings and consumption taxes affect individual choices between time for work and leisure.

2. Literature review

First to examine how taxation affects growth was Solow. Solow's neoclassical growth model implies that an increase in the steady state is not affected by fiscal policy. In other words, fiscal policy, however distortionary is, have no impact on growth rates in the long term, even if reduced the level of economic output in the long run. In contrast with the "new" endogenous growth theory initiated by Romer, there are patterns of growth in which public spending and tax policies may cause permanent or long-term growth[1].

Countries have different opinions regarding different methods of taxation and and very different regarding collecting revenue. Castles and Dowrick, Atkinson, Agell, Lindh and Ohlsson argue that the use of different public expenditure affects growth differently and the same argument applies to how tax revenues are increased. In recent decades, some countries have increased taxes quite dramatically, while in other countries the tax rates have remained roughly the same[2][3][4]

Due argues that countries that rely on indirect taxes grew faster than those based on direct taxation. For example, the economic growth of Singapore can be attributed to low rates of income tax and personal income.[5]

Starting 1980, developed countries were disappointed by the charges levied on income and gains and under taxpayer pressure and in response to structural pressures related to increasing globalization of capital, they

began to reduce the percentage of taxes on corporate and personal income, emphasis on indirect taxes.

Burgess and Stern argue that the structure of taxation in developing countries differs from that of developed countries. For developing countries, about two-thirds of the tax revenue come from indirect taxes, while for developed countries two-thirds come from direct taxes. They suggest that tax structure may change over time to maximize the economic growth rate. Another important finding is that in developing countries there has been a relatively weak but significant correlation between the tax rate and GDP per capita, but no significant relationship for industrial countries[6]

3. Impact of budgetary revenues on economic growth

This part of the paper aims at testing econometric correlation between public revenues, expressed as a share of GDP and growth, measured as real GDP growth rate, placing the results in the context of the current economy being very difficult, taking into account the rough times that the Romanian economy is facing.

To analyze the relationship between budgetary revenue and economic growth in Romania, the data used were on a quarterly basis. These data were carefully collected from sites such as Eurostat, National Statistical Institute, International Monetary Fund, the National Bank of Romania and the Ministry of Public Finances in the period 2006-2012.

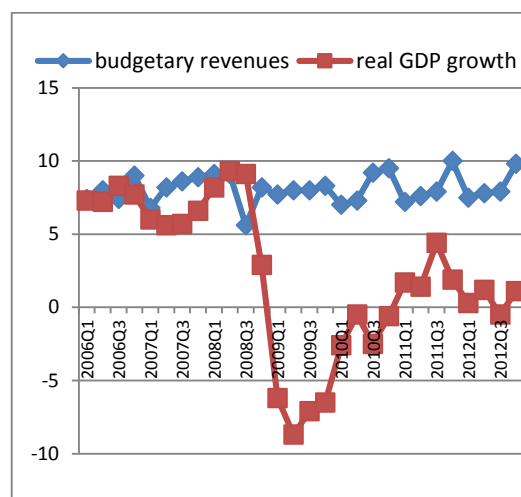
If we consider the effectiveness and significance of statistical tests, using a series of annual data would not allowed to obtain reliable results. It should also be noted that our economy is characterized by variables that have shown serious structural failure and significant reversal of the trend, which would have led to an unfeasible analysis.

In order to analyze the impact on growth of public revenues is necessary to analyze their evolution. Graphic 1 provides the evolution of the share of budgetary revenues in GDP and growth.

Gross domestic product is a synthetic indicator of the results' evolution of a national economy. GDP is the indicator that gives substance to the economic development

of a country in a given period of time. 2008 marks the last increase of 7.1%, with growth of 7.7 in 2006 and 6% in 2007. Negative trend in GDP in the fourth quarter of 2008 anticipated brutal effects of financial crisis, resulted in 2009 in a decrease of -7.6% of GDP. This negative trend continued in 2010 when GDP decreased by 1.3%. Only in 2011 there is a reversal in the growth of GDP, which is 1% higher than the previous year and the last year of analysis, respectively, 2012, growth rate was relatively low, but positive 0.2%.

Graph 1. The evolution of public spending in GDP and growth



Source: own processing based on Eurostat, NIS

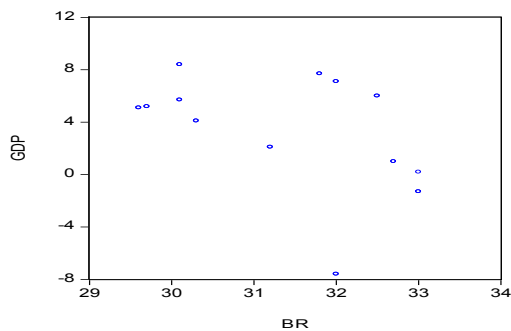
In 2007, revenues have continued to increase due to favorable cyclical position of the economy, but also due to the reform of tax administration and efficiency collection.

In 2008 revenues represented 32% of GDP, 5.2 % less than the scheduled revenue, respectively 37.2% of GDP. In 2009, the income gap is explained by the reduced tax and non-tax revenues, in particular reducing taxes on production and imports, taking into account the contraction in private consumption and foreign trade.

Revenues in 2010 increased on account of surprising development revenue from indirect taxes. Increasing the share of revenue in GDP from 32.7 % in 2011 to 33% in 2012 is explained by the positive dynamics of income from other general taxes on goods and services, but also by improving absorption of EU funds

Graphic 2. Correlation between the share of

revenues in GDP and real GDP growth rate



Source: own processing using Eviews

As it can be seen from the graph, dynamic growth is negatively correlated with the share of budgetary revenues in GDP.

The relationship between economic growth and budgetary revenues can be described by a regression equation between real GDP growth rate and share of revenues in GDP.

The econometric model used to determine the influence on growth of budget revenues in the period 2006-2012 requires the use of simple linear regression: $Y = \alpha + \beta \times X + \varepsilon$, where:

Y = dependent variable, GDP

α = free term

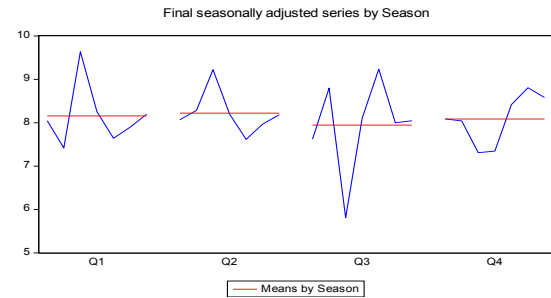
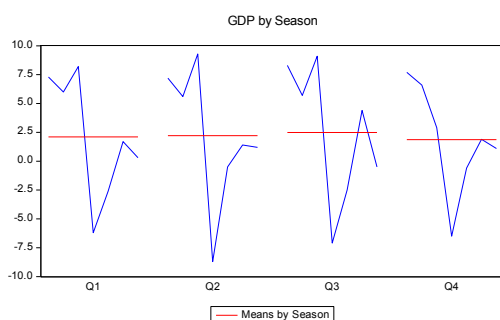
β = independent variable parameter

X = independent variable, revenues

ε = error term of the equation

For the econometric model to be a valid one, the data series used has to be analyzed in terms of seasonality. Real GDP growth rate was not affected by seasonality, but revenues were affected by seasonality, and as a result, the series was seasonally adjusted. In the following graphs can be observed the evolutions of the two variables, without seasonality:

Graphic 3 - Series seasonally adjusted revenues



Source: own processing using Eviews

Starting from this form it can be estimated in Eviews a dependency between the two variables analyzed. The results of calculations performed in EViews 7.1 program are shown in the table below:

Table 1 – Eviews Estimation Output

Dependent Variable: GDP

Method: Least Squares

Date: 11/20/13 Time: 12:53

Sample: 2006Q1 2012Q4

Included observations: 28

Variable	Coefficient	
C	3.276928	
BR_SA	-0.136903	
R-squared	0.610353	
Adjusted R-squared	-0.438095	
S.E. of regression	5.338680	
Sum squared resid	741.0391	
Log likelihood	-85.59216	
F-statistic	0.009191	
Prob(F-statistic)	0.924357	
Std. Error	t-Statistic	Prob.
11.61218	0.282198	0.0212
1.427981	-0.095872	0.0144

Mean dependent var	2.167857
S.D. dependent var	5.239809
Akaike info criterion	6.256583
Schwarz criterion	6.351741
Hannan-Quinn criter.	6.285674
Durbin-Watson stat	0.257859

Source: own processing using Eviews

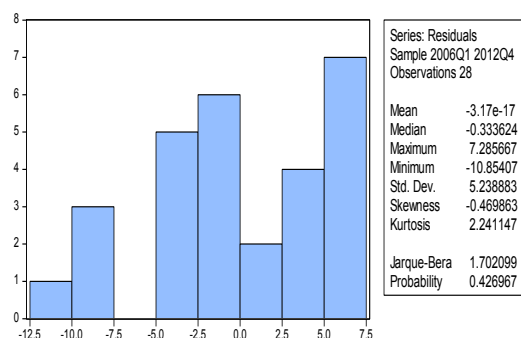
Analyzing the results we can conclude that the overall relevance of the model is significant, $R^2 = 0.610353$, which explains in proportion of 61.03% the fluctuation of annual rate growth of gross domestic

product. Impact of revenues is significant because the probability for this variable is below the significance threshold of 5%.

To demonstrate that the model is valid, errors normality assumption for errors, homoskedasticity hypothesis and autocorrelation of errors hypothesis should be checked.

We begin with the assumption of normality of errors and apply the Jarque-Bera test. The results are presented in the table below:

Table 2. Jarque-Bera test results



Source: own processing using Eviews

The null hypothesis, the errors are normally distributed ($H_0: \varepsilon \sim N$) and alternative hypothesis ($H_1: \varepsilon \neq N$). As can be seen, associated probability of relevance test is more than 5%, so the null hypothesis is accepted, so the errors are normally distributed. In our case, the errors have a platykurtic distribution, Kurtosis coefficient, stood at 2.24.

The second hypothesis, homoscedasticity assumption is an important one. Violation of the assumption leads to a model that can be considered invalid.

Table 3. White Heteroskedasticity Test

Heteroskedasticity Test: White			
F-statistic	0.249763	Prob. F(2,25)	0.7809
Obs*R-squared	0.548510	Prob. Chi-Square(2)	0.7601
Scaled explained SS	0.293500	Prob. Chi-Square(2)	0.8635

Source: own processing using Eviews

White test is a statistical test that determines whether the residual variance of a variable in a regression model is constant. In this case, since the probability associated with the test is greater than 5% relevance threshold, the null hypothesis can be rejected, that there is no heteroskedasticity.

The Last test applied is Breusch-Godfrey, testing the hypothesis of autocorrelation of errors.

Table 4. Breusch – Godfrey test results

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	24.60527	Prob. F(2,24)	0.0510
Obs*R-squared	12.06416	Prob. Chi-Square(2)	0.0503

Source: own processing using Eviews

Based on Breusch-Godfrey test can be concluded that the null hypothesis of absence of autocorrelation is accepted as the probability associated with the test is greater than the threshold of significance. Therefore, the model is a valid one.

4. Conclusions

Classical analysis of fiscal policy argue that tax cuts stimulate economic activity in the short term. Therefore, fiscal reforms are sometimes thought to have a strong impact on macroeconomic growth.

This study was based on investigating the impact of revenues on growth in the period 2006-2012, using simple linear regression. Between revenues and economic growth is an inverse relationship, ie increasing revenues is a decline in economic growth and vice versa.

Public revenues tend to have a negative impact on economic growth in Romania, regardless of the method used to measure growth. The results are consistent with results presented in other studies on this subject and is a confirmation of the rules already mentioned.

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*** www.insse.ro

*** www.mf.ro

The Development of Earnings in Romania Before and After the Economic Crisis

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Abstract

Any economy attaches a significant role to the evolution of the wages in order to determine unemployment and inflation. The rapid increase in the average salary both before and after the emergence of the economic and financial crisis is the reason for this study. This paper is focused on the evolution of nominal and real net salary earnings at the level of the national economy, on economic activities and on development regions and the influence of salary earnings on the inflation rate and on the unemployment rate. The relationships between the salary earnings, the inflation rate and the unemployment rate are studied by means of multifactorial linear regression models. For the analysis of the correlations we took into account a 13-year period, 2000-2012, and for the evolution of the two studied indicators, the analysed period is 2007 – 2012.

For the econometric modelling we used a software package called Eviews.

Keywords: the net nominal salary, real wage, the rate of inflation, unemployment rate

JEL classification: C01, C5, E24

1. Introduction

In the current economic period, the population's salary earnings had a spectacular, yet contradictory evolution. The movements in this area included both the quantity parameters as well as the structural ones of the salary incomes. Thus, their real dimensions (expressed by the purchasing power), their apparent (nominal) dimensions,

their weight in the total incomes of the company, the income structure, the ratio between the various categories of incomes and the distribution of the population according to the size of the incomes earned were changed [2].

The objective of the statistical research of the salary earnings is to assess the short-term trends of the average salary earnings per total economy and per business sectors.

Basically, the real salary earning shows how much one can purchase, according to the net monthly average salary, during one year, compared to the prices and tariffs valid in that period.

The determination of the impact of the salary earnings on the inflation and the unemployment rate is made by means of the regression analysis. The regression analysis allows for studying and measuring the relationships between two or more variables.

The analysis of the connections between the indicators analysed in this paper is made by means of linear econometric models:

$$y = a + b \cdot x + \varepsilon \quad (1)$$

where: y is the dependent variable (the inflation rate or the unemployment rate); x is the independent variable (net average salary earnings); and ε is the random or disruptive variable.

The parameters of the econometric model presented in formula (1) are determined by means of the ordinary least squares method.

A fundamental condition that must be met before carrying out the estimation of a simple regression equation is to verify the stationary nature of the time series. [2] The verification of the stationary nature of the series is performed by means of the Augmented Dickey-Fuller test. The time series are

stationary if $t_Statistic \geq t_Critical$ and the probability p is lower than the significance threshold $\alpha = 0.05$ [3]

The intensity of the connection between the indicators is measured by means of the correlation ratio (Multiple R) while in order to measure the accuracy with which the dependent variable is explained by the variation of the independent variable the determination coefficient (R-squared) is used.

The selected econometric model is deemed valid if: the random variable independence assumption is verified (the Durbin – Watson test), the parameters are significantly different from zero (the t-test) and if the model is adequate for the data (the F-test).

2. Analysis of the evolution of the net average salary incomes

Both the net nominal salary earning as well as the real one, in the studied period 2007-2012, have an uptrend from one year to the next, with an annual average of 93 RON/employee and respectively 83.2 RON/employee. Until the end of the year 2008, Romania had a growing economy which resulted in a growth rate of the nominal salary by more than 25% and by more than 20% for the real salary. Starting with 2009 and until 2011, when the effects of

the economic and financial crisis started to be visible in our country as well, the growth pace of the nominal salary and the real salary declined reaching values between 2.2 and 4%, and 1.7 and 4% respectively.

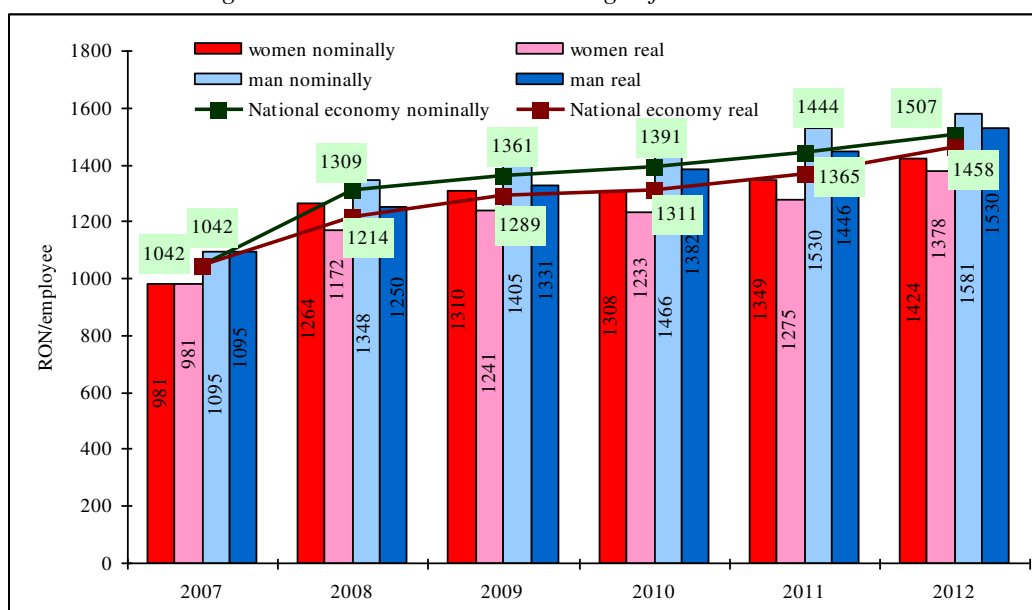
In 2012 compared to the previous year, the nominal net salary, at the level of the national economy, recorded an increase by 4.36% (from 1444 RON/employee to 1507 RON/employee) and for the real net salary the increase is by 6.81% (from 1365 RON/employee 1458 RON/employee); higher compared to that of the nominal salary as an effect of the reduction of the consumer price indices.

Generally, for equal working conditions, the basic salaries for women and men are the same [1].

By applying the statistical F-test we find out that the main grouping factor, i.e. the gender, does not influence the salary earnings ($p=0.07 > \text{significance threshold } \alpha=0.05$). In conclusion we can say that the differences between the salaries earned by women and those earned by men are determined by the differences in the level of the skills and the hierarchical position in the workplace.

Women's salary earnings are significantly lower compared to those of men ($p= 0.0002 < \text{significance threshold } \alpha=0.05$).

Figure 1. Nominal and real earnings of women and men



Source: <http://www.insse.ro/cms/ro/content/costul-forței-de-munca>

Women's net nominal salary increases from one year to the next, on average by 88.6 RON/employee, less than men's by 8.6 RON/employee (for men, the net nominal salary annually increases on average by 97.2 RON/employee).

In 2011 we have the largest difference between women's and men's earnings (men have a nominal salary of 1530 RON/employee while that of women is 1349 RON/employee).

Women's salary earnings were the most affected by the economic and financial crisis, consequently in 2008 compared to the previous year, the growth rate of the nominal salary is 28.85% for women compared to that of men which is 23.11% and in 2009 compared to 2008 for women the increase is 3.64% compared to that of 4.23% for men. In 2010, women's salary earnings decreased compared to 2009 (net nominal salaries decreased by 0.15% - 2 RON/employee and real salaries decreased by 0.64% - 8 RON/employee).

Net average salary earnings in education were above the national economy average until 2009 (the annual average increase of the salaries in education was 51 RON/employee higher compared to that of the national economy - 210.5 RON/employee 159.5 RON/employee). Starting with 2010, the effects of the crisis were felt in education as

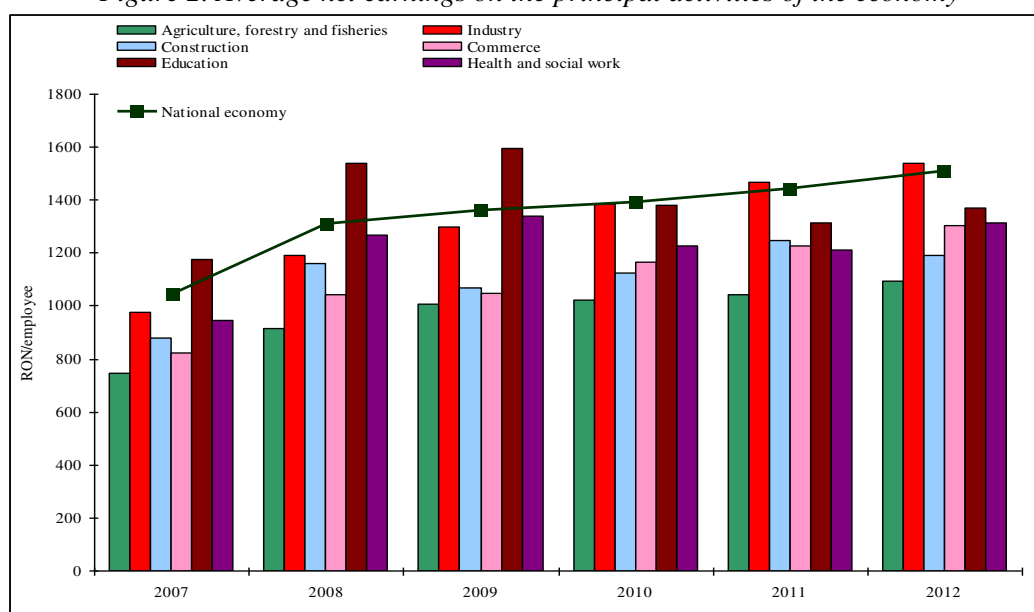
well following this situation, and the net average salaries entered an uptrend, being below the national economy average (the growth rate of the net average salary is - 4.5RON/employee).

Net average salaries in healthcare are positioned, throughout the whole studied period, below the national economy average. The annual growth rate of the salaries in healthcare is 197 RON/employee, until the end of 2009 (higher than the salary growth rate at the level of the national economy by 37.5 RON/employee) and 44.5 RON/employee starting with 2010.

In 2010 compared to 2009, the net average salaries in education and healthcare decreased, thus for education they decreased by 13.53% (by 216 RON/employee) and for healthcare they decreased by 8.64% (by 116 RON/employee).

The economic activities in which the net average salaries have a constant increase from one year to the next are: the industry for which the annual average growth rate is 113.2 RON/employee (starting with 2011, the salary earnings in this economic branch exceed the national ones), commerce by an average annual salary of 96.4 RON/employee, agriculture where the annual salary increase is by 69 RON/employee.

Figure 2. Average net earnings on the principal activities of the economy



Source: <http://www.insse.ro/cms/ro/content/costul-fortei-de-munca>

Men earn net average salary earnings higher than women in most economic activities, the highest differences (more than 15%) being in: industry, commerce, and education.

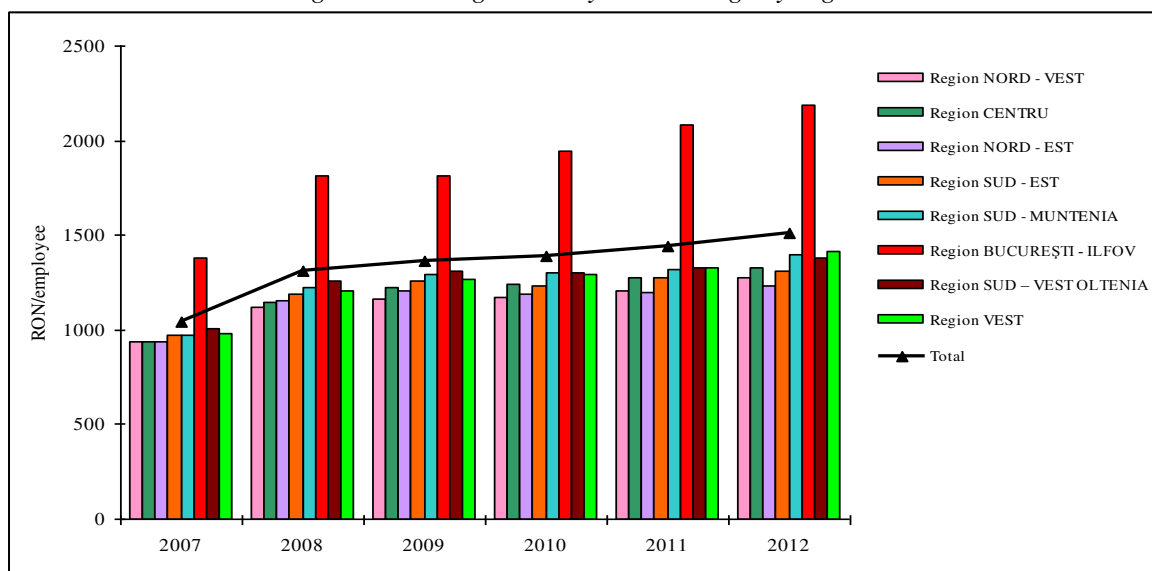
In terms of **territory**, on development regions, the net monthly average salary earning in the studied period, 2007 – 2012, was below the economy average in 7 of the development regions. The Bucharest – Ilfov region is the only region for which the salary earning is significantly higher than the economy average ($p=0.00007$).

The salary earnings in the North-East, South-East and South-East Oltenia regions are strongly influenced by the economic crisis compared to all the other regions. Thus,

in 2010 compared to 2009, in the South-East region the salary earnings decrease by 1.67%, followed by the reduction by 1.24% in the North-East region and by 0.69% in the South-East Oltenia region.

In 2012 compared to 2011, the growth rate for nominal and real salaries is positive for all the regions. The highest level of the growth rate (the nominal salary grows by 6.31% and the real one by 8.84%) was recorded in the Western region. The growth rate of the salary earned in the South-East region was at the opposite pole (the nominal salary grows by 2.43% and the real one by 4.87%).

Figure 3. Average monthly net earnings by regions



Source: <http://www.insse.ro/cms/ro/content/costul-fortei-de-munca>

3. Impact of the salary earnings on the inflation rate

The stationary nature of the two data series: the inflation rate and the net average nominal salary are checked by means of the *Augmented Dickey-Fuller* test.

Table 1. Test results of the Augmented Dickey-Fuller

	t-Statistic	Prob
Rate of inflation		
Augmented Dickey-Fuller	8,095773	0,0000
Test critical values:		
1% level	4,121990	
5% level	3,144920	

10% level	2,713751	
The average net salary		
Augmented Dickey-Fuller	3,458510	0,0346
Test critical values:		
1% level	4,297073	
5% level	3,212696	
10% level	2,747676	

By analysing the data in Table 1, we can say that the two series are stationary if we accept a significance threshold of 1% for the inflation rate and for the net average salary of 5%.

The quantification of the impact of the salaries on inflation can be made by determining the following model:

$$\text{inflation} = a + b \cdot \text{salary} + \varepsilon \quad (2)$$

where: inflation is the dependent variable;

the salary is the independent variable and ε is the residual variable.

Table 2. Estimation of parameters of econometric model using the method of least squares (OLS) in the period 2000 to 2012

The dependent variable: inflation				
Included observations: 13				
inflation = a + b*salary				
	Coefficienti	Eroarea standard	t-Statistic	Prob
a	33,66613	4,846086	6,947078	0,000024
b	-0,02222	0,004823	4,60653	0,000756
R-squared	0,6585	Mean dependent var		13,77
Multiple R	- 0,8115	F-statistic		21,22016
		Prob		0,000757
Durbin – Watson stat	1,5729	JB		0,846
		Prob		0,655

The impact of the net average salary on inflation has a high intensity and describes a reverse connection between the two variables (Multiple R = -0.8115). Approximately 66% of the inflation variation is justified by the variation of the net average salary, the difference of 34% being the influence of other factors.

The estimator of parameter $a=33.67$ is significantly different from zero because the calculated value of the t-test = 6.95 is higher compared to the theoretical value of the ($t_{0,05;11} = 2.2$) and the probability that the parameter is not correctly determined ($p=0.000024$) is small compared to the significance threshold $\alpha=0.05$. The same can be said about the estimator of the parameter $b = -0.02$ ($t_c = 4.61 \geq t_{0,05;11} = 2.2$ and $p = 0.00076 < \alpha = 0.05$).

The validity of the regression model is given by the calculated F-test value (F-statistic = 21.22), a value higher than the theoretical value ($F_{0,05;1;11} = 4.84$). In conclusion it can be said that the average salary is an important variable influencing inflation.

The regression function that describes the relationship between the net average salary and the inflation takes the following form:

$$\text{inflation} = 33,67 - 0,02 \cdot \text{salary} + \varepsilon \quad (3)$$

Most salary earnings with one RON determine the reduction of the inflation by

0.02 percentage units. The positive value of estimator a has a positive and significant influence of the salary income on inflation.

4. The analysis of the connection between the salary earnings and the unemployment rate

The data series related to the unemployment rate is stationary if we accept a significance level of 1%.

Table 3. Test results of the Augmented Dickey-Fuller

	t-Statistic	Prob
Unemployment rate		
Augmented Dickey-Fuller	2,863414	0,0091
Test critical values:		
1% level	2,816740	
5% level	1,982344	
10% level	1,601144	

The regression model that describes the relationship between the salary earning and the unemployment rate takes the following form:

$$\text{unemployment_rate} = a + b \cdot \text{salary} + \varepsilon \quad (4)$$

where: the unemployment_rate is the dependent variable of the regression model; the salary the independent variable of the model.

Table 4. Estimation of parameters of econometric model using the method of least squares (OLS) in the period 2000 to 2012

The dependent variable: unemployment_rate				
Included observations: 13				
unemployment_rate=a+b*salary				
	Coefficient	Eroarea standard	t-Statistic	Prob
a	8,973647	0,917976	9,775474	0,000000927
b	-0,00261	0,000914	2,85355	0,01569659
R-squared	0,425371	Mean dependent var		6,64
Multiple R	- 0,652204	F-statistic		8,142775
Durbin – Watson stat	1,856464	Prob		0,015697

The impact of the net average salary earnings on the unemployment rate has an average intensity and describes a reverse connection between the two variables. Only 43% of the variation of the unemployment rate is explained by the variation of the salary earnings.

The two estimators of the parameters $a=8.97$ and $b= - 0.003$ are significantly different from zero because the calculated values of the t-test ($t_a = 9.78$ and $t_b = 2.85$) are higher compared to the theoretical values of the t-test ($t_{0,05;11} = 2.2$) and the probabilities that the two parameters are not correctly estimated ($p_a=0$ and $p_b=0.016$) are small compared to significance threshold $\alpha=0.05$.

The average salary is an important variable influencing unemployment because the calculated value of the F-test ($F_c = 8.14$) is higher than the theoretical one ($F_{0,05;1;11} = 4.84$).

The regression function that describes the relationship between the net average salary and the unemployment has the following form:

$$\text{unemployment_rate}=8,97-0,003*\text{salary}+\varepsilon \quad (5)$$

The increase in the salary earnings by one RON determines the decrease in the unemployment rate by 0.003 percentage units. The positive value of the estimator a has a positive and significant influence of the salary earning on unemployment..

5. Conclusions

Following the study carried out we found a sharp increase in the nominal and the real salaries before the onset of the economic crisis, and after the emergence of the

economic crisis the salary growth rate is more moderate.

Starting with 2009 the Romanians lived worse despite the fact that the nominal and the real salary earnings increased. The decrease in the living standard of the population is mostly determined by the price volatility. The annual salary increases are offset by the price increases.

Women's salary increases are significantly lower compared to men's both at the level of the national economy as well as in most economic activities.

The salary increases had a negative effect on inflation and on the unemployment rate.

The restructurings and the investments made in economy enabled substantial salary increases in parallel with the continuation of the disinflation and with the reduction of the unemployment.

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The Impact of Innovation on Business Growth: Romanian SME Sector

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Abstract

Today SMEs make up the vast majority of enterprises, and account for a substantial share of gross domestic product (GDP) and workforce. At the same time, researches are written about this majority of small and micro size firms that constitute the core of the economy and they have been interested in innovation and growth for a long time. This study proposes to investigate how the innovation is a crucial concept involving creativity, organization and profitability for Romanian SME sector and how deployment of external resources is influenced by the nature of innovation as well as by the context of the innovation process. The results shows that innovations are implemented in the course of ordinary operational activities hardly noticed from day to day. However, the cumulative effect of innovations is usually sufficient to maintain a competitive position when changes in markets follow predictable patterns.

Keywords: innovation, business, small enterprises

Classification J.E.L.: P31, O12₂

1. Introduction

The SME sector plays an important role in overcoming social tension brought about by the globalization tendencies connected with the rapid transfer of certain industrial programs to countries with lower wage costs and with a high intensity of global competition. For the European Union, a special attention was conferred to the following types of SMEs: SMEs from the rush and medium technical sectors that have affinities by the nature of their businesses deployed with Internet and the new evolutions of the market; SMEs that exploit the opportunities offered by the electronic

commerce, especially in the services sector – sometimes named cyber-firms; SMEs integrated in the chains of added value of the big companies which are forced to innovate under the pressure of main clients.

Moreover, the rapid changes in technology, competition, regulation and customer needs and demands has caused managers and researchers alike to search for new ways of developing organizational capabilities by continuously adapting and anticipating the need for change. Based on these innovations, strategies may represent novelties in one or along several dimensions. They may provide new products or services to a market; they may introduce new technology to existing products; they may introduce new forms of organization of SMEs or a value creation chain.

Consistency between two major elements is decisive for a successful completion of the SMEs innovation process. The first element is the character of the innovation - what challenges does the innovation present. The second element is the capability of the SMEs to address these inherent challenges, that is, the capacity of the enterprise to muster resources and act in a sufficiently dynamic way.

We tried to get a reasonable answer to the following questions: is it possible to use operational innovation concepts in SMEs that allow measurement? How does an innovation affect business growth in the Romanian SME sector?

The specific situation regarding the research system in Romania was considered to be the only policy element, so research and innovation are not approached as different processes that address distinct markets and have different timelines. This does not mean that the research units are able to move on the global technological frontier and increase their chances to apply innovation.

The government's initiative of innovative process based on market strategies has the

most important role in transforming the visible knowledge into marketable products and representing the economic opportunity of recombining knowledge. On top of that, more and more companies have been involved in different stages of the innovation process. In order to stimulate the companies to start their learning process, the first necessary step is to ensure a higher visibility of the economic benefits that knowledge incorporation brings about.

In this direction, in Romania, the capital and financial channels for innovation activities can be the private venture capital. The availability of that capital does not depend only on financial issues, but also on other factors, such as:

- the risk propensity;
- the provider's capacity of technical evaluation;
- the provider's insertion on the innovation market.

The innovation infrastructure includes: incubators (infrastructure for start-ups), technological parks (experimental facilities), technical transfer centres and the system of intellectual property. Regarding the infrastructure, the government's policy consistent is measured according to the recently launched National Plan for Developing the Infrastructure for Innovation and Technological Transfer. In this plan, there is mentioned the amount which is destined to co-finance centres of technological transfer, office for connection with industry, technological parks and technological incubators.

2. Literature review

According to the classical approach, the whole process of innovation starts with a basic research, then it is followed by an applied research and development, and finally ends with the production and diffusion [1].

On the other hand, business innovation processes require access to new resources, including competence [2], which are frequently tapped from external sources. Many therefore consider better access to such external resources to be a vital policy instrument to support the innovative capacity of the business sector, especially for smaller enterprises. The term 'innovation system' has

often been used to describe the interaction between an individual firm, on the one hand, and firms and institutions that can provide such resources, on the other hand. Innovation systems have received attention from researchers as well as policy-makers as possible instruments for improving the innovation capacity of enterprises. It is imperative that innovation systems are developed with a thorough understanding of how enterprises utilize external resources in their innovation processes.

Another extension of the innovation theories to economic growth can be referred to as the National System of Innovation (NSI) that views innovation as a complex process of the participating firms' research organizations and government institution [3].

At the same time, there are empirical researches presenting evidences about the importance of small entrepreneurial businesses in innovation [4]. Since Birch [5] seminal study, the examination there has consisted of several studies focusing on a small number of high growth, young firms, the so-called 'gazelles' that believed to be responsible for the bulk of new job creation, technology progress and economic growth.

However, in discussions on innovation, there is a tendency to associate it with large, technologically advanced firms. This was already a sensitive point for Schumpeter, as can be read in the contribution of C. Freeman in the Palgrave dictionary: "Schumpeter (1928 and 1942) is often known for his emphasis of the advantages of large size and monopoly on innovative performance, whilst the traditional theory has continued to stress the advantages of competitive market structures" [6].

The literature review also indicates that, in Romania and in other countries, the transition issues to elaborate forecasts able to provide information to generate viable strategies regarding the development of SMEs. The use of the innovation process is relatively recent, with 10-15 years old looking but for countries with a market economy, taking into account the traditional and aligning our country to the European Union, is expected to boost this phenomenon in Romania.

To get an answer to the questions already mentioned, we used the data source [7]. I applied a mix of research methods, namely

document analysis, comparative method, typological method, external observation (non-participating) and participatory observation.

3. Research methods

The basis of my investigation is a representative sample containing 625 SMEs in partnership forms, established in 2012 or earlier. These businesses were randomly selected in a list containing 10527 SMEs. In order to avoid a large number of very small businesses, the sample is stratified according to the size: only businesses that have at least two employees are included, or, in other words, one employee besides the owner. The survey was executed in 2013 between June and September. The time span of the investigation is the 2008-2012 time period.

Stochastic processes enable us to look at systems in movement, as usually the functions in mathematical analysis do. Unlike the classic status of the system, the system status at a given moment in time is not fully determined, but at random, which means that it can be known only probabilistically. This is also the reasoning used in the research method chosen here.

Formally, a stochastic process depends on two variables: T and $t \in \Omega \in \omega$. Therefore, we will write $X(t, \omega)$ and $X_t(\omega)$.

For each $t \in T$, X_t there is a random variable defined on $\{\Omega, K, P\}$ and for each $\Omega \in \omega$ (in other words, for each realization $\Omega \in \omega$, $X(t, \cdot)$ there is a function defined on T , $X(t, \cdot)$ is a function of real variable $t \in T$.

At the same time a random variable is considered fixed if its distribution function is known. Considering this stochastic process, it will be determined if one knows all finite dimensional distribution functions, which means that for any $n \in \mathbb{N}$, any $t_1, t_2, \dots, t_n \in T$ and any $x_1, x_2, \dots, x_n \in \mathbb{R}$, probabilities are known:

$$P(\{ \omega : X_{t_1}(\omega) < x_1, X_{t_2}(\omega) < x_2, \dots, X_{t_n}(\omega) < x_n \}) = F_{t_1, t_2, \dots, t_n}(x_1, x_2, \dots, x_n)$$

Considering that the process is of a Markov type, then:

$$P(X(\tau) < y / X(t) = x, X(s) = z) = P(X(\tau) < y / X(s) = z) = F(s, z; \tau, y)$$

According to causal relationships mathematically transformed by Markov's theory, the elapsed activity determines the evolution of future work. The selected

elapsed period of analysis covers a period of economic boom and a period of economic crisis which manifests itself worldwide. In this way, one can obtain information about the behavior of SMEs as reflected in turnover both in a favorable economic environment, as well as in a hostile economic environment.

For the period 2008-2012, annual matrices are constructed so that they outline the transitions to a superior group (above the regression line) or to a lower group (below the regression line). The firms that did not change the group remain on the diagonal line of the matrix.

Tabelul 1 SME evolution forecast

Group	I	II	III	IV	V	VI	VII	VIII	IX	X
Years										
2008	21755	8170	3899	2944	3566	2727	2124	2760	4126	19306
2009	18002	10530	4401	3638	3523	2870	2278	2755	3968	19636
2010	14973	11545	5211	3745	4048	3112	2434	2716	3804	19953
2011	12509	11931	5901	5652	4898	3447	2608	2683	3652	20257
2012	10496	11676	6564	4215	5275	3779	2811	2661	3512	20549
Percentage evolution	-152%	+177%	+59%	+44%	+66%	+50%	+43%	-6%	-23%	+8%

Source: own calculations

Also, during this period, the transition to superior groups of turnover remains at a high level. This indicates the maintenance of favorable business conditions at the macroeconomic level.

4. Discussion of results

After applying the Markov chain to the research data, it results that it reflects a system that discretely evolves in time, an evolution whose future state depends only on the present state, no matter what happened in the past system states (earlier to present). One may say that such a system is without memory.

From the presented results, it follows that the transition matrix of a homogeneous Markov chain is a stochastic matrix and vice versa, any stochastic matrix is a transition matrix of a homogeneous Markov chain with a given distribution.

In the analysis process of SME we will only determine the probability that the system will get into one of the states of a set of states of the system.

Based on anual matrice, 38,5% of the businesses engaged in innovation in the 2008-2012 time period. Businesses made effort to introduce product (29,9%) and marketing (25,9%) innovations, but only, 20,5% tried to innovate new technology and 9% changed the organizational structure. The

percent of the innovative businesses in terms of the size of the business shows some deviations as compared previous studies: out of the 6-9 and of the 20-49 size businesses only 32,3% and 38,8% engaged innovation, while a higher percentage of the businesses with 2-5 employees (36,0%) and with the' 19 employees (49%) innovate.

Around two-third of the 2-5 employee firms neither hired nor fired, 20-49 and 50-249 size businesses increased their number of employees. Similar tendencies can be seen in the case of real sales: the smallest businesses stagnated and the larger size firms increased sales. However, it was the largest share of the 10-19 and of the 50-249 size category businesses that lost real sales implying increased competition where winning or losing was typical and remaining on the same level was relatively scarce.

A potential implication of this finding is that most stagnating businesses do not innovate; then, after a few years, when sales decline, they begin to innovate to increase them. There is also a higher probability that the success rate of the late innovation is lower as compared to the other cases when innovation begins when sales are going up.

5. Conclusion

Innovation will not only support the development of new products or increase the productivity of labor and capital, but also bring more economic growth, employment, a better balance of payments, improve the labor conditions etc. There is clearly a link between microeconomic issues such as entrepreneurial startups and the macroeconomic performance.

It is not easy to measure innovation. Businesses operate in international markets while policy makers focus on a territory. Very often the effect of a policy is felt beyond the territory of the government. In a large area, such as the European economic area, there is much interdependence and many spillovers. This is especially the case when a small open economy operates in this type of market as it is illustrated by the Romanian case.

The results of the study show the connection between innovation activity and growth, which are not linear but quad the problem of causality. It means that stagnating

businesses have the lowest level of innovation and both negatively and positively growing businesses innovate more. This phenomenon prevailed in the 10-19 and the 20-49 employee business size categories.

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Unemployment, a Controversial, Hard to Diminish Phenomenon

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Abstract

This paper contains the main processes and trends in the field of unemployment and employment. The purpose of this analysis aims more profound knowledge of the phenomenon of unemployment, so, be possible to operate skillfully in solving this problem.

By worrisome extent by complex structures, especially the dynamics that changes the rhythms and meanings, unemployment has become a macroeconomic problem.

Keywords: scourge, imbalance, competition, degradation

J.E.L. Classification: J640

1. Introduction

Labor Market in Romania in recent years has suffered profound changes that have reduced the number of employees as a result of collective personnel and increased professional demands unsuitable people to work. On the background crisis, Moise-Titei A. and Moise D. (2011) said „the economic global crisis has also affected Romania, especially the companies in the service sector”[1] what led to divestments and the significant increase in unemployment, which threatens real convergence process and financial condition of companies and households.

The objective of this paper is to analyze the phenomenon of unemployment. This phenomenon was always present during the entire development of the state of our country, so for Romania, unemployment is one of the most serious problems, which allows solving the balance of the national economy.

Demographics can negatively affect a massive depopulation, destabilizes the

balance between generations, between professionals, and brain drain human capital deteriorates highly qualified as its ability renewal. Demographics adversely affecting the a massive depopulation, destabilizes the balance between generations, between professions, brain drain and human capital deteriorates highly qualified, as its capacity for renewal. Migration can diminish the problem of unemployment, but long-term net costs are more likely for the system. In Romania, low investments in infrastructure, education, represent major obstacles that affect local economic system robustness. Inadequate policies as required by EU rules of the game led to the emergence of large external imbalances, which forced the painful corrections in freezing conditions in financial markets. Channeling resources to the production of exportable goods and services which could cover domestic needs are low.

Economic growth and development are the processes and objectives of any national economy, closely linked to resources, inputs used, but unemployment there has always existed.

2. Overview of the history concept

What is traded on the labor market labor, but labor can not be separated from its owner, man. In no period of the history of labor could not be separated from the man. For example, in ancient times, in many cases, labor was sold along with its owner, a man devoid of ownership and decision on his own body, and, consequently, on its workforce.

Modern period provides a superior system in which the worker is no longer a tool speaking, becoming the owner of the body and its ability to work. The issue of population and labor have preoccupied thinkers since before the establishment of political economy as a science.

The mercantilists are among the first concerned with the role of population as the

key to national power. Mercantilist doctrine considers population-development relationship based on reciprocity as: population growth will permit easy labor and further development of industry and trade, even as economic growth allows to fill a growing number of people with favorable effects on population growth. The latter has the effect of increasing labor force, reducing wages, costs and therefore prices.

Concept of thinking physiocrat agriculture, the main source of increasing wealth of a nation, work with land are factors wealth of a nation, and Richard Cantillon considered when states "The earth is the source or the material from which is extracted wealth, human labor is the form that it produces and the amount of land and labor used in the production of a good (cost of production) determines the intrinsic value"[2].

Central pillars of the classical theory of employment and unemployment are thesis full employment of labor and regulatory role of the market mechanism. Unemployment classics was a fleeting consequence of the game work, but the gap that can occur at some point between supply and demand is canceled by adjusting wages. Unemployment worsens the living conditions of the population, primarily the unemployed, causing a reduction in consumption of economic goods. Moraru A.D. and Moise-Titei A. (2012) said „but although the interest for consumption has been present in certainly conomic subsequent works, the modern theory of consumption has not begun until Keynes's formulation of the sychological which law on consumption behavior is founded in the General Theory of Employment, Interest, and Money”[3].

In neoclassical labor market equilibrium problem and the use of labor occupy a small space. Labor market equilibrium is formed, as in the case of ordinary goods market, by comparing demand and supply. Étienne Bonnot of Condillac rejected the theory of value created jobs and lay the foundation based on the quantity theory of value and rarity. In it, the work is not a question of value, but a proof of it. They should remain the prerogative of free enterprise, because, he writes, „the competition is the ability to assign occupations, place each in its place”[4]

Neoclassical model analysis cons are obvious and premises arising mainly adopted: the existence of perfect competition in all markets, no uncertainty, the constraint, not taking into account time, money, state, differences between people.

3. Elements the favoring unemployment

Factors that had the most significant effects on the growth of unemployment were:

- Political framework that has been applied to national economic restructuring programs, some of which are inconsistent as priorities for action;

- Predominantly passive nature of social protection policies unemployed often inadequate to the real needs of the economy;

- Pressure on labor supply exerted by people born in the late '60s and early '70s.

Since the first part of the current decade, the trend was decreasing unemployment, considered by specialists in economics as too fast to be sustained investment, creating new jobs .

Natural rate of unemployment is the equilibrium toward which the economy , as defined by Friedman in vision erroneous perception of economic agents model that starts from the premise that long-term labor market tends toward equilibrium (which is reflected by supply and demand equality in wages and employment level single) .

The actual level of the natural rate is determined by the inherent characteristics of the labor market, such as market imperfections and information problems. That designates the natural rate level of general equilibrium equations, provided they incorporate structural features of the labor and goods markets, including their imperfections, the variability of supply and demand, the cost of collecting information on employment and labor available, the cost of mobility. The low level of unemployment is not only a result of economic growth, the obvious action of several factors which explain the unemployment rate so low (these factors are not taken into account when assessing official unemployment level):

- workforce working abroad , the majority of the people is, if they have remained in the country were unemployed;

- population engaged in subsistence agricultural activities that do not have a job

and a steady income and is in a poor socio-economic position that European integration also requires drastic reduction of employment in agriculture;

- labor units engaged in economic losses that would become unemployed if the subsidy should be stopped;

- early retirement decreased pressure on the labor market but led to increasing economic dependenta .

4. Barriers to labor market access legislation

Barriers imposed by law, the labor market have negative effects on the whole economy, well-being of every man, by reducing the number of jobs, competitiveness , have the effect of rising unemployment and inflation, reducing real wages, each of these effects is worth a careful consideration separately. The main barrier to entry in the labor market is generating the minimum wage, depending on the situation: unemployment, inflation, reduced motivation.

Other barriers that have similar effects include: prohibition of work for limited periods of time (workshops, projects, seasonal), limiting the number of employers with a rule that only one group of people can fulfill this role (companies) mandatory nature of social security contributions. An employee can only work if they accept this situation, the right to employment and being conditioned by buying this service offered by the state. Minimum wage is not the only barrier that prevents an employee any time to engage in the conditions that they consider beneficial or discourages job creation generates unemployment although in principle it is not the intention. With few exceptions, labor laws do not allow individuals to become employers as a barrier in the labor market that are blocked by a multitude of jobs that would be in direct competition with those offered by commercial companies, with positive effects on unemployment and employees. Labor market access of any citizen is conditioned by buying social insurance through mandatory contributions paid salary. Refusal of an employee to buy social insurance is punished with removal from the labor market.

Professional certification. Condition

possession of a proper job it is to act a citizen, imposed by labor legislation is a barrier to entry to the labor market for people who have self-taught knowledge, skills and abilities necessary to engage in the economic sector.

Limiting time spent , is a partial barrier to the labor market . With the exception of the UK where the limit is 78 hours/week , EU countries limited to 48 hours/week. Therefore in these countries, employees who want to earn more, they can not identify jobs suitable to their wishes because they are prohibited by law.

Work permits. The purpose of the existence of work permits is to prevent workers (especially in foreign countries) to work in a country and compete employees in these countries. This does not always generate unemployment in these countries, but is a form of protectionism that block fair competition, preventing people in poor countries have access to higher incomes

One reason for the superiority of the employment system is that the individual becomes an entrepreneur, so he is able to invest in their own capacity to work in the direction that it considers most appropriate. In fact, every employee has previously invested in the ability to work through training in a trade.

Any individual who attends an educational institution and acquired the knowledge necessary to practice a profession, engage in a job its job properly, but it may happen that after a short period because of technical innovations, the profession has become useless. For example, being a farrier has become unnecessary with the advent of the automobile, jobs involving physical labor became unnecessary with the advent of mechanization, automation and robotizarii.

These categories of employees have lost the investment made in their training. Furthermore, each employee is likely to lose the ability to work in an accident, just like any other entrepreneur risks losing factory store in an accident (eg a fire). A professional footballer young, newly engaged to a football team, which previously invested in its physical qualities, through training, proper nutrition, time, personal trainer may lose their ability to work after an injury. The employee also supports a number of charges and is seeking to maximize profit, bear the

cost of transport from home to workplace, supports additional food costs.

Like any entrepreneur, the employee is continuously looking for a job "better" (better paid, where effort is lower, closer to home). Thus, if the employee supports a number of expenses to be able to conduct business and earn an income category there is a „profi” of the employee.

There are barriers and out on the market that also have negative effects on people, „land binding” one party unable to give up understanding the situation as it is no longer profitable, is one way to slavery.

5. Economic and social consequences lucrării

Unemployment as a social and economic phenomenon, train some costs, of which the most obvious is that the unemployed themselves. It is the personal cost, direct cost of loss of revenue, loss equal to the difference between the net wage and unemployment had prior to the entry into unemployment benefits.

With unemployment work undergoes degradation, it can not be preserved. Through its existence, unemployment cause a loss of production potential of the company.

Another negative consequences unemployment is that unemployment benefits being paid from the revenues of the company, cause a decline in the incomes of working.

An adverse consequences of the „status” of unemployed with implications for the future, is the tendency of young people to hesitate to start families. Following this trend, decreasing birth rate.

Another consequence of unemployment is that it reduce the desire to learn, to future generations. Decrease in confidence in school is accompanied by another process detrimental to the interests of the national economy, namely the departure of young people across the border to achieve human and professional.

Unemployment appears to be a general phenomenon of various physical and mental ailments. Such depression may, in turn, causes job loss at a time.

The consequences of long-term unemployment are even more painful for the individual, if a person stays longer in

unemployment, competence and experience to degrade further, which reduces interest from potential employers person. On the other hand „individuals with long duration unemployment will difficult experience in finding a job more than otherwise, identical unemployment individuals with short duration”[5].

Unemployment is very diverse negative consequences, among them there is: strained family relationships, social isolation, unable to be aware of the problems related to professional competence, low morale, lack of self-confidence.

Through its negative consequences, unemployment has become one of the global problems of mankind, „If thousands of people, and especially young people will wake up unemployed and burdened by permanent inactivity, they will be doomed to frustration. In most cases, however, „pollution free time” will produce alcoholism, drug addiction, hooliganism and delinquency”[6].

Negative consequences of unemployment dressed and losses as monetary resources it generates the existence of this phenomenon.

The negative effects of unemployment that supports individuals, the economy and society means the cost of unemployment.

The cost of unemployment include:

- Loss of income of the individual, represented by the difference between unemployment benefits and the salary he would have received if they had worked;

- Loss of revenue to the state budget, represented by the social insurance contribution, contribution to the unemployment fund and pension fund contribution of additional

- Pay special fund budget for unemployment benefits, support allocations;

- Costs of training in vocational schools, the school and university level.

Huge costs involved by unemployment, directly or indirectly, reveals that this phenomenon is a waste of human and financial resources from the use of incomplete production funds, with implications on social spending.

Direct costs are highlighted as the payments to the fund for financial social protection of the unemployed, which is mainly used for the payment of unemployment allowance support,

qualification and retraining of the unemployed, as well as costs to be taken into account when estimating costs driven by unemployment as a major social risk factor, they are an essential element in estimating social costs.

Indirect costs are generated by lower global production and income that could benefit the entire population. They take the form of production losses caused by neutralizing capacities of equipment and technical means, which involves reducing training resource revenues, damage qualification and work capacity, deter staff professional, social and human.

Among the positive consequences of unemployment can remember: unemployment is a labor reserve to cover additional demand for labor in certain periods, creates prerequisites for reducing wages, and on this basis the costs and prices, competition creates stronger relationships between employees favorable effect on the results of their work.

Violations of this principle in the labor market through legal norms aberrant or physical aggression will result in the transformation of the person liable.

6. Conclusion

Creating productive employment and the existence of a natural rate of unemployment or minimal, should be a priority of the national economy, labor relations is one of the most important aspects of our lives.

A country that manages to minimize unemployment, means that appropriate macroeconomic policy led and found the means to absorb the labor force jobless, so important for a country is to be able to maintain a higher degree of employment level of employment and to avoid slipping into chronic unemployment.

In general, most people unemployment is a serious problem, however there are instances of deliberate abandonment of the labor market, something that leads to unemployment volunteer labor manifested by not filling because of the refusal or inability of some people to accept the salary and/or working conditions. We refer only to those who have a considerable income from certain sources and can afford not to work due to the consideration that the salary he would receive

as a result of carrying out an activity does not compensate for other leisure pursuits, but and those less educated people who can not even work on earnings hopes high, considering that unemployment benefits that you would receive may provide a decent living, or some people in countries where taxes are so high that a gain in employment is too small compared to the amount of aid provided by the state, the obvious situation of such an imbalance in the labor market because of the improper labor supply and demand due to the fact that companies looking for employees in an incomplete group working applicants.

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Crisis Impact on the Dynamics of Services Sector, Causes, Effects; Financial-Banking Sector

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Abstract

Financial crisis, starting from the instability of banking system, has been gradually felt in the entire economy, the credit appreciation causing difficulties in firms financing and, respectively, in investment, leading to a diminishing in growth, consumption, to the fall of social programs.

The study expound the context and causes of financial-banking crisis appearance, some aspects regarding the effects felt in lending activity and its adverse consequences, including the impact on the budget and public debt.

The paper includes the analysis of some data and statistical indicators, reflected in tables and graphics.

Key words: financial-banking crisis, credits, budget, public debt.

JEL Classification: G01; G29; H60; H62

1. Introduction

From theoretical perspective, economic crisis expresses a severe deterioration of the economic situation and of its likelihood over time. The phenomenon can develop on a single sector or region, for a short period, but it can be extended up to the entire world economy, over a period of several years, and, such a situation may express an economic slowdown or even an economic recession, having severe repercussions on economic and social field.

The world economic crisis, the Great Depression of the 21st century, which affected world regions, expresses a deep economic recession, the most powerful of the modern history, coaching and associating to economic problems, the fall of social

programs, unemployment, mass pauperization.

After a long period of resistance, real economy (industrial production, investments, employment, etc.) experienced the effects of the financial crisis, its impact propagating in more ways. Thus, the endearment of credit, interest rates increase caused difficulties in financing firms, what constituted a brake in the process of investing, consumption and, therefore, of growth. Generally, the banking system instability caused economic agents to manifest caution in decision-making, what implicitly, has meant a risk of economic stagnation.[8],[3],[4]

2. The context and the causes of financial-banking crisis occurrence

The starting point of crisis was the American mortgage loans market – subprime - real estate credits granted by banks to low income household, customs with slightly vulnerable solvency, guaranteed with the value of the house had been purchased. The opportunity arose because of the low interests rate, favoured by the surplus of the liquidity which led to high increase rates of credits, the aim being banks profits increase.

Risks increase has been assumed by some financial intermediaries in banks which aiming big profits that could obtain from financial operations, increased the supply of credits, causing drastic decrease in interest rates.

It was a period of consumption encouragement, purchases of dwellings, investments of enterpriser, it was stimulated the interest for assets that bring large gains, it have developed the financial innovations and the derivative markets but the risks had been underestimated, the investors vigilance attenuated.

Afterwards, rate of interests increase generated gradually the growth of the volum

of the outstanding credits; in 2006 the first signals of fall in buildings price appeared; also the volume of sales and constructions decreased.[2],[6]

Real estate market retiring, debtors' inability to repay their loans have brought on major difficulties for the banking system, its ruin.

The crisis has propagated across the entire financial system by the technique of „titrisation”, consisting in converting of a large volume of banking assets (respectively, loans), by the financial intermediaries, in value papers (shares, bonds), which were sold on the financial markets, bringing on important economies from the investors from various parts of the world. The profits brought by these operations (the exchange of assets) have led to a perpetuation of the phenomenon, leading to what professionals call "financial bubble".

So, different from the well known phases which had released the crisis – the low credits „sub-prime” and the cascade banking crashes – the crisis was generated by the excess of private indebtedness, starting by taking over risks and propagated then, in the world, in the guise of some speculation of financial products.

Crisis still holds on because it covered an ensemble of loan categories (real estate, consumption, automobiles) which had been titred, the segment of "sub-prime" credits being a little component in their total. Equally, the crisis did not affect only the financial institutions which had granted real estate credits, but all the actors who had invested through titrisation in credit markets: banks, venture funds, insurance, pension funds, placement funds.[7],[4],[9]

A large quantity of monetary wealth was acquired by financial handling, financial actors using speculative transactions tools, able of speculation on market in their own advantages, causing a decline for the competitors.

The effects of these actions caused the devaluation of banking assets, crediting blocking, bankruptcies in the industry, the drop of investment, powerful rebound of activity, loss of jobs, salaries diminishing. [3]

3. Consequences of the financial-banking crisis

Economic and financial crisis, which has began at the end of the year 2007, affected the entire economic and financial system, by the effects which have been felt in most economy sectors, but also in income and in the population standard of living.

The process included the devaluation of private heritage, causing an increase of interests rate and, respectively, the appreciation of credit and, as a consequence, the reducing in consumption. Free generalized trade mechanisms have favoured the globalisation of crisis by the way of external trade and of world imports and exports fall.

Although the central banks efforts have been made in order to decrease the tensions on the monetary market, by injecting important sums in the banking system, the phenomenon was associated with an increase in the interests rate on the inter-bank market, leading to an appreciation in financing and a decrease in credit granted.

Also, in order to prevent stopping banking credit, and causing a cascading forced unindebtedness, of a private system, it was thought the financial system infusion, by public indebtedness.

Other elements have contributed to the reduction of the lending rhythm and of the volume of credit in the economy:

- Increase of banks prudence with respect to the conditions for granting credits, this "shortage of credit" representing a brake for investment, consumption and, consequently, for growth.
- Hesitations in the behaviour of economic operators, whom the banking system instability and fear of process aggravation cause delays in decision-making taking into account crisis settle, which also enter in the risks of the economic block.
- The feeling of lack of confidence which occurs at the interbank markets. Lack of transparency on the exposure of banks regarding the titred values, of their quote, leads to hesitation by the banks to borrow among them, for the fear of the risk not recover their funds. The situation can lead to disorder on the monetary market and in the financial system, having consequences on lending.

- The probability of a noteholder crash occurrence, a possible situation in the case of demand diminish for public titles, if the operators of financial markets review, in the direction of increase, the risks attributed to public indebtedness.[7],[9],[4],[2]

In the situation of increasing interest rates, the old noteholder securities would record a devaluation, which would make fragile financial results of financial operators, involving risks and cascading effects. The possible noteholder crash would be a danger for the global financial stability and economic normalisation, through the pressures to increase the cost of interests rate and the capital cost. This would discourage productive investments and would favour the emergence of new speculative derivative.

The financial crisis has produced its negative effects through the social and economic costs involved.

Globally, there has been a deterioration of the living standard: diminish the consumption expenditure, the international trade structure with goods compromise, difficulties arising in the monetary transactions, the fall of labour market, having consequences in diminishing goods and services expenditure; the purchasing power disorder meant decrease in demand leading to productive units closedown.[9],[3]

Crisis costs cause its effect in the context of uncertainty regarding the moment of growth restart and of the rhythm at which it would be produced.

The rebound of the activity on the entire UE was noticed in the data of the 2008 year, when the increase was of only 0,3% unto the year 2007, the maxim decline quota was registerd in the year 2009, of 4,3%, beside 2008 year, situation which improved in the year 2010. It is to assert the fact that the severe decrease of the economic activity in 2009 has been produced in all European countries, exception Poland, the biggest reductions can be found to The Baltic Countries (between – 14,1% and – 17,1%).

Expressed in percents, the Gross Domestic Product (GDP) growth rate dynamics (+,-), on average, for the 27 EU countries, in the period 2006-2011, show according to data presented in the **table no. 1**:

Table 1 Evolution of GDP from one year to another for the European Union countries

EU-27 countri es average	Period (years)					
	200 6	200 7	200 8	200 9	201 0	201 1
	3,3	3,2	0,3	-4,3	2,1	1,5

Source: [10],[13] Eurostat Statistics data Code: tec00115, <http://epp.eurostat.ec.europa.eu>

For the years 2010, 2011, as shown in the Table. no. 1, the situation has improved, the chain increases being slightly positive.

The negative effects of activity reduction were felt in the area of employment and unemployment, the situation being different from one country to another. In fact, the financial crisis has emerged from the global macroeconomic imbalances, from speculative derivative over-indebtedness with destabilizing effects; the American "sub-prime" credit crisis is only one segment of the financial crisis phenomenon as a whole.

As this phenomenon shows, it proves the fact that there is no element of conjuncture, but a major structural crisis, with a high cost of resources squandering, generated by the financial instability gradually designed in the years preceding the crisis.

In the context of permanent generalized decline of income and production, generated by the crisis, in the aim of sustainability of public finances, countries need to undertake major restrictive fiscal and budgetary adjustments, wich designate the socio-political agenda in the coming years. [9]

4. Crisis impact on budget, public debt

By boomerang effect, financial crisis, carried by macroeconomic imbalances, redound on the productive sphere, its weakness enhancing the financial implosion.

One of the consequences of the current economic crisis was the unemployment increase, a phenomenon that had direct unfavourable consequences on the consolidated public revenues. On the extent of economic regression, public expenditures vulnerable to conjuncture, unemployment costs, recorded a sensible progression.

Public revenues decrease, uncorrelated with a corresponding reduction in expenditures lead to budgetary deficits increase and, respectively, of the public debts of EU member countries.

The financial crisis has committed massive mobilizations of public funds, injections of monetary liquidities to support the banking system with the aim to avoid blocking lending and fortuitous private discharging. The echo of the aid granted by public indebtedness is felt in the weakening of public finances vulnerable to the conditions of obtaining financing (interest rates) subject to financial evaluations of creditors. The indirect action induced by the pressure of interests that increase public debt and deficit, has a negative impact, acting by the effect of "boule de neige".[9],[1]

The analysis of the economic crisis impact on the public finances of the Member States, taking into account the Eurostat data 2012 (**Table no. 2**), reveals the following:

Table 2 Budgetary deficit/surplus of EU 27- countries during the period 2007-2011 (% in GDP)

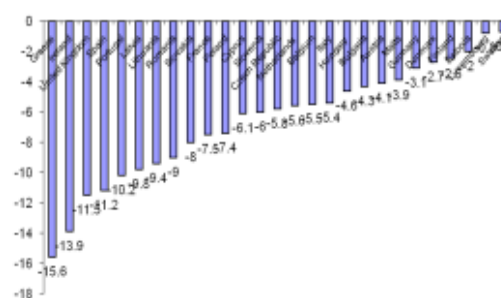
	2007	2008	2009	2010	2011
EU (27 countries)	-0.9	-2.4	-6.9	-6.5	-4.4
Belgium	-0.1	-1	-5.5	-3.8	-3.7
Bulgaria	1.2	1.7	-4.3	-3.1	-2
Czech Republic	-0.7	-2.2	-5.8	-4.8	-3.3
Denmark	4.8	3.2	-2.7	-2.5	-1.8
Germany	0.2	-0.1	-3.1	-4.1	-0.8
Estonia	2.4	-2.9	-2	0.2	1.1
Ireland	0.1	-7.4	13.9	30.9	13.4
Greece	-6.5	-9.8	15.6	10.7	-9.4
Spain	1.9	-4.5	11.2	-9.7	-9.4
France	-2.7	-3.3	-7.5	-7.1	-5.2
Italy	-1.6	-2.7	-5.4	-4.5	-3.9
Cyprus	3.5	0.9	-6.1	-5.3	-6.3
Latvia	-0.4	-4.2	-9.8	-8.1	-3.4
Lithuania	-1	-3.3	-9.4	-7.2	-5.5
Luxembourg	3.7	3.2	-0.8	-0.8	-0.3
Hungary	-5.1	-3.7	-4.6	-4.4	4.3
Malta	-2.3	-4.6	-3.9	-3.6	-2.7
Netherlands	0.2	0.5	-5.6	-5.1	-4.5
Austria	-0.9	-0.9	-4.1	-4.5	-2.5
Poland	-1.9	-3.7	-7.4	-7.9	-5
Portugal	-3.1	-3.6	10.2	-9.8	-4.4
Romania	-2.9	-5.7	-9	-6.8	-5.5
Slovenia	0	-1.9	-6	-5.7	-6.4
Slovakia	-1.8	-2.1	-8	-7.7	-4.9
Finland	5.3	4.4	-2.5	-2.5	-0.6
Sweden	3.6	2.2	-0.7	0.3	0.4
United Kingdom	-2.8	-5.1	11.5	10.2	-7.8

Source:[11],[13] Eurostat data, 2012, code tec00127, <http://epp.eurostat.ec.europa.eu/>

Budgetary deficit expressed as weight in GDP (the average for the 27 EU member countries) reached in 2009, the maximum level of the last five years of the analysis, namely almost three times higher than in the year 2008 (-6,9% besides -2,4%) and seven times unto 2007 (-6,9% - 0,9 %); this is the result of changing the level of incomes uncorrelated with that of expenditures and a prove of slowdown in economic growth. The years 2010 and 2011 prove the slightly favourable evolution by the deficit decreasing to -6,5 % in 2010 and respectively, to -4.5 %, in 2011.

Graphically expressed, the positioning of the 27 EU member countries in decreasing order, by the size of **budgetary deficits** as weight in the GDP, in the year 2009, the top year, is as following: (**Figure no. 1**):

Figure 1 The decreasing order representation of the budgetary deficit (-) % in GDP for the 27 EU countries, in the year 2009



Source: [11],[13] Eurostat data processing, 2012, code tec 00127, <http://epp.eurostat.ec.europa.eu/>

With the exception of two countries (Estonia -2 %, Malta -3.9 %), whose deficit was declining, all the other EU member countries recorded increases in budgetary deficits in the year 2009 beside 2008, and some of these have passed from the situation of surplus to that of budgetary deficit (Bulgaria -4,3 %, Denmark -3,1 %; Cyprus -6,1 %; Luxembourg -0,8 %; Netherlands -5.6 %; Finland -2,5 %; Sweden -0,7 %).

The highest levels of budgetary deficits (over 10% of GDP), in the top year of crisis - 2009 - were recorded to a number of five countries: Greece -15,9 %; Ireland -13,4 %; Great Britain -11,5 %; Spain -11,2 %; Portugal -10,2 %.

For the year 2010, the data shows a slight

recovery, -6,5% of the GDP, on average for the 27 EU countries, continued in the year 2011, when the average level was -4,4% of the GDP, but without having reached the level of the previous period of crisis of - 0,9 %, in 2007.

The same countries, as in the year 2009 (except Portugal) maintain, the highest values of budgetary deficit, in the year 2011, but decreasing unto 2009: Ireland - 13,4 %; Greece -9,4 %; Spain - 9,4 %; Great Britain - 7,8 %; Slovenia - 6,4 %.

A number of three countries recorded budget surpluses in the year 2011: Estonia +1.1 %; Hungary +4,3 %, Sweden +0.4 %.

Romania had a favourable evolution reducing the budgetary deficit from 9% of GDP in the year 2009, to 5.5 % in the year 2011, effect of the austerity measures initiated by the government.

Public debt, expressed as weight in GDP recorded a steady increase in the period 2007-2011, on the average level for the 27 EU countries, as the following evolution (**Table no.3**):

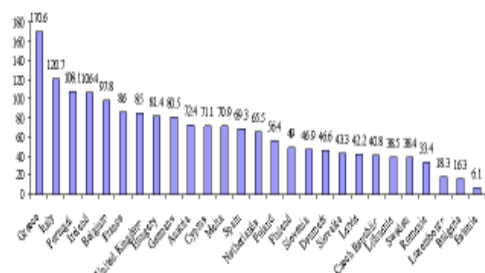
Table 3 The public debt evolution for the 27 EU member countries

The EU 27 countries average	Period				
	2007	2008	2009	2010	2011
	59	62.2	74.6	80	82.5

Source: [12],[13] Eurostat data 2012, code tsdde 410, <http://epp.eurostat.ec.europa.eu>

Taking into account the year 2011 data, the 27 EU member countries positioning, in a decreasing order, according to the level of public debt, expressed as weight in GDP, shall be in the following graphic (**Figure no.2**) :

Figure 2 Decreasing order representation of the of public debt % in GDP for the EU-27 in the year 2011



Source: [12,13] Eurostat data processing 2012, Cod tsdde410,

<http://epp.eurostat.ec.europa.eu/2012>

From the 27 EU countries, for a number of four, the public debt level exceeded the weight of 100% in GDP, respectively: Greece -170,6%; Italy -120,7%; Portugal - 108,1% Ireland -106,4 %. In Belgium's case, the percentage was of 97.8 %, while for other four countries, between 80% and 90%: France - 86 %; United Kingdom - 85 %; Hungary - 81,4 %; Germany - 80.5 %. Also, three countries entered with debts between 70% and 80% in GDP, two of them between 60% and 70 %, one between 50% and 60% and the rest of 12 countries up to the level of 50 %, the lowest percentage being to Estonia - 6 %.

In Romania's case, the governmental debt rose from a percentage around 13% in the years 2007-2008, to 33,4 % in 2011, being among the countries with the lowest public debt (the fourth starting from the lowest level), the increase beside the years 2007-2008 due to loans contraction from the International Monetary Fund (IMF).

In the context of incomes and production diminishing, as a effect of generalized crisis, for public finances sustainability, it is necessary to proceed to restrictive fiscal and budgetary adjustments, situation imposed by the increase of public debt above the sustainability threshold, in such a way as to create conditions for the return to the situation of growth and removing risks.

5. Conclusions

Initially, appeared in the form of a financial crisis and afterwards, became an economic, generalized one, the current crisis is characterised by its global nature, the world regions are affected by the decrease in the rate of economic growth, contractions of production, the decline of trade and of other service activities (real estate market, financial-banking activities) with negative consequences on employment, unemployment, the citizens standard of living.

Globalization, wich caused the markets integration, has made possible the transmission of economic and financial shocks across national boundaries, so that the world countries and, respectively, of the EU, could not avoid the disturbances occurring at

the international level.

The governments and the central banks of some European countries have taken certain measures to halt financial crisis, such as, improvement of liquidity, the grant of government guarantees for loans, capitalizations of financial institutions, the purchase of banks shares, monitoring interest rates.

Removing the effects of a crisis of the magnitude of these years, implies, in addition to the actions taken, rethinking solutions and their orientation in order to resolve major objectives of the economic policy of a country, respectively: economic growth, the stability of the financial system, sustainability of public finances, prices stability, public debt and current account deficit decrease.[5,1]

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The Rise of the Digital Currency and Its Implications. Bitcoin Between an Artificial Bubble and the Next Economic Revolution

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Abstract

The digital revolution has penetrated every corner of modern life in the last ten years. The world we now live in bears little resemblance to even the recent past. And the changes that are coming will disrupt our lives in even greater ways, some good and some harmful. This article aims at analyzing one of these big changes – the digital currency. This concept has gained more and more attention from the media during the past couple of months, especially since the meteoric rise of Bitcoin, the primary such currency existent on the market. This might very well be a pivotal moment in cultural history, shaping our future in ways hard to imagine. For the first time we are talking about digital money that exists outside the control of governments and banks, that has intrinsic proved value and which can be spent anonymously. Alongside its novelty, the complexity of the digital currency concept brings about many contradictory opinions, ranging from those of pure enthusiasts recognizing its raw potential, to those of convinced skeptics viewing it as a merely ephemeral object of speculation. But this tidal wave cannot be stopped, and its path can best be charted by examining this thrilling new human invention more in depth. We will not only try to shed some light upon the technical aspects behind digital currencies, from their underlying principles up to the key question of their security, but we will also carefully consider arguments from both sides of the Bitcoin debate and even peek at the rest of digital currencies out there in order to better understand their fascinating world.

Key words: Digital Currency, Bitcoin, Litecoin, Cryptography, Digital Transaction

J.E.L. classification: E420

1. Introduction

We seem to be witnessing some very important changes from a socio-economic point of view. They are visible in all fields, at all levels and they are mainly triggered by the myriad of manifestations of what we generically call the Internet. Lately, one of the most intensely discussed phenomena entering this category is the rise of the digital currency or crypto-currency¹. Although to this day we can talk about many such crypto-currencies, we observe a tendency to bring them all down to Bitcoin², the best known virtual currency out there. It seems that a lot of people are intrigued and scared at the same time by the largely understood potential of digital money in general, and Bitcoin in particular.

Crypto-currencies don't really exist in the physical sense, they lack the trust factor (Nakamoto, 2008) of an intermediary institution and are only used in a tiny fraction of transactions. The first aspects bring many question marks and suspicion especially for the non tech-savvy. Although most people have now vaguely heard of Bitcoin, it is unlikely to find someone outside the tech community who really understands it in detail, let alone accepts/uses it as a payment method. Therefore, it's not widely used. There are only around 600 online businesses worldwide accepting Bitcoin³, and a lot fewer actual brick-and-mortar establishments. But outlets for paying with Bitcoin are multiplying in all fields of activity.

Unfortunately, the bad reputation of Bitcoin is also on the rise because of the anonymity it offers, especially attractive to lawbreakers. A black market website called

¹ <http://bitcoin.org/en/>

² https://en.bitcoin.it/wiki/Main_Page

³ <http://bitcoin.org/en/>

The Silk Road used as a platform to buy and sell illicit goods has recently been closed by the FBI in the United States, but copycats have already sprung up and analysts say they are likely to keep doing so⁴. On the other hand, if we exclude black market considerations from the equation, the anonymity factor is a potentially favorable one in an era where internet privacy is an increasingly important issue. Moreover, the absence of banks as payment intermediary not only secures our valuable personal data from becoming as vulnerable as the banking system itself, but it makes our transactions faster and cheaper.

We find all of these aspects revolving around the concept of virtual currencies as extremely interesting. Bitcoin and other virtual currencies are as debated and scrutinized as they are complex and fascinating. As it is a very fresh topic to the public and academic eye, our secondary base research is fueled mainly from recent articles in the business media and the very few academic sources who initiated/explored it so far. Therefore, this article aims at an in-depth look of how digital currencies came to be, how they function, what are they feared for and in which ways they could possibly change our financial reality as we know it today. We thus hope at a clearer, more thought-through understanding of this new concept, helping to build healthy, educated financial opinions and consequential actions.

2. A better understanding of the digital currency concept: technical and historical considerations

For the sake of simplicity, we shall use the consecrated name of Bitcoin when explaining general aspects common to all digital currencies, followed by a detailed description of their realm and variety towards the end of our article.

This being said, we shall jump exactly at the core of it all and ask ourselves what exactly is Bitcoin? We could describe it as virtual currency that exists only as a computer file, "mined" by computers solving extremely hard mathematical problems

(cryptographic algorithms)⁵. There is not one computer but a network of computers controlling the digital currency, meaning it keeps track of all transactions made using Bitcoins. The network doesn't know what these Bitcoins were used for (the objects of the transactions). Keeping track means just knowing the ID of the computer "wallet" Bitcoins are moved from and to during every transaction.

In its current form, we believe it's fair to say the currency is not easy to use, both in terms of the technological abilities required to actually acquire Bitcoins, and finding somewhere to spend them. In order to possess Bitcoins, one must set up a "wallet" online on a specialized website and then pay hard currency in order to get the coins transferred to that "wallet".

Digital currency doesn't have all the advantages of regular money in none of its attributes, but it's definite plus is that it can't be falsified. Bitcoin functions on the principles peer-to-peer technology, meaning that every coin spent is authenticated with the network. So yes, one needs to be online in order to make a transaction, but the same coin cannot be spent in two different places.

The whole concept behind digital currency was first presented in November 2008⁶ in an academic paper shared with a cryptography mailing list. The article was signed with the pseudonym Satoshi Nakamoto (which gave the name to the 100 satoshi pieces a Bitcoin can be split in), who never revealed their true identity but who might have laid the base for a truly revolutionizing piece of technology. This caught the attention of the cryptography community in 2008, but took years to take off as a niche transaction tool. The first Bitcoin boom and bust came in 2011, and signaled that it had caught the attention of enough people for real money to get involved – but also posed the question of whether it could ever be more than a novelty.

The algorithm for mining Bitcoins means the number in circulation will never exceed 21 million and this limit will be reached

⁴ https://en.bitcoin.it/wiki/Main_Page

⁵ <http://www.csmonitor.com/Business/2013/1123/Bitcoin-FAQ-7-semi-clear-answers-to-your-questions/What-is-Bitcoin>

⁶ <http://bitcoin.org/bitcoin.pdf>

around the year 2140. Already 57% of all Bitcoins have been created; by 2017, 75% will have been.

All of these details remain a mystery for most of the large public. The largest amount of attention has been given to the extraordinary appreciation of Bitcoin - from a low of \$1 in 2011 to more than \$1000 at the end of November 2013, as it can be seen in the image below:

Fig. 1: *Bitcoin/US\$ exchange rate for the past six months*



entrepreneurs benefit from using Bitcoin also when it comes to trading their revenues into hard currency, with transaction fees being much smaller than what banks charge for credit-card transactions.

On the other hand there are still many alarming aspects to consider. Due to its enabling of anonymous transactions, Bitcoin easily became the currency of choice for peculiar underground websites such as the Silk Road and Black Market Reloaded, which let users buy drugs and other illicit products anonymously over the internet. It also makes it very hard to tax transactions, despite the best efforts of countries such as Germany, which in August this year declared that Bitcoin was "private money" in which transactions should be taxed as normal (Nestler, 2013).

To macroeconomists, Bitcoin isn't scary because it enables crime, or eases tax evasion. It's scary because a world where it's used for all transactions is one where the ability of a central bank to guide the economy is destroyed, by design (Surowiecki, 2011).

For a small (but vocal) group in the US, Bitcoin represents the next best alternative to the gold standard, the 19th-century conception that money ought to be backed by precious metals rather than government printing presses and promises. This love of "hard money" is baked into Bitcoin itself (Krugman, 2011), and is the reason why the owners who set computers to do the mathematics required to make the currency work are known as "miners", and is why the total supply of Bitcoin is finite.

Then there is a whole debate around the currency's instability, with critics noting the wild historical price swings. Nevertheless, early adopters say this is a temporary affliction, because Bitcoin is still a small market and is very new. As it matures, its price will stabilize, a reasonable assumption given the fact that Bitcoins, unlike euro, dollars or other hard currencies, cannot be created out of thin air, with no limit by the government⁹.

Last but not least, as with all technologies, Bitcoin should be expected to evolve. Even if the digital currency we'll talk most about in five, ten or fifty years shall look different

than Bitcoin, one thing that is clear is the trend toward more electronic transactions, not fewer. Therefore a high likelihood for a simultaneous development of a more secure and robust digital currency as well.

4. Beyond Bitcoin

Bitcoin's recent meteoric rise in value to over \$1000 has shone the spotlight on alternative currencies, but Bitcoin is not the only new digital currency vying for relevancy in 2013.

Like Bitcoin, Litecoin is another cryptography-based digital currency, which has also seen a dramatic rise in value in recent months. It is based on the bitcoin protocol, but instead of requiring extraordinary computing power to mine effectively, can be mined efficiently using standard computers due to its algorithm originally designed by Dr Colin Percival for the Tarsnap secure online backup service for Linux and other open-source operating systems¹⁰.

Experts say it's more abundant and more lightweight than Bitcoin¹¹. If the Bitcoin economy truly takes off thanks to demand remaining consistent, the fixed amount of only 21 million Bitcoins that can ever be created will help keep prices elevated. Litecoin was designed so that 84 million units would be created. And if the Litecoin economy scales up to where Bitcoin evangelists insist Bitcoin should be, the same pseudo-scarcity effect could someday be seen in Litecoin prices.

In addition, Litecoin is not subject to the "arms race" (Surowiecki, 2011) currently seen among Bitcoin miners looking to corner the market on acquiring large amounts of Bitcoin. Bitcoin is built around hash cryptography that is supposed to get more complex — and thus require more expensive computing power to mine — as the Bitcoin economy expands and grows in value. But this has allowed individuals with more efficient computer chips — in other words, ones that require less electricity power to mine a given amount of Bitcoin — to get the jump on more conventional miners. Litecoin eliminates that advantage by using an entirely

⁹ <http://www.weusecoins.com/en/>

¹⁰ https://en.bitcoin.it/wiki/Main_Page

¹¹ <http://bitcoincharts.com/>

different cryptography program, called Scrypt¹², where the limiting factor is memory, not processing efficiency. That means you'd have to buy a greater quantity of computer hardware to beat the program, not just design a better chip.

Finally, Litecoin transactions enjoy faster "confirmation" times. For a Bitcoin transaction to be completely processed, it must receive a number of confirmations from other users who've located the transfer on the Bitcoin's master ledger, the Blockchain. This usually takes about 10 minutes. That doesn't mean you have to wait around at a cash register if you're using Bitcoin to pay for groceries. But those transactions depend on temporary confirmations. With Litecoin confirmations take just two-and-a-half minutes. So although the odds of a temporary confirmation not being confirmed on the Blockchain are minuscule, Litecoin eliminates the problem entirely.

So maybe it's better to understand Litecoin as "silver" in the medieval sense of the word: designed to be carried around in your virtual pocket for daily transactions. If Litecoin truly succeeds, people will be using it for everyday purchases, and Bitcoin for large purposes.

Digital currency users appear to have grasped Litecoin's utility relatively swiftly. It's now worth more than \$25, a 400% gain in just a week.

Estimates are Litecoin is about two years behind in both price and adoption. Right now the online retail outlets taking Litecoin are somewhat limited, though will surely grow with the price of Litecoin. But Bitcoin itself is still decades away from reaching its full potential.

To conclude this aspect, we now know of a few dozens other digital currencies. To name just a couple of them we have Namecoin, who also acts as a decentralised DNS – the protocol on the internet that turns human-comprehensible website names into addresses understandable by machines. By acting as its own DNS, the currency operates outside the regular internet and therefore outside the governance of the Internet Corporation for Assigned Names and Numbers (Icann)¹³.

Another variant of the bitcoin-like peer-to-peer currency principle, Peercoin promises increased efficiency of mining, improved security and safeguards to avoid abuse by group mining, which has recently been highlighted as a potential flaw with Bitcoin. Peercoin has the fourth-largest market cap among "altcoins" as these alternative digital currencies are known, according to CoinMarketCap.com, which tracks emerging and traded currencies.

5. Conclusions

The ongoing highly fuelled debate around the notion of digital currencies is maybe showing us a glimpse into a very different economic future. The peer-to-peer cryptocurrency has known an irrefutable success among early adopters, representants of the digital and tech-savvy society. With Bitcoin's fulminant rise during the past few months and other virtual currencies such as Litecoin following in its steps, everybody is wondering whether this is a sustainable phenomenon or a simple bubble destined to burst sooner or later like so many others shown by history.

This article wanted to synthesize the currently available information on this extremely new and under-covered topic in the literature, bringing all the relevant key points together under one roof.

There is still a long way to go for any of the existing digital currencies in order to overcome the inflationary stage they are in and all the other problems they are facing before we can talk about any of them as a stable, mature, real currency. Major problems that critics find with Bitcoin are its price instability, its attractiveness to all sorts of criminals, the absence of vested national interests to support the currency in a crisis and the risk that it could lose all its value and become extinct overnight.

Nevertheless, sensible economists are saying that Bitcoin might become part of our future economy. This month, the Chicago Federal Reserve commented that the currency was "a remarkable conceptual and technical achievement, which may well be used by existing financial institutions (which

¹² <http://bitcoincharts.com/>

¹³ https://en.bitcoin.it/wiki/Main_Page

could issue their own Bitcoins) or even by governments themselves"¹⁴.

Some of the hurdles left between Bitcoin and widespread adoption can be fixed. But until and unless Bitcoin develops a fully fledged banking system, some things that we take for granted with conventional money won't work.

Others are intrinsic to the currency. At some point in the early 22nd century, the last Bitcoin will be generated. Long before that, the creation of new coins will have dropped to near-zero. And through the next 100 or so years, it will follow an economic path laid out by Satoshi Nakamoto in 2009 – a path that rejects the consensus view of modern economics that management by a central bank is beneficial. For some, that means Bitcoin can never achieve ubiquity. For others, that's not a concern, as Bitcoin's monetary policy would only be relevant if it were to be adopted by an entire economy, which isn't going to happen any time soon.

Of course, these are all speculations, as are most things released around the idea of digital currencies at the moment. But things advance rapidly and trying to predict the right direction is both exciting and lucrative. Already, alternatives to Bitcoin like Litecoin or Peercoin have sprung up, speeding up transaction processing and introducing measures to stop people hoarding their money. Both are essentially the same technology, derived from the original, and their not the only ones. The underlying premises of digital currencies rooted in cryptography, mathematics and economics may very well constitute the origins of a revolution whose dawn we are lucky enough to witness for ourselves. Even if Bitcoin as we see it today is far from having all the necessary attributes of a sustainable currency, we believe that the technology behind it a real window into the future.

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The Impact of Work Hazard and Occupational Diseases Cost on the Economy

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Abstract

Work hazards and occupational diseases are closely linked to work. They disrupt or make the working process more difficult affecting at least one component of the working system. Both lives and resources can be saved by dealing more rigorously and rationally with the issue of safety and health at work.

The article looks upon the importance and economic dimension of work hazards and occupational disease phenomenon

Keywords: economy, work hazard, occupational diseases

J.E.L.classification: K32

1. Introduction

Work hazards and occupational diseases are closely linked to work. They disrupt or make the working process more difficult affecting at least one component of the working system. But the working process and system are fundamentals of any micro economy.

Therefore, hazards or diseases actually disrupt its functioning, having effects on its components and on the relationships between them, purely economic effects: waste of working time, diminishing of fixed assets, etc. Due to the nature of the subsystem-system relationship, the consequences of work hazards and occupational diseases on the company reach the national economy level.

We can thus state that one side of the economic dimension of the phenomenon under consideration is the economic impact

of work hazards and occupational diseases, namely their consequences on the micro- and macroeconomic elements and their functioning

If we consider that man appears in the working process in a two-fold aspect - the human being and the performer of a working task, it is obvious that the hazards/diseases affecting him will have further consequences. First of all, those resulting from affecting the individual as a bio-psychosocial entity, but also some others: physical psychological, financial, political consequences, etc., some of which are quantifiable. [1,2,7]

2. Preventive activity and scientific management of the company

Within the above described context, two important phenomena have been outlined:

- considering the investment in safety and health at work as a source of profit led to the acceptance of the idea that the activity of prevention must be organized according to the principles of the scientific management, such as all the other classical activities that produce benefits;

- including the occupational safety criteria among the performance criteria of the company makes its profit also depend directly on the observance of the legal requirements concerning the working conditions, so that to the general management must also set as an objective maximizing the results of the preventive activity. [3,4,5]

3. The economic dimension of the phenomenon of work hazards and occupational diseases

A quantitative evaluation of all the consequences of work hazards and occupational diseases, or at least of the measurable ones, will mean establishing a cost for this type of event that can be used as an economic indicator. Consequently, the economic dimension of the phenomenon of work hazard and occupational diseases include two components: the economic effects of these events; the cost of the hazards and diseases as an economic indicator that reflects all the measurable effects of these events. In order to find out a means which allows the quantitative assessment of the consequences of work hazards occupational diseases as well as the values resulting from the calculations of efficiency, the economists and specialists in the domain of the occupational health and safety have analyzed their consequences under multiple aspects.

They finally reached the general opinion that any hazard or occupational disease always generates two types of consequences:

- non-measurable ones (physical and mental pain, fear, disability etc.).
- measurable ones.

The former category justifies the necessity of the preventive activity under moral aspect, matching the principle "life is the ultimate value and purpose in itself". The measurable consequences can be used as a persuasive argument to convince the employers that it is actually profitable to invest in measures to achieve safety and health at work. Provided they succeed in quantifying them based on a metrics unit used to evaluate the economic performance of the production systems and to demonstrate that there is, from this point of view, a greater loss for the company than the its investment in prevention actions. Regardless the system under consideration (micro - macroeconomic, private-public sector), the economic performance is subject to the level of the costs. Therefore, efforts have been made to identify the measurable consequences and to express them under the form of a cost generated by the hazards and occupational diseases for the companies where they take place and, subsequently, event for the national economies. Scientifically, the costs express in money the

entrepreneurs' efforts to produce and deliver goods and services, the consequences that the economic and environmental imbalances produce, the market failures on people's activities and lives, the renouncement generated by choosing one of the possible variants of resource allocation. [6,8,9]

4. Economic effects

The work hazards and the occupational diseases are closely linked with work. They disrupt and make the development of the working process more difficult, being common knowledge that they affect at least one of working system components - the performer. Due to the nature of the working systems, the change of a component will also have effects on each item and on the entire system. We can therefore be distinguish:

a. Consequences on the performer

In the case of the performer victim, the main consequence is the reduction of his/her work capacity: the temporary or permanent loss of this capacity, often accompanied by a decrease in his/her individual productivity when resuming the work, diminishing the professional skills, the quality of the work performed. If we think only of hazards, we can notice that the other participants in the working process interrupted by the event are also affected, as they waste work time in the period following the event (first aid given to the victim, commenting on the situation, preparation of the workplace to resume the activity, participation as witnesses in the hazard investigation, etc.), as well as by the reduction of the productivity as a result of the distrust in safety at the workplace.

b. Consequences on the work task

The direct consequence is the failure of accomplishing the work task, either failing to accomplish it in due time or accomplishing it improperly (at the resumption of work by a victim of a hazard/disease or due to his/her replacement with a less experienced employee).

c. Consequences on the means of production

Following the work hazards, damage or destruction of assets, raw materials, materials, etc can occur...(situation of explosions, fires, blown off things, etc.). The deterioration of the technical equipment has a negative impact on the efficiency of using the

fixed assets, modifies the degree of technical endowment, etc.

d. Consequences on the working environment

Both environmental categories – the physical and social one - can be affected by the work hazards and occupational diseases, but especially the social one.

The physical working environment is affected only indirectly and only by the generation of hazards as a result of the deterioration of technical equipment, containers in which raw materials and used materials are stored etc., if such harmful or dangerous substances are released into the atmosphere, if the control of microclimate parameters, etc..is lost. The consequences on the social environment are materialized into the stress incurred by those working in the neighborhood of the hazard or disease victim, also leading to distrust in the policy of safety and health at work promoted within the company, etc. This can result in diminishing the individual performance, the performance quality, etc.. [1,2,7,9]

4.1. The global cost

If we consider the current concept of cost - the value of a thing, of an action, etc..– and evaluate all the measurable consequences of the work hazards and occupational diseases, we obtain a cost of these types of events, which can be determined by the various levels of their manifestations and can be used as an economic indicator. **Consequently**, the economic dimension of the phenomenon of hazards and occupational diseases includes two components: the economic effects of these events, the cost of hazards and diseases, **as an economic indicator that reflects all measurable effects of these events.**

5. The consequences of work hazards and occupational diseases

In order to answer this question, you need first to have an overview of the consequences. Who is affected and how.

A first reference level, which can help us to clarify ourselves, is represented by the structure of the society, regarded as a system - **the society** as a whole - with its interrelated subsystems – **the individual one** and the **economic organization**.

Introducing the main aspects of human life manifestation in general (including the social ones): physical, mental, spiritual, economic, financial, demographic, political aspect, we obtain an overview of the possible consequences, no matter how remote in space and time, of a work hazard or occupational disease. [3,5,10]

Table 1. The consequences of work hazards and occupational diseases [3]

No	LEVEL DE MANI FEST	DE REFE	CONSEQUENCES OF WORK HAARDS AND OCCUPATIONAL DISEASES
0	1	2	3
1.	INDIV ID	cal, Physic	<p>Impairing the anatomic and functional integrity Decrease / loss of vital and work capacity Pain, suffering</p>
		Mental	<p>• Victim: State of stress due to:</p> <ul style="list-style-type: none"> - Decreasing the confidence in their own capabilities of executing the task of work - Fear of producing another similar accident - Feeling of social uselessness in the case of permanent incapacity to work - The humility of the deteriorated physical condition and the dependence on others persons • Other close persons - Pain, compassion etc. felt by those close to the victim - Fear of a possible similar accident to be supported for those working in identical working places in the respective unit - Hazard Image
		Spiritual	<p>Decrease, partially or totally, of the creative and emotional potential (especially in the case of permanent incapacity to work)</p>
		Financial	<p>Decrease in the personal income of the victim and his dependents due to:</p> <ul style="list-style-type: none"> - temporary or permanent loss of working capacity - incurring the costs for different services as well as for care and rehabilitation, to the extent they are not fully covered by the insurance - changing social and professional status

2a	I	R	M	A	n		Decrease of the labor productivity
							Damage / destruction of tangible and intangible assets
							Loss of physical production
							Decrease of gross profit
2b	A	E	D	E	A	S	Consumption of resources in the form of benefits provided and the funding of prevention programs
3.	I	E	T	u	m		Reducing the human potential (creativity, affectivity, etc.), available
						Political	Diminishing the confidence in the adequacy of national social protection policy Damaging the prestige on the home and international labor market
						ographic	Decreasing the number and the quality of the population (in terms of anatomic and functional integrity)
						n o	Decrease of the gross national product
						Financial	GDP decrease due to: - reduction of the gross profit of economic agents and individual incomes; - change of the volume of funds obtained from taxes on salaries and other taxes; - increased social spending as a result of recovery efforts of hazard effects; - loss of investment and the need for additional investment for: the work force growth, training and qualification; - materialization of technical creativity in the form of fixed assets; - inobservance of contractual international market terms; - loss of prestige in front of the potential work force

MANIFESTATION LEVEL
INDIVIDUAL
COMPANY
INSURANCE COMPANY
SOCIETY

5. Evaluation of work hazard costs

The overall objective of the evaluation is to establish a quantitative means of expressing quantifiable consequences of hazards for:

- the calculation of work hazard e: victim (actual or potential one); the company where the accident occurred; the insurance company for work hazard; an economic or structural sector (budgetary, state, private sector) company (socio-economic cost);
- quantification of all kinds of consequences, so that the final cost calculated must include both direct and indirect costs;
- doing the calculation both on reliable data, for actually and previously occurred events, based on potential effects of a possible hazard;

- expressing the evaluation result in monetary units (money);
- establishing any type of cost for work hazards: followed by temporary work disability; resulting in disability, of whatever degree, deadly, regardless of immediate or delayed death;
- possibility of using the results of the assessment for: profitability analysis of the companies' activity; substantiation of the prevention program; selection of the optimal investment in the field of safety at work; substantiation of the national legislative provisions for health and safety at work. [1,4,8,9]

6. Conclusions

Work hazards and occupational diseases are closely linked with work. They disrupt or make the development of the working process more difficult affecting at least one of the working system components. But the process and the working system of work are fundamental elements of any micro-economy.

Therefore, hazards or diseases actually disrupt the functioning of an economic organization, having effects on its components and on the relationships between them, purely economic effects: waste of working time, diminishing of fixed assets, etc

Due to the nature of the subsystem-system relationship, the consequences of work hazards and occupational diseases on the company reach the national economy level.

We can thus state that one side of the economic dimension of the phenomenon under consideration is the economic impact of work hazards and occupational diseases, namely their consequences on the micro- and macroeconomic elements and their functioning.

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Section II
Business Economy and Administration

Subsection 2
Marketing – Management

Human Resources Management Practices in Europe between Convergence and Divergence Debates

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Abstract

The study of human resources management in Europe generated various points of view and debates. A common position has not been yet established. This paper aims to review the main theoretical approaches regarding human resources management practices in European context. The focus will be set on convergence-divergence debate. Presenting the results of the research from these points of view enables a better understanding of human resources management evolution in Europe. It is also possible to identify new research direction concerning human resources management practice

Key words: human resources management practice, convergence, divergence

J.E.L. Classification : M12, M50

1. Introduction

European space is characterized by a great diversity of culture, values, traditions, legal regulations etc. Thus, a single approach on human resources management practice proves to be a difficult task. In order to a better understanding of European realities a closer look on various theories proves to be useful. Specialised literature reveals numerous studies that followed different theories in order to test it. The specialists have tried to determine whether it is a trend of convergence or by contrary of divergence in the field of human resources management practice in Europe. The debate has been started out by the different theories such as: rational theory, institutional theory and cultural one. The specific points of view of these theories are presented in the following parts of the paper.

2. Rational approach on human resources management practices

When human resources management practices are studied from a rational perspective there are two streams of opinions: [1]

- economic approach
- alignment approach.

In the specialized studies this is associated with the universalistic theory or “best practice” approach.

From the economic approach, specialized practices are adopted based on their contribution to the firm’s financial performance explicated as revenue generation or cost reduction.

The main limitations of this approach that claims the fact that certain human resources management practices can be universally applied are clear. Such approach ignores the role of the organization context and other-specific factors. The main assumption of this approach is that the determination of human resources management practices is based only on rational and strategic choices made by managers. In this way, are underestimated the roles played by employees, labour unions and regulatory bodies.

The alignment approach underlines the necessity for human resources management practice and company’s overall strategy.

This approach has been criticized, like the economic approach, for overestimating the degree of managerial autonomy or strategic choice available to firms, meanwhile underestimating the influence of institutional pressures.

Other researchers, Gooderham et. al [2], for instance, has argued that national institutional embeddedness plays a much more critical role in developing human resources management practices than rational or strategic factors. They considered that the role of institutions must be accentuated in

future studies regarding human resources management practices.

3. Institutional theory

Institutional theory is based on the major role of societal rules and norms, as well as political and economic structures in the process of shaping human resource practices. Two schools of thought can be identified in the literature [3]:

- comparative institutionalism
- the new institutionalism.

There are significant differences between the above mentioned currents that are presented below:

- regarding the institutions they consider comparative institutionalisms focus on regulatory and structural institutions (such as financial, education and judicial systems), meanwhile the new institutionalisms take into consideration beside the above mentioned categories, the normative and cognitive institutions;
- the field of analysis in the case of comparative institutionalisms concerns the understanding of the "societal effect" created by national-level institutions, while the new institutionalisms focus on "organizational fields";
- concerning the mechanisms of adaptation, comparative institutionalisms states that companies are constrained to act in similar ways by national institutional arrangements, and that their adaptation to the environment is motivated by "economic" considerations. This is based on their view that economic action is embedded within local governance and institutional arrangements [4]. The new institutionalisms consider that organizations in a "field" behave in similar ways due to similar coercive, mimetic and normative pressures they face, and that adaptation is primarily for legitimacy (and not economic) reasons [3].

In the case of comparative institutionalism the institution refers to financial system, educational system, business system and the system of research or innovation [5].

From this perspective, the companies, acting within the same national border or system, will adopt similar human resources management practices constrained by similar social and institutional pressures.

This school states that a certain institutional and therefore the human resources management practices developed under such a system are difficult to replicate or imitate in another institutional system.

Comparative institutionalism proves some limitations such as:

- tendency to overestimate the durability of institutional values and arrangements;
- placing in the analytical process the organizations as passive reactors to their institutional environment;
- the assumption that national institutions and systems are homogeneous.

Considering the first limitation it is noted the tendency to focus solely on explaining stability and continuity of national systems while ignoring the significant changes that are taking place across the globe [6]. For example, the impact of globalization and increased international competitive pressures on both national systems and individual firms should be strongly considered.

The new institutionalism is based on the idea that human resources management practice within a company are subject to a coercive, cognitive and normative pressure exert by competitors and other social actors. Therefore, the companies acting under similar constraints will develop similar practices (isomorphism).

Coercive isomorphism arises from formal and informal pressures exerted on organizations by regulatory authorities and other firms which they depend on for key resources.

Changes may be generated by the need to comply with government regulations, shifts in business ideology and customs, pressures from key clients and international pressures from global governance institutions.

For example, labour unions could act as facilitating or constraining upon the diffusion of innovative or new employment practices.

The mimetic isomorphism is generated by organizations' desire to be seen as "progressive" by their competitors, shareholders and other social actors

New or innovative human resources management practices are particularly susceptible to mimetic pressures since the practices are usually considered modern and fashionable. There is a lack of evidence that these practices actually "work".

The mimetic isomorphism is promoted by the multinational companies. MNCs have the potential to lead the way in the adoption of new or "best" HR practices [7].

The institutional isomorphism has emerged from normative pressures exerted on organizations by influential "learning" institutions such as educational and professional establishments, management consultancies and professional associations [8].

Managers often look up to scholars or "management gurus" in business schools to provide new insights and best practices.

Management consultants, considered as experts in the business community also play a crucial role in the diffusion of management practices

The new institutionalism theory has its own weaknesses such as the failure in the attempt to reconsider the critical role of institutions in constraining or facilitating the adoption of human resources management practices. For example, a study undergone by Looise et.al., in 1998 [9], in Netherlands, regarding the changes of practice in the employment system, evidenced changes determined by the companies in order to obtain more flexibility in employment management.

4. Convergence-divergence debate

The convergence approach followers consider that in human resources management, the practices that are considered universally valid and applicable, despite the national culture and institutional context, are defined as best practice.

The struggle for efficiency and the increasing competition within a global economic space determines companies to embrace these kinds of practices in order to develop their level of competitiveness. [10].

Although the convergence approach is supported by the institutional theory by the isomorphism that promotes, the followers of this theory promote mainly a divergent approach. The institutional environment is

determining the management practices within organizations.

The cultural perspective promotes the idea that national and regional cultures reflect substantial differences in norms and values. [11]. Therefore, convergence of management practice is difficult or improbable to realize.

Managers in different countries are subjects of specific national institutional context and are sharing different sets of values according to each cultural context.

It should be noted that institutions and cultural background are not changing rapidly and in rare occasions in a way similar to other countries [12].

In order to enlighten the convergence-divergence debate regarding the human resources management practice in Europe the conclusions of several studies are presented below.

A study published by Olga Tregaskis and Chris Brewster in 2006, revealed some interesting results concerning the practice of contingent employment in different countries [13]:

- organizations across the five countries have tended to increase their use of contingent employment contracts over the period considered;
- there is no evidence that either the regional
- institutional pressures coming from the European Commission or regional or global competitive pressures are creating 'final' convergence in organizational practice;
- regarding the part-time working, the institutional protection afforded in the Netherlands and the lack of institutional protection and the power of employers to regulate demand in Spain determined the two countries to diverge in opposite directions;
- temporary and fixed-term contracts are underpinned by different legal and industrial relations frameworks across Europe.

The results mentioned above suggest that organizational practice remains distinct across Europe despite European and global isomorphic pressures.

Another study that revealed the influence of culture over the human resources management practice was oriented on greek

companies and the multinational companies operating in this country.

The results of the study indicate that the effect of national culture on human resources management in Greece is quite prominent. Human resources management practices, such as planning, recruitment and performance appraisal are to a great extent in accordance with the cultural values of Greek society. The study proves that Greek firms show a high level of embeddedness in their cultural environment. Practices such as the use of recommendations in recruiting employees, the limited long-term human resources planning, as well as a reduced use of several performance appraisal practices are still quite widespread even in larger Greek companies. The multinational companies evaluated in the study have proved a certain degree of adaptation towards local practice, meanwhile the reverse process proved to be less present [14].

The above mentioned study represents an argument on behalf of divergence position based on cultural approach.

There are many studies developed by the researchers in order to answer the question of whether a European HRM (convergence) or an HRM in Europe (divergence) exist [15].

5. Conclusions

Theories presented above, regarding human resources management practices bring into discussion the convergence-divergence debate. It was studied by different researcher using different approaches.

Each of the theories mentioned institutional, rational and cultural one has its own strengths and weaknesses. It seems that a contextual approach using rational, institutional and cultural consideration seems to be the most suitable when human resources management practices in European space are studied.

Europe is characterized by a great diversity of institutional system and cultural ones.

Even if the institutional theory promotes the concept of isomorphism (especially the coercive one) it succeeds to sustain divergent approach rather than a convergent one regarding the human resources management practices in European countries.

A good example in this case is the

situation presented above of Netherlands and Spain regarding part-time working practices.

In relation with the isomorphism point of view there is still discussed the issue if the supranational institutional framework regulations (for example European Union) will prevail upon those of national governments. A single regulatory framework will generate a clear convergence trend in human resources management practices across member states.

Cultural perspective proves a clear position toward divergence of human resources management practice as shown by the results presented in the previous section.

The convergence-divergence debates remain open. There are still numerous questions to be answered in order to establish if we can argue about a European human resources management (indicating convergence) or human resources management in Europe, that indicates a large divergence of specific practices

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Directions and Ways of Improving the Quality Assurance System Banking in Romania

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Abstract

*Increasing the competitiveness of organizations by promoting quality, is a specific and constant concern of the European Union, thus creating, legislative and institutional framework for achieving this goal. This concern is focused on promoting an ambitious policy on quality that facilitates increased competitiveness of EU Member States. National model of quality that exists in Romania is based on the philosophy of continuous improvement related to clear values. The last decade and a half has been for the banking system for a period of radical change, which aimed not only upgrading, creating appropriate legal and institutional framework and a diversified banking products and services, and the assimilation of the *acquis communautaire* and alignment policies, strategies and practices of the European Union. In the present study identified ways and means to improve the quality assurance system of banking services in Romania.*

Keywords: banking, banking products, quality banking services; banks; environmental quality

J.E.L. Classification: G21; M31

1. Introduction

In terms of economic development, and to increase trade flows, the trend of globalization and the rise of competition, some of the dynamic changes of the last decade and a half have occurred in the banking systems. Credit institutions are, in all countries, major participants in economic life

particularly active, dynamic, flexible and high capacity to adapt to market changes, being able to create demand for products and services.

2. Directions and ways to improve quality assurance system banking in Romania

Quality management system facilitates continuous improvement of products and services provided by banks, thus increasing customer satisfaction and ensure stakeholders of others, on this basis, continuous improvement in business performance of banks.

Implementing a quality management system is now a necessary condition for a bank can effectively win the confidence of its customers quality products and services it offers on the market, fierce competition. A quality management system is the simplest way, many procedures concerning quality assurance processes that define the design, development and delivery of a particular product or service.

The quality of banking services and products is considered, at present, the main determinant of the competitiveness of the market institution and the high level of customer confidence in the institution in the long run. As we can see below, the quality of services and products as the quality of the environment determines and affects the quality of life of every citizen.

Factors listed below influence the quality of life [1]:

- Quality products and services
- Environmental Quality
- The quality of services in education
- The quality of the healthcare

- The quality of services provided by the local public administration
- The quality of services provided by central government.

American Marketing Specialists [2] propose the following five key elements for quality banking services and products that a bank must satisfy:

1. *Credibility* - the most important resource of the bank especially if we consider the intangible nature of banking. The client must have full confidence in the service since its evaluation can be made only after purchase.
2. *Tangibility* - represented by tangible elements of service.
3. *Maximum responsibility* - expressed through openness and willingness to respond to consumer demands.
4. *Friendliness* - characterized by politeness, respect, consideration etc.
5. *Understanding the specific needs of the consumer* - that is the needs of both personalization and customization relations.

Improved quality of banking services implies that the banking institution to focus on the activity of factors. Bank's success depends on the ability to create a distinction between services and products and those of competitors. Possibilities for innovation and diversification of the range of products and services are limited to: banking products and services can not be patented, so that they can be easily and quickly copied by competitors; banking products and services are subject to strict regulations, being attention of the industry. Thus, diversification is often the small nuances of the characteristics of existing products and services (different ways of calculating the loans and interest, customization of products and services for various special categories of customers etc.). Each banking institution has its own marketing and banking management, its own methods to attract customers and the quality of services and products offered to consumers. To have control the quality of product and service offering, banks select trained staff and ensure its permanent training to give quality products and services, monitoring customer satisfaction by monitoring their behavior and establishes certain procedures to include suggestions any

complaints; ensure distribution arrangements that provide consistent and acceptable levels of services/products.

Implementation of quality management principles by banks in Romania involves:

a) *Focus on the customer* - according to this principle, all organizations depend primarily on their customers and therefore should understand their present and future needs, to meet and to exceed expectations. Applying this principle means, firstly, research, identifying and understanding the needs, requirements and expectations of beneficiaries, through studies of the needs in the various categories of customers. A quality assurance system can not be designed without taking into account the structures that ensures the functions of marketing, regulatory and public relations at the bank.

b) *Leadership* - according to this principle, managers, bankers leaders are people who will ensure that the direction of development goals of the bank. Thus, should develop and maintain a internal environment favorable to participation by all interested parties in order to achieve organizational goals. Implementing involves first taking into account the needs of all stakeholders (customers, employees, suppliers, shareholders, local community, state, national) and harmonization of internal communication with external communication.

c). *Staff involvement* - this principle is of importance in that employees at different levels of a bank (eg account managers, credit analysts, risk analysts, accountants, managers etc.) are the most important resource of the banks, the their involvement depending on how they highlight their skills for the benefit of the institution. *This means that employees:* to know and better understand their place and role within the banking system; constraints on their own work; to acknowledge and accept responsibility in the achievement of organizational objectives; self-assessment to compare their performance based on goals and objectives set out in the bank's operating; to find those opportunities to develop their own knowledge, experience and skills. It is known that a quality service can not be provided without the staff actually involved in solving provider. Quality can not speak without people to feel fully responsible for accomplishing it. This process is necessary

so effective and transparent implementation of internal communication and clarification of roles, responsibilities and authorities for quality assurance, including the role of managers and the performers.

Designing and implementing a quality assurance system involves solving some prior conditions such as streamlining organizational structures, clarify and clear allocation of responsibilities and resources for each activity and sometimes shifting resources toward activities considered essential for achieving the targets [3]. The need for a systemic vision on the functioning of banks is reflected not only in policies, strategies and operational plans, but through good communication and inter compartmental come through clear communication structures, decision making and reporting. Also are required as a unified management training for all management functions of the bank, and a transparent and objective system for monitoring and evaluating the effectiveness and efficiency of the bank's processes.

Continuous improvement of performance data and argumentation decision entails the following aspects to be taken into account:

a) Continuous improvement of organizational performance - is a principle of quality management and its implementation should be permanent by: addressing global organizational development; training of bank employees on the methods and tools of quality management in order to continuously improve performance; setting by each employee of the bank of personal goals on the development and continuous improvement in line with the overall objectives of the bank; setting clear objectives regarding the development and continuous improvement; recognition of merit who contributed to improved. Continuous improvement of banking products and services offered in the market should become a fundamental concern for all persons in the banking system. Thus, we could establish clear objectives for the development of all hierarchical levels and for all types of banks, based on national policies and strategies, it also requires the establishment of monitoring and evaluation tools made changes, efficiency and effectiveness thereof.

b) Argumentation of decisions with data - the importance of this principle follows from the fact that decisions are effective only if it is based on analysis of all data and information based on facts. This aspect involves: the collection of accurate and reliable data and information; providing access to data and information for all stakeholders; analyzing data and information available statistical methods applicable decisions, both on the basis of data and information, as well as the experience and intuition makers.

c) Mutually beneficial relationships with all stakeholders - because any organization and its suppliers are interdependent, it is important to ensure mutual benefits. This approach develops its capacity to increase the added value for the customer. Applying this principle involves: establishing balanced relations with all partners regarding the benefits of each medium and long term; providing resources and partners available results of surveys; identification and selection of key suppliers; communicating clearly and effectively with; communication of information and long-term goals; encouragement and recognition of achievements and improvements made by each partner.

As a brief conclusion to the said so far, we can say that implementing a quality management system in banks is subject to the following steps initials:

- defining the organizational structure that will perform the functions of research, marketing and public relations at all levels of the banking system;
- clarify and promote the vision, mission, objectives, policies and strategies for the development of individual banks and the banking system;
- analysis of communication system, decision and existing reporting in banks and clarify their various responsibilities, including quality assurance services;
- analysis of all major consequences generated by the quality assurance system;
- stimulating training and professional development of staff in banks.

3. Conclusions

Proposals to improve banks' customer relationship management and other stakeholders of the quality of products and services.

With competition between commercial banks appear deepening and worsening problem in both Romania and the maintenance of existing customers to gain new customers, along with the need to achieve a certain level of efficiency, productivity and profit banking activities. The only possible way of solving simultaneous effectively and efficiently all these problems is to generate/increase confidence or actual potential customers - be they individuals or businesses - the quality of products/services and processes a specific bank, usually by implementing and certification of a quality management system. In addition, it appears that continued growth in customer requirements is becoming less credible and therefore more inefficient, including banking, advertising carried on considerations other than the results of multicriteria evaluation, competent, objective and transparent quality products/services and banking processes.

Improving system performance communication and distribution channels for banking products and services.

Connections to modern banking practices, insured banks with foreign capital requirement plus customer growth and increasing competition have led to the introduction of new banking products and services that require advanced technologies.

Today, banks increasingly focus on using alternative channels to sell products/services, responding to changing needs of consumers.

Range of banking products and services offered by banks in Romania continues to diversify. As a result of these developments, major changes have occurred both in the structure of banks, staff should familiarize themselves with a growing number of products and services, processes, tools, new procedures and the customers who have become trained and began to have sophisticated requirements. Thus, for banks to successfully market their products and services, it is important that they communicate to customers the information they need for decision on an informed basis.

Bank will have outstanding performance on condition that customers will know, will buy and will trust in the institution and its products and services. Banks' ability to gain competitive advantage in the long term as a result of innovation and differentiation of products and services is limited by two things:

- *banking products and services can not patent a new product being imitated by the competition shortly;*
- *banking products and services are strictly regulated and supervised by the authority in the matter.*

Differentiation range of banking products and services is manifested by small variations or nuances of specific elements sometimes of some details. **Because differentiation is achieved through quality that meet customer requirements, we can consider that the strategy that should be adopted is the quality strategy.** The era in which bank customers moved to headquarters to find out information or to apply for a loan or deposit a sum of money is already outdated. Currently, today, customers have many other options to meet the requirements and expectations related to banking products and services, such as: call center, ATMs, internet banking, mobile banking, co-branding (cards issued together a distributor of products and services), partnerships with distributors of products (eg: consumer goods), accessing social networks (eg: Facebook) etc. New distribution channels could be implemented through the development of information technology. However, their expansion is limited by the need for infrastructure and operations security, and customer behavior. Modern methods of distribution means an increase in banks offering products and services beyond their territorial network.

Social responsibility of a bank can be assessed by its involvement in areas of social, through products, services and programs promoted. In this respect, important strategic goals of the organization harmonize with those of the community in which the bank operates, and the use of best business practices in its relations with all stakeholders. Banks must operate in a safe and prudent for their clients and for monetary stability and the economy. At the same time in the conduct of their operations, banks should consider the following issues: the effects of

banking products and services, lack of banking in certain geographical areas or for certain groups or categories of people. The social responsibility of banks is defined by access to banking services, understanding that access is determined by certain factors, determined on a nondiscriminatory basis. Banks are under continual pressure to select and attract customers, with special emphasis on cost-benefit criterion in terms of competition by emphasizing globalization of banking, privatization of formerly state-owned banks; the use of information technology by which it provides easier products and banking.

Banks are becoming more interested in the environment in which they operate, the protection of its involvement in the social life of the community to which they belong.

Offer banking services and products existing in the market is varied, the differentiation being made by each banking institution capacity for customization according to customer segments to which it is addressed.

I believe that the success of a banking recovery is conditional permanent relationship with customers and improve the quality of services and products required by the competition issues in the field, but also consumer demands. They are made in conditions that continuously monitors consumer satisfaction, the rewards performance, financial staff is motivated and offering services packages that enhance customer satisfaction.

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Customers' Opinions Regarding Eating-Out in National Type Restaurants

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Abstract

The article analyzes the consumption behavior of romanian citizens for the food services and the evolution of cuisine preferences and motivations which make them eat out in a restaurant. The proposed analysis starts from certain things from the market, in the present framework of globalisation and reduction of barriers across cultures, which favored the extension of national type food units (chinese, italian, mexican, etc) operating in Romania. In this respect it was organized a quantitative marketing research in order to show the main reasons of consumption in oriental type restaurants and visibility on romanian market of these public food units.

Keywords: public food services, national type restaurants, oriental type restaurants, cuisine preferences

JEL Classification: M30, M39.

1. Introduction

The world economic crisis, having also a big impact on romanian economy, has determined the reduction of population's income and the reduction of romanians possibilities to eat out in restaurants. The functioning of new restaurants, which offer their customer international cuisines turned into a constant service of food services market. Among these, the oriental type restaurants have a positive image and have succeeded to obtain a stable position on the market and to represent a current option of

romanians regarding eating-out in a restaurant.

2. Elements of public food consumption services

Previous studies have shown that the main features taken into account when selecting a restaurant are the food type as the most important choice variable, followed by the food quality and value for money [1]. Also, variables such as decor, type and style of food, convenience, variety of menu items, and special promotion were reported as key attributes for eating-out decisions [2].

Providing restaurant customers with positive reasons to remain in a current relationship is more important than trying to develop negative reasons [5]. Based on the elements of these positive barriers, such approaches as treating all customers in a special manner, creating a warm and comfortable atmosphere, developing attractive menu design and special menu items, and ensuring an appealing décor, not to mention offering good value for the money are the key points in building relationships between restaurants and customers. Previous studies of the authors found that an optimal balance between the quality of food, prices, atmosphere and good employees is a prerequisite for satisfying customers and also a key element for a dining-out decision [4]. For most of the companies and managers, it is not enough to have a quality system implemented; the quality of products/services should be improved continuously and permanently [5].

In the context of tourism, food consumption is likewise acknowledged to bear 'symbolic' significance; for example, as a marker of social distinction [6], [7], and a way for encountering and experiencing other foodways and cultures [8]. In this framework, the presence of restaurants which offer specific cuisine of other nations, served in a local type atmosphere, supports the communication and international promotion of national values. In Romania, the food units included in this category are known as restaurants with national specific. National type restaurants are food units which highlight the cuisine traditions of a nation (chinese, arab, mexican, etc), serving a diversified range of dishes, alcoholic and nonalcoholic specific drinks. The indoor and outdoor atmosphere of sitting rooms, musical program, uniforms of the staff and others are specific for that country [9].

3. Method of research

The aim of the quantitative marketing research with the title "Attitudes, opinions and behaviors of the population from Braşov regarding eating-out in oriental type restaurants" is to identify the attitudes, opinions and behaviors of population from Braşov regarding the degree in which they know the oriental type restaurants, which are the factors determining them to eat-out in such a restaurant and how satisfied they are after consumption. In this respect were established objectives and general and statistical hypothesis. The research carried out observes the degree in which the population from Brasov eat-out in town, and in which degree it is oriented towards choosing the oriental type restaurants. Depending on the complexity of the research, it is a descriptive research because it aims to determine the magnitude of differences between different segments or consumer groups from the point of view of attitudes, opinions and users behavior. Taking into account the type of information created, it is a quantitative research. The primary data were obtained using the survey method face to face based on questionnaire.

The researched population is established at local level for Brasov area, having representatives of both genders and from all social environments, aged over 18

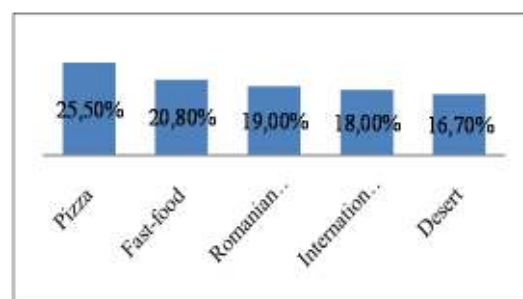
years. In order to ensure the representativeness of the sample at the level of the whole researched population, it was taken into account a level of trust of 95% and an admitted error (showing the precision level of the estimation) of $\pm 5\%$, the value for z from the normal distribution table being 1,96. The sample size is 384 persons. In order to carry out this survey it was chosen the method of random sampling in steps.

4. Results of the research

Based on the answers recorded at the question „Do you usually eat-out in a restaurant?” it can be noticed that from the total number of interviewed persons, 67% use to eat-out in a restaurant. In order to show which is the preffered moment for eating out in a restaurant, were required answers at the question „Which of the meals do you use to serve in a restaurant?”, showing the fact that most of the persons interviewed choose dinner (52%), while 39% of the sample members serve lunch in town and 9% prefer to serve breakfast at the restaurant.

At the question „What type of menus do you usually serve?” the answer alternatives were „romanian type food”, „fast-food”, „pizza”, „international type food” and „desert”. As it appears in figure 1, the answers given show a relatively uniform distribution of preferences, being noticed in the top of preferences the pizza consumption (25,5%) and the consumption of fast-food products (20,8%).

Figure 1. Type of menus consumed in the restaurant

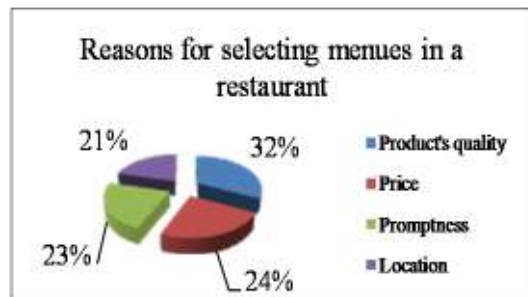


Source: own processing

The following question has followed to detail motivation underlying choice of the menus types served in the restaurant. It was noticed that the main factor is represented by the quality of products served, the members

of the sample have chosen this alternative in a percentage of 32,3%, followed by price (24,2%), promptness of service (22,7%) and restaurants' location (20,8%), as can be noticed in figure 2.

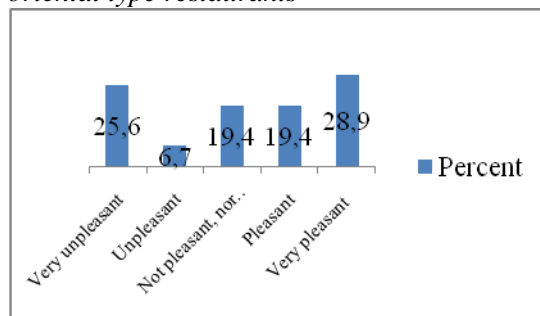
Figure 2. Main reasons for selecting menus in a restaurant



Source: own processing

Another question has identified in which degree the interviewed persons know the oriental type restaurants. From 384 respondents, a percentage of 63,02% have given an affirmative answer, in the sense that they know at least one oriental type restaurant. At the question „What do you think about the atmosphere in the oriental type restaurants?“ addressed only to those who have given an affirmative answer at the previous question, the answers recorded with highest frequencies are placed at extremes. Therefore, according to data presented in figure 3 it results that 28,9% of the respondents think that the atmosphere is very pleasant, while 25,6% consider it as being very pleasant. It follows the alternatives „pleasant ” and „not pleasant, nor unpleasant” with an equal percentage, of 19,4%. The lowest number of answers was recorded by the alternative „unpleasant”, with a percentage of 6,7%.

Figure 3. The atmosphere assessment in oriental type restaurants

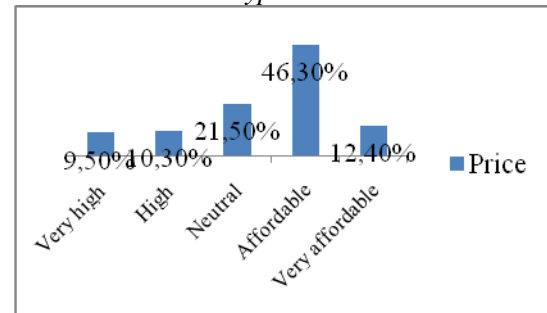


Source: own processing

Asked about how they assess the prices used in oriental type restaurants visited, the

242 selected respondents have mentioned in a percentage of 46,3% that they are affordable, 21,5% have a neutral opinion about this element, 12,4% considered them as being very affordable, 10,3% considered them high and 9,5% consider them as very high (figure 5).

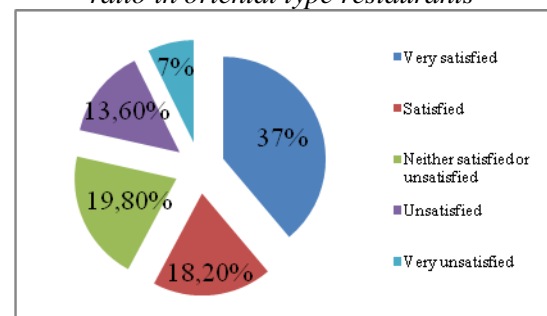
Figure 5. The assessment of prices used in oriental type restaurants



Source: own processing

Regarding the quality-price ratio, the 242 respondents who know at least one oriental type restaurant consider that eating out in such a restaurant satisfies them in a very high degree (37,2%), not satisfied, nor unsatisfied (19,8%), are satisfied (18,2%), unsatisfied (13,6%), while 11,2% are totally unsatisfied, as can be noticed in figure 6.

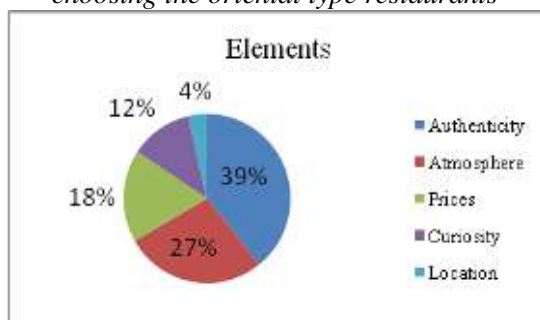
Figure 6. The assessment of quality-price ratio in oriental type restaurants



Source: own processing

Further, the respondents have shown the main factors that make them eat out in an oriental type restaurant. The answers recorded are presented in figure 7 and underline that 39,3% of the customers appreciate the authenticity of dishes served, 27,3% choose to eat out in a restaurant of this type because of the specific atmosphere, 17,8% consider that the prices used are motivating them to take such a decision, 12% are attracted from curiosity to know the oriental kitchen, while 3,6% appreciate location.

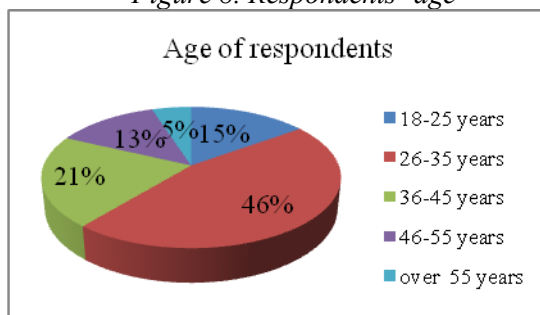
Figure 7. The most important criteria in choosing the oriental type restaurants



Source: own processing

The analysed sample was made of male respondents in a percentage of 48% and female respondents in a percentage of 52%, obeying the structure based on gender of residents in Brasov. Regarding the distribution based on age, the highest number of persons were in the range 26-35 years, with a percentage of 46,1% of the total number of interviewed people. The following range is 36-45 years with 21%, and the range 46-55 years represent 13% the sample (figure 8).

Figure 8. Respondents' age



Source: own processing

After testing the hypothesis it was noticed that more than 15% of Braşov population chooses to eat-out in an oriental type restaurant, when 67% of the sample members have shown that they use to eat-out. Based on contingency tables, using the absolute and relative frequencies, it was shown that there is no link between the respondents gender and the preference for the oriental type restaurants.

5. Conclusions

Knowing the customers' needs and satisfying them is the most important role of marketing. Brasov is an important tourism oriented city from Romania, the existence of

national type restaurants being a coordinate of market adaptation at the requirements of local consumers and visitors.

The results obtained from the marketing research have shown the locals' habits to eat-out in a restaurant, in a percentage of 67% and, also the international type menus are the preferred consumption of 18% of the interviewed people. The most important elements which motivate the selection of a certain restaurant are the quality of food, prices used, promptness of service and restaurant's location. It can be noticed that 63% of the respondents know at least an oriental type restaurant. That is why it is a need of continuous promotion for this restaurants on the market from Brasov.

The most important issues that motivate people to eat out in such a food unit are the prices used and the quality-price ratio obtained after consumption. The atmosphere is a factor that should be analyzed more carefully by each restaurant in order to be sure that it is to the customers' liking. Also, authenticity of dishes served and the curiosity of unique products consumption are variables which motivate eating out in an oriental type restaurant.

The cuisine habits diversification, the globalization of information regarding food consumption and the massive presence in media of discussions regarding cuisines for daily consumption are factors that favor the change in population's attitude regarding the consumption of food services. As a consequence, the presence on the market of national type restaurants represent a viable alternative, educational and even pleasant for eating-out in the city.

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Analysis of Employee's Motivation in Health Institutions

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Abstract

The article presents a survey of employee motivation in a health institution based on ERG theory. The questionnaire was applied during 1.09.2013-1.10.2013 to all 68 employees of the institution.

The existential needs include six elements: salary, salary increases, benefits, endowment, area accessibility and clarity of the tasks. The 8 elements that describe the relational needs are: communication between employees, colleague's devotion, number of friends, trust between employees, professional relationship with head management, free time, flexibility of management decision and team work.

The category of growth needs includes: importance of personal works, satisfaction, the power to take decisions, praise and appreciation during the last day, performance evaluation and assessment of progress, the possibility of training and advancement.

Key words: motivation, employee, ERG theory, health institution.

J.E.L classification. I12, M12.

1. Introduction

Motivation is considered an inner state of the individual who enlists a body in order to accomplish a particular purpose [1].

Motivation means the totality of reasons and the process of motivation and willingness of an individual to make an intense and sustained effort to accomplish the organizational objectives, with the hope that their efforts will lead to the achievement of their individual objectives [2].

To examine the employee's motivation it

is proposed to examine the three types of needs according to **ERG theory**: existential needs (Existence), relational needs (Relatedness) and development/growth needs (Growth) [3]:

- the **existential need** refers to the existence of the support (such as material needs, physiological, safety). They are important in the conduct of the work and should be relatively satisfied before the individual reaches the relational needs.

- the **relational needs** links with social environment (needs of belonging, esteem), interpersonal relations, met by friendly relations with family, friends, colleges, bosses, subordinates and others.

- the **growth needs** refers to the individual potential gain and shall include auto-appreciation and auto-actualization. They have their genesis in the intimate need that experience to supplement human development.

By satisfaction of the three types of needs it is obtain a higher attachment to the organization, higher availability of significant effort and an increase in work motivation [4].

2. Material and method

This paper is the result of research conducted in a public hospital in Iasi in order to analyze the motivation of employees at their workplace.

The research instrument is a questionnaire applied during 1.09.2013-1.10.2013 to all 68 employees. Interviews were conducted face to face with the respondents. For data analysis obtained from the questionnaires was used descriptive and inferential statistics.

The questionnaire grouped the three categories of needs and has a scale with five responses: very satisfactory (VS),

satisfactory (S), neutral (N), unsatisfactory (US) and very unsatisfactory (VUS).

3. Results and discussions

3.1. Sample structure

The structure of the medical staff after variable genre contains a percentage of 92.7 % female staff and 7.3% percentage male staff.

This results in normal because in hospital a large number of staff is female, especially nurses and medical care.

After the age structure, the sample has a majority of staff aged between 30 and 50 years, a percentage of 80.5 % under 30 years and a percentage more than 50 years, 7.3 %.

Structure on respondents by level of studies show that less than half of employees have university and post university studies 41.5 percent and the majority of 58.5 % is a personal with pre-university studies, mostly of nurses and medical care.

After the job level, the respondents of this survey are represented mostly by ancillary medical staff with a percentage of 61.0 %, 24.4 % nurses and 14.6 % doctors. This percentage is characteristic of the current health care system, medical staff may be reduce because patient care, operating room and assisting physicians in operations require a greater number of person.

The health institution analyzed has an experienced staff in the same group; most of the employees with an experience over 10 years are in a rate of 58.5 %. Employees with an average age of 5-10 years experience are represented by 24.4 % of the respondents and new employees with less than 5 years experience are only 17.1%.

3.2. Analysis of employee motivation

Efficiency and effectiveness of a health institution are largely influenced by the behaviour of medical staff. After all the efforts made to attract and hire the best candidates, another important aspect is keeping them.

The first category of needs analyzed are **existential (essential) needs**, found at every person. In this categories are included six elements: salary, salary increases, benefits, endowment, area accessibility and clarity of the tasks. The results, expresses in

percentages, are shown in table 1:

Table 1 Existential needs

	Marks				
	VS	S	N	US	VUS
Salary	2.9	38.2	8.8	45.7	4.4
Salary increases	4.4	41.2	25.0	26.5	2.9
Benefits	2.9	45.6	10.3	30.9	10.3
Endowment	8.8	30.9	36.8	20.6	2.9
Area accessibility	4.4	73.6	17.6	4.4	0.0
Clarity of the tasks	7.4	66.2	8.8	13.2	4.4

The questionnaire analysis reveals that most of the employees 45.7 % are not satisfied with the salary received, but at the same time, a very important percentage of 28.2 % are satisfied. However, after analyzing all the tables we can see that this item has achieved the highest percentage of unsatisfactory marks (US).

Salary increases (danger, stress, heavy-duty work condition) are satisfactory for 41.2 % of employees, 25.0 % are neutral on this issue and 26.5 % unsatisfied. Although 45.6 % of employees are satisfied with the benefits received (food vouchers, transportation reimbursement, health insurance etc.), there is a very high percentage of employees very unsatisfied, compared with responses from the other statements - 10.3%.

In endowment with materials and medical equipment it is not reveal a qualifying majority, but most of respondents were neutral with a percentage of 36.8%, satisfied 30.9% and unsatisfied 20.6%. This response can be explained by the fact that according to their profession the medical equipment and devices are more or less necessary.

The accessibility area is satisfactory for about three-quarters of employees, 73.6%, and 0.0 % is very unsatisfied. Also, the clarity of the tasks received satisfies marks in a majority of respondents, 66.2%.

The second category of needs analyzed are **relational needs**. Table 2 show the 8

elements that describe the relational needs: communication between employees, colleague's devotion, number of friends, trust between employees, professional relationship with head management, free time, flexibility of management decision and team work.

Table 2 Relational needs

	Marks				
	VS	S	N	US	VUS
Communication	2.9	52.9	13.3	25.0	5.9
Devotion	17.6	67.6	11.9	2.9	0.0
Number of friends	4.4	44.1	41.2	10.3	0.0
Trust between employees	10.3	39.7	41.2	10.3	0.0
Professional relationship	25.0	70.6	4.4	0.0	0.0
Free time	2.9	70.6	17.7	8.8	0.0
Head Management decision	7.4	50.0	32.4	10.2	0.0
Team work	13.2	72.1	5.9	8.8	0.0

The employee satisfaction survey in terms of relational needs reveal that most of employees are satisfied with the relationship with colleagues, head management and had family time. The most satisfaction are in professional relationship with head management (25.0 %), colleague's devotion (17.6 %) and team work (13.2% very satisfied).

A high percentage of employees are satisfied by the free time available (70.6%), and with communication between employees (52.9%), colleague's devotion (67.6%) and flexibility of management decisions (50.0%).

Also it noticed that there are respondents very unsatisfied by the communication between employees (5.9 %), but otherwise, no other item received VUS mark (very unsatisfactory).

The third category of needs analyzed are **growth needs**: importance of personal works, satisfaction, the power to take decisions, praise and appreciation during the

last day, performance evaluation and assessment of progress, the possibility of training and advancement.

From Table 3, which describes the defining elements of growth needs, we can see that the employees are mostly satisfied. The biggest complaints are about the praise and appreciation received in the last days, 20.6% unsatisfied and 2.9% very unsatisfied.

Most of the respondents are very satisfied with the satisfaction that brings daily activities (20.5%), 50.0% respondents were satisfied, 7.4% dissatisfied and 0 % very dissatisfied.

Table 3 Growth needs

	Marks				
	VS	S	N	US	VUS
Importance of personal works	20.5	50.0	22.1	7.4	0.0
Satisfaction	10.3	67.7	17.6	4.4	0.0
The power to take decisions	4.4	54.4	30.9	10.3	0.0
Praise and appreciation	2.9	36.8	36.8	20.6	2.9
Performance evaluation	5.9	67.6	11.8	14.7	0.0
Possibility of training	4.4	45.6	36.8	10.3	2.9

4. Conclusions

From the above three tables can be seen that most of the employees are very satisfied with their professional relationship with the head management (25.0%) of the importance of personal work (20.5%), colleagues devotion (17.6%).

Team work done in the organization is satisfactory for most respondents 72.1%, area accessibility satisfies a percent of 73.6%, free time and relationship to head management are satisfactory for 70.6% of respondents.

The medical staffs is mostly neutral to the trust between employees, 41.2% of the number of friends from work 41.2%, received praise and appreciation in last days,

the possibility of training and advancement and endowment 36.8 %.

Most of the respondents are satisfied with existential needs of salaries 45.7%, benefits like food vouchers, transportation reimbursement, health insurance 30.9% and salary increases 26.5%. Also in the other categories are positively evidenced 25.0% communication between employees and 20.6% praise and appreciated received in the last days.

In the end, it is important to note that each person feels concomitant needs of the three categories, but with different intensities. Although the majority of employees evaluate mainly the economical needs, they experience an appreciable level in other types of needs. Depending on their age, position, length of work, the personal expectations are changing, taking different values.

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Employee Satisfaction in Health Institutions

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Abstract

Motivation is the process by which employees are directed to work towards achieving the goals set in the organization and how is realized this motivation creates satisfaction for employee. Job satisfaction is generally considered the result and reward employee performance. Increase its efforts are considered excellent investment to improve economic efficiency of the organization.

The paper was focussed on a number of issues that influence employee satisfaction, namely:

- 1. Internal communication within the organization;*
- 2. Training and professional development;*
- 3. Security and personal satisfaction at work;*
- 4. Salaries and benefits.*

Key words: employee, satisfaction, motivation, performance, health institution.

J.E.L classification: I12, M12.

1. Introduction

At job satisfaction, employee refers to himself on his job evaluation in terms of supervision, colleagues, employees, promotions and works itself.

The research has generally come to the conclusion that job satisfaction does not cause employees to work harder and have identified only a slight positive relationship between job satisfaction and performance [1].

Job satisfaction is generally considered more the result of performance and rewards derived from it than its cause.

Other researchers in the field have shown that the relationship between job satisfaction and individual performance is further stronger and closer than previously thought

[2]. In fact, the relationship is stronger for higher level positions, such as the manager, especially because these positions offer the opportunity to obtain substantial extrinsic rewards and satisfactions of an intrinsic.

In health units, as well as in any organization, the efforts to increase job satisfaction are considered excellent investment to improve economic efficiency of the organization [3].

2. Material and method

This study is the result of research conducted during 1.10.2013-1.11.2013 within a hospital unit in Iasi, in order to determine employee satisfaction at work.

This paper focused on a number of issues that influence employee satisfaction, namely:

1. Internal communication within the organization;
2. Training and professional development;
3. Security and personal satisfaction at work;
4. Salaries and benefits.

The research method used is based on a questionnaire, applied to 42 of the 56 existing employees in institution. Interviews were conducted face to face with the respondents. For the analysis of data obtained from questionnaires was used descriptive and inferential statistics.

3. Results and discussions

The medical staff structure by **gender** comprises a percentage of 76.2% female staff and 23.8% male staff. This shows that female staff is a majority in this unit.

Table 1. Structure by gender

Gender	Percent
Male	23.8
Female	76.2
Total	100.0

After **age** variable, study shows that the institution has a staff young, aged between 21-30 years (35.7%) and 31-40 years (28.6%) were followed in a percentage of 31.0% of the aged between 41-50 years and only 4.7% over 51 years.

Table 2. Structure by age

Age group	Percent
Before 30 years	35.7
31-40 years	28.6
41-50 years	31.0
Over 51 years	4.7
Total	100.0

After age, study shows that the institution has a staff young, aged between 21-30 years (35.7%) and 31-40 years (28.6%) were followed in a percentage of 31.0% of the aged between 41-50 years and only 4.7% over 51 years.

In terms of the **profession**, the structure of personal staff consists in ancillary medical staff in a proportion of 23.8%, nurses 47.6% and a proportion of 28.6% doctors. The high percentage of nurses is explained due the need of specialized medical care.

Table 3. Structure by profession

Profession	Percent
Doctors	28.6
Nurses	47.6
Ancillary staff	23.8
Total	100.0

4. Employee satisfaction at work

It was identified a number of issues that influence employee satisfaction, namely

1. Internal communication within the organization;
2. Training and professional development;
3. Security and personal satisfaction at work;
4. Salaries and benefit;

4.1. Aspects regarding internal communication

A percentage of 69.0% (28.6% agree + 40.4% strongly agree) enjoys a very good

communication with colleagues and considers it an important reason to be loyal to the organization, while that only a percentage of 7.1% gave a negative answer to communicating between employees.

It was identified a number of issues that influence employee satisfaction, namely

Table 4. I enjoy good communication with my colleagues at work

Communication	Percent
Strongly agree	40.4
Agree	28.6
Neutral	23.9
Disagree	7.1
Strongly disagree	0.0
Total	100.0

4.2. Training and professional development

In case of **training and professional development**, an overwhelming percentage 83.4% (28.6% agree+ 54.8% strongly agree) responded positively. Hence, the medical staff is considered to be well prepared and they are getting a good training. Only a percentage of 9.5% were negative answer and this statement, while 7.1% expressed no opinion.

Table 5. Training and professional development

Professional development	Percent
Strongly agree	54.8
Agree	28.6
Neutral	7.1
Disagree	9.5
Strongly disagree	0.0
Total	100.0

A high percentage of employees 54.8% (31.0% agree + 23.8% strongly agree) feel that they have good **opportunities for promoting**, motivating them to stay in their current job. Only 18.6% (14.2% disagree + 2.4% strongly disagree) were said to disagree with this hypothesis, and the remaining 28.6% of employees are indifferent on this issue.

Table 6. Good opportunities for promotion

Opportunities for promotion	Percent
Strongly agree	23.8
Agree	31.0
Neutral	28.6
Disagree	14.2
Strongly disagree	2.4
Total	100.0

Most of the employees 64.3% (31.0% agree + 33.3% strongly agree) believe that there are **opportunities to develop skills** in the work that he performs, a percentage of 21.4% expressed no opinion, 4.8% disagree with this statement and 9.5% are strongly disagree.

Table 7. There are opportunities to develop skills in my work

Opportunities to develop skills	Percent
Strongly agree	33.3
Agree	31.0
Neutral	21.4
Disagree	4.8
Strongly disagree	9.5
Total	100.0

4.3. Personal safety and job satisfaction

At the statement on **job security** and whether it affects keeping current services, a percentage of 38.1% responded positively (23.8% strongly agree and 14.3% agree) and 30.9% (9.5% disagree strongly + 21.4% disagree), a percentage of 31.0% of respondents gave a neutral response. So we can say that are personal safety at job in health institutes.

Table 8. Job security at work

Job security	Percent
Strongly agree	23.8
Agree	14.3
Neutral	31.0
Disagree	21.4
Strongly disagree	9.5
Total	100.0

In table 9 it is observed that more than half of the respondents 52.4% (21.4% agree + 31.0% strongly agree) obtain **personal satisfaction** from work, 7.1% disagree, 11.9% strongly disagree and 28.6% have no opinion.

Table 9. Personal job satisfaction

Personal satisfaction	Percent
Strongly agree	31.0
Agree	21.4
Neutral	28.6
Disagree	7.1
Strongly disagree	11.9
Total	100.0

4.4. Salaries and benefits at work

A large percentage of the doctors surveyed 73.9% (64.4% strongly disagree + 9.5% disagree) disagree with the statement that the salary is good. This could explain the exodus abroad of Romanian doctors. Only 11.9% agreed with this statement, while 14.2% said they were neutral.

Regarding nurses a percentage of 35.8% (19.1% strongly disagree + 16.7% disagree) were dissatisfied of salary received and more than half 52.4% expressed no opinion, the remaining 11.8% of respondents (4.7% strongly agree + 7.1% agree) think this positive statement.

Ancillary medical staff disagree with this statement at a rate of 38.1% (11.9% strongly disagree + 26.2% disagree), this explains the high degree of de-motivation at their work. In a large proportion no expressed opinion 38.1% of respondents.

For this professional segment, the salaries are comparable to those in the other areas (private health environment, home care, etc.) and this could explain the position of neutrality.

However, 23.8% of nurses agree with their salary received. The global economic crisis, salaries decrease in health, job blockage led to changes in perception of the value of work.

Table 10. The salary offered is good

Good salary	Percent		
	Doctors	Nurses	Ancillary staff
Strongly agree	0.0	4.7	0.0
Agree	11.9	7.1	23.8
Neutral	14.2	52.4	38.1
Disagree	9.5	16.7	26.2
Strongly disagree	64.4	19.1	11.9
Total	100.0	100.0	100.0

About half of the respondents 47.7% (31.0% strongly disagree + 16.7% disagree) gave a negative response to this statement of the **benefits** currently offered by the hospital. Employees consider only in proportion of 28.5% (9.5% agree + 19.0% strongly agree) that the benefits are good, so this helps to continue their work in the hospital. The remaining persons 23.8% expressed no opinion.

Table 11. Benefits are good

Benefits	Percent
Strongly agree	9.5
Agree	19.0
Neutral	23.8
Disagree	16.7
Strongly disagree	31.0
Total	100.0

Often, organizations pay people for their loyalty (seniority payment system) and not after performance [4].

The reasons for which employees keep their jobs, the clinic staff was questioned about the influence of salary on satisfaction. Thus 49.9% of doctors (28.5% strongly agree + 21.4% agree) responded that influence the salary satisfaction of their work time, but a large percentage 35.9% (16.8 % strongly disagree + 19.1 % disagree) is in disagreement with this statement.

Nurses as they shall consider satisfactory income at a rate of 33.3% (23.8% agree + 9.5% strongly agree) followed by a large percentage 31.0% (14.2% disagree + 16.8% disagree) disagree with this.

It is worth mentioning that a percentage of 57.2% among ancillary medical staff

abstained from this statement, 21.3% (7.1% strongly agree + 14.2% agree) agreeing with salary satisfaction offered and 21.5% were in disagreement.

Table 12. Salary offered influence satisfaction at work

Salary influence satisfaction at work	Percent		
	Doctors	Nurses	Ancillary staff
Strongly agree	28.5	9.5	7.1
Agree	21.4	23.8	14.2
Neutral	14.2	33.4	57.2
Disagree	19.1	14.2	21.5
Strongly disagree	16.8	19.1	0
Total	100.0	100.0	100.0

All of the elements that contribute to the satisfaction of the workplace, doctors responded in a proportion of 42.7% (28.5% agree + 14.2% strongly agree) that the benefits influence satisfaction derived from their work time and a proportion of 43.1% believe that this aspect is not relevant and are disagree with this.

A large proportion of nurses 52.3% (23.8% strongly agree + 28.5% agree) believe that the benefits are important at work and 21.4% disproves this. A percentage of 26.3% have no opinion on benefits.

In an overwhelming percentage of 66.7 % from ancillary medical staff (19.1% strongly agree + 47.6% agree) consider the benefits that are important to job satisfaction, and increased the level of satisfaction. From these respondents 21.4% were not expressed, while 11.9% did not agree with this statement.

Table 13. Benefits influences satisfaction

Benefits influences satisfaction	Percent		
	Doctors	Nurses	Ancillary staff
Strongly agree	28.5	23.8	19.1
Agree	14.2	28.5	47.6
Neutral	14.2	26.3	21.4
Disagree	0.0	0.0	0.0
Strongly disagree	43.1	21.4	11.9
Total	100.0	100.0	100.0

5. Conclusions

Along with skills development, motivation is one of the key factors that influence employee performance because they, as resources are more complex and difficult to manage than financial, technical or informational. At the same time, human resources are unique in their potential for growth and development, their ability to know and to overcome their limitations.

Internal communication within the organization, training and professional development, security and personal satisfaction at work, salaries and benefits positively affects employee satisfaction within the institution analyzed.

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Positioning Strategies for a Tourist Destination

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Abstract

Positioning strategies help companies create an image in the consumer's mind and offer them the possibility to create a competitive advantage in the fight with the competition.

The aim of the article is to present some of the most important strategies used by companies for a couple of decades so that it will help the reader to better understand the notion of „positioning” and help marketers better position destinations.

Consumers nowadays are better informed and have the possibility of using high quality technology which gives them the chance to make comparisons between products. In order to attract the consumer companies use strategies which take into consideration the psychological side of each person.

Keywords: strategy, positioning, services, destination, marketing,

J.E.L classification: M3, M31

1. Introduction

The positioning concept has serious implications in the long-term strategy of a company. The key to having loyal customers is to position properly what the company is selling.

It is important for companies to try to understand the behavior of the consumer in order to introduce a proper positioning strategy. In the tourism area, we find different destinations all around the world, destinations with unique features which are not seen how it should be by the tourists.

In order to understand what exactly does a positioning strategy mean we must start with the definition of the concept.

“Positioning strategy is concerned with

creating, communicating and maintaining distinctive differences that will not be noticed and valued by those customers with whom the firm would most like to develop a long-term relationship.”[1]

Companies must also take into consideration the fact that not only consumers should get the message of their positioning strategy but also their employees because they are the one who interact with the clients each day.

2. Positioning theories

Some of the most important representatives from the area of positioning have some important theories that can help marketers take the best decisions.

Jack Trout has distilled the essence of positioning into four principles [1]:

- A company must establish a position in the minds of its target customers.
- The position should be singular, providing one simple and consistent message.
- The position must set a company apart from its competitors.
- A company cannot be all people- it must focus its efforts.”

These principles show us that only with a clear and concise positioning a company can have success.

“The concept of positioning is valuable because it forces explicit recognition of the different attributes comprising the overall service concept and emphasizes the need for marketers to understand which attributes determine customer choice behavior.”[1]

The creation of strategies regarding the positioning of a destination takes into consideration all the elements that form the tourist destination. Different analysis, like the SWOT analysis, show how strong points, weak points, threats and opportunities can differentiate the tourist destination of its

competitors so that the positioning strategy can take into consideration more advantages.

Applying the proper positioning strategy for a destination can bring more advantages to the destination, we can call these advantages competitive ones due to the power they have in the competition with other destinations.

The last five, six years have been marked by the economic crisis that has had a major impact on the economies of many countries from the entire world. It is obvious that all range have been affected and that we can include here the tourism area with its services. Destinations have to find that unique feature that can attract consumers from all around the globe and will make them tell others about this issue.

Regarding the positioning strategies of tourist destinations it can be stated that they have become more important for companies not only due to the economic crisis but also due to the advancement in the technology and in the information received by the consumers. The internet has helped tourists acquire information that can make them take the best decision when deciding what destination to choose and what tourist products to buy.

It is necessary for companies to have a long term positioning strategy so that the number of tourists which visit a destination will increase.

The positioning of a tourist destination implies „ the art of developing and communicating important differences between the offers of one region and those of the competition which are interested in the same target market”. [2]

3. Positioning strategies

Different authors from the field have had various ideas regarding how a positioning strategy should be created.

The development of a positioning strategy assumes in practice 6 phases [3]:

- The determination of the needs and desires of the market segments chosen.
- The analysis of the benefits that the company offers in comparison with those of the competition which are present on the same market segments.

- The determination of the most important and less important benefits for the specific market segment.

- The research of the benefits which are offered by the competition and how the market segment responds to the general offer.

- The adjustment of the tourist packages for the maximization of the use of benefits which are favorable for the specific market segment.

- The promotion of the packages of the tourist companies for the creation of the image and their understanding according to the market segments chosen.

Moving further in discussing about relevant theories of the most important writers in positioning area we can mention the three variants of positioning offered by Ries and Trout [4]:

- as a first strategy, the two suggest that the current position of the brand must be strengthened in the conception of the consumer.

- the second strategy is about searching for a position which is not occupied and appreciated by consumers.

- the third position refers to removing or repositioning the competition.

In what concerns the sources of strategies, Michael Porter stated that they come from three sources. These sources are [5]:

- The positioning concerned on variety: due to the fact that is based on choosing the variations of a product or services than on the segmentation of clients. The positioning based on variety has sense on the economic plan when a company can produce better specific products or services using a set of distinctive activities. It can serve more clients but it fulfills only a subset of needs.

- The positioning based on needs: it appears when there exist groups of clients with different needs, and a set of adjusted activities can serve better those needs. Some groups of clients are the most sensitive at price than others, requiring different characteristics at products and they need different quantities of information, support and services. An option of the positioning based on needs appears when the same client has different needs in various occasions or for different types of transactions.

- The positioning based on access: the segmentation of the clients which are available in different possibilities. Although

their needs are similar with those of other clients, the best configuration of activities for attracting them is different. The access can be a function of the geography of the client or the scale of the client- or of anything that requires a different set of activities for reaching the clients by using the best path.

As we have noticed, each other has its own way of expressing what positioning theories should take into consideration.

According to Manfred Bruhn, competitive strategies, regarding different positions on the market, comprise strategies of the market leader, the strategy of the second on the market and strategies of the niche bidder.

The strategy of the market leader assumes increasing the global market, „an enlargement of the volume of the market can be reached through accessing new circles of users, and also through an increase of the use ratio” [6] and „maintaining or increasing the market segment. An increase of the market segment can follow, in each case, through innovations of the products, the implication of some additional distribution channels, addressing new segments of clients, publicity activities or incentives of accentuated sales, the offer of some secondary markets, price adjustments”. [6]

The strategy of the second on the market assumes that the company follows the same line as the company of the first place so that it can benefit from its experience and at the right moment it can try to take over the leader position.

The strategies of the niche bidder are recommended to companies which do not have the capacity of covering the entire market and continue to concentrate on certain segments. There are tourist destinations which are not large enough but which can present certain advantages that cannot be copied by the competition and which are focused on smaller market segments but which ensure them annually the necessary of consumers and the necessary income so that future investments will be made in facilities of the destination.

The positioning strategies can also be developed on diverse criteria as: the attributes of the product, the advantages offered by them, their users, activities, the origin of the products, the competition, and the affiliation at a certain class of products. [4]

When creating a positioning strategy it can be also taken into consideration „the image” of the destination.

Several studies performed over the years regarding the perception of the image have established the following criteria [7]:

- it is a perception of the tourists about what can be experimented at the destination;
- it presents certain forms based on who takes that picture, ex. induced, hidden, organic, authentic, etc.;
- it is the most cases measured using scales structured quantitatively;
- it is measured with adjectives perceived as real by the researcher and the marketer;
- it has cognitive, affective measures;
- it has an essential identity, attributes which confirm the identity and a global structure;
- it has dimensions which sometimes are mistaken with other projections (personality, attitudes and behavioral intentions).

In the tourist area are used positioning strategies that must take into consideration the fact that the advantage proposed has a special importance for the client and the other competitors do not have the possibility to propose the same advantage or that they cannot offer it with the same quality.

4. Conclusions

There are cases in which the positioning strategies created cannot be put into practice due to the lack of proper communication among departments or among the stakeholders of companies. The position implemented must be sustained in each moment when changes appear in the business environment or when aggressive strategies used by the competition can modify the behavior of the consumer of tourist products and services.

In order for the implementation process of the positioning strategy to take place, to reach the final consumer, in its initial form, it is necessary that all entities involved in the relationship with the consumers to take part at this process. The satisfaction of the consumers needs must be a primary request for any company.

The positioning strategy's role is to increase the success chances of a company if it manages to produce a distinctive image in

the mind of market segments taken into consideration.

There are companies which had not had the results expected due to different reasons, either because of the competition, due to the changes in the offer or more important, due to the changes in the consumer's behavior. All of these require a new approach, a new positioning strategy which implies spending more money.

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Estimating the Duration of a Project Using PERT Technique

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Abstract

In this study we intend to address two important problems: accomplishing a project, which was designed especially for projects that take place with European funds and eliminating "dead" time. It is known that accomplishing a project implies several types of resources concentrated at one place, but also a series of different activities. All these have to be correlated with one another and also depending on time so as to achieve all the objectives set. We have planned to conduct a brief overview of all steps that are involved in such a project and estimate its duration by using the PERT technique.

The novelty consists in the fact that we applied this technique to some training and professional activities, calculating the critical path, the estimated time of the project and the probability of its accomplishment under certain conditions imposed by the decision makers.

Keywords: project management, estimated time, critical path, dead time

Classification JEL: O22, M19, C81.

1. Introduction

A project is a group of related tasks organized to achieve a goal. Most projects have a specific objective to be completed within definite specifications; we have start and end dates, have a funding limit, and consume resource in terms of money, labour, equipment, and materials. The project may emerge as a result of a proposal that has been funded or by the decision of executives in an organization that something important must be accomplished to keep the organization performing successfully and smoothly.

Of a greatest importance is that a strong project manager must be chosen to begin the integration of the human and physical resources to accomplish the project.

This manager project designee should be given enough time free from other duties so that he or she can devote the attention that it deserves to the project. However, in the situation of a large project, the project manager should be completely oriented towards the project and be given authority to use resources needed and the responsibility to accomplish the project in accordance with the major constraints found in almost all projects.

2. Short theoretical considerations

What does the project manager do? The project manager [1] has responsibility for coordinating and integrating activities across multiple, functional lines. To accomplish this, he or she needs strong interpersonal and communicative skills, must become familiar with the operations of each line division and should have a general knowledge.

Given that projects arise in organizations that have their own progress, the project manager must realize interface between the two organization upper management, functional management, beneficiaries and many other groups.

Initially in the planning, the project manager will develop a Statement of Work (strategy to achieve the objectives set), that can be shown to project team members and functional managers so that they can understand what the project is all about. This will then be a basis for a Work Breakdown Structure which shows the different work packages that must be accomplished to advance towards project completion. The project manager must orient all team

members towards what their role is in accomplishing the total project. The initial team building at the beginning of a project is just that- only a "beginning". As the project moves along towards completion, some team members will complete their requirements and no longer be needed. However, new participants will be brought in and must be oriented as to their role in the project. Some team members will stay on for the duration of the project, but all members must be reoriented as some members leave and other are added.

Why does it matter who the project manager is? Kerzner [2] says, "Probably the most difficult decision facing upper – level management is the selection of the project managers". The selection process is an upper level decision process because the project manager must be endowed with the capability to deal with functional managers, suppliers and the other shareholders as a representative of the company with delegated authority to speak for the upper management. This process is called "Interface Management". This term implies very close interactions between the project manager and these connections. So that the project objectives will be achieved: on time, within budget, with required performance level, using assigned resources effectively and efficiently.

What would be the best project structure? Most companies accept that the complexity of projects usually require an innovative structure such as the matrix [3]. So, advantages of the Matrix Organizational Form are: the project manager has the authority to commit company resources, provided that scheduling does not cause conflicts with other projects; each person has a "home" and career path after project completion; knowledge is available to all projects and more time can be spent on complex problems. Each project organization operates independently and duplication of effort occurs. For example Gobelli and Larson [4] have synthesized five project management structures, of which we present the ones that best suited the academic environment.

A manager is put in charge of a project team composed of a core group of personnel from several functional areas, assigned on a full time basis. The functional managers have

no formal involvement.

How do you plan a project?

A critical stage of any project is the planning stage. Planning is determining what needs to be done, by whom, any by when, in order to fulfil all necessary requirements for project completion on time. If the tasks are well understood prior to performing them, many of the activities can be pre-planned. If they are not understood, during actual task executions, more knowledge is learned which leads to changes in resources allocations, schedules, and priorities. Therefore, the greater the task uncertainty, the greater the amount of information that must be processed in order to insure effective performance.

How we are doing on the time? The project manager finds it very difficult to find the time to accomplish all of these requirements of his project and get all of it accomplished in a normal work week. For many people, time is circular. For him time is linear. If something is not accomplished on time, many other activities will be affected and the whole project schedule may be compromised. In project management, time is a resource that when lost, is gone forever. Here's the Kerzner list (time robbers): a poor job that must be done over; poor communication; delayed decisions; failure to delegate, or unwise delegation.

Rules for time management: conduct a time analysis; plan solid blocks of time for important activities; establish opportunity: cancel everything else until this is finished; practice management by exception, let the experts handle activities; delegate authority to subordinates; learn to say "no".

What effective control in project management means? Control is like the mirror image of planning. We look to see if what we planned was what we accomplished. Controlling in project management is often viewed as a three step process: measuring progress towards objective; evaluating what remains to be done; correcting to achieve or exceed the objectives.

The project manager's responsibilities in controlling the process consist of establishing the organizational goals and objectives, the standards and policies, the guidelines for correcting action, and setting up a monitoring system that gives him fees-back concerning the progress being made and how well these

guidelines are being observed. And don't forget to motivate your team.

3. Methods and techniques

Project management requires the coordination of multiple and various activities, all of which are related. In the planning of a project there are several methods and techniques, some schematic, others with the adjustment of mathematic models. In contrast to a Gantt diagram, which demonstrates the relationships between tasks throughout time, the Program Evaluation and Review Technique (PERT), presumes the analysis of predecessor relations between the activities of the project and their representation in a graphical chart. An other similar approach called the Critical Path Method (CPM) is frequently used by companies and governments.

The PERT technique is considered to be a network diagram application developed for the first time for the planning and control of the nuclear submarine *Polaris* of the US Navy, in 1958. In the PERT method, the diagram conveys, through its arcs, the scheduling of the project's activities. The diagram's nodes represent, as with the CPM, the events of the project, namely the start and the expiration points of tasks. When applying the PERT technique's algorithm two objectives are distinguished, which gives the method a stochastic character: the determination of the lengths of the activities and the evaluation of the critical path, respectively the unfolding length of the project [5].

For a more precise forecast about the length of a project using the PERT technique, a few conditions need to be met:

- the project must have clear and separable activities;
- the project and its activities must have clear starting and expiration points;
- the project must not be complicated with interrelated tasks;
- the activities allow for succession and alternative measuring of the project's length.

According to specialty literature, PERT functions through the compliance of the following phases [6]:

- a clear identification of all the project's activities;

- the establishment of predecessor logical requirements for the activities;
- the presentation in a diagram of the preceding requirements as a succession of activities;
- the forecasting of the duration for each activity;
- the calculation of the Critical Path Method and other performance indicators of the project;
- the creation of programs and the planning of activities for subsequent control.

PERT and CPM are network scheduling techniques that are very similar and are used together. They can be used in situations when the time to complete an activity is known, or in situations when the time for completion is a subject of estimation, which is our case. PERT uses estimation and is called a "probabilistic" method while CPM uses known activity times and is called "deterministic".

4. Results and discussions

According to the logical application of the PERT method, the first thing I accomplished was the identification of the project's tasks, between which I subsequently established definite precedence relations. The next phase was the establishment of the length for each task. The optimistic (to), pessimistic (tp) and most likely times (tm) were established subjectively from experience or former data. Optimistic time represents the shortest estimated time required for the completion of a task, only possible in favorable conditions and with a very little chance of achievement of approximately 1 to 100. Pessimistic time represents the longest estimated time required for the completion of a task, only possible in the unfavorable conditions and with a very little chance of achievement of approximately 1 to 100. Most likely time represents the optimal estimation of the time required to complete a task. Expected time (te), which will be utilized in the methodology to determine the critical path, represents the length of time deemed necessary for a task to complete, most likely being exceeded and is calculated for each activity, according to the formula:

$$t_e = \frac{t_o + 4t_m + t_p}{6} \quad (1)$$

The PERT technique is also used to estimate the probability of a project's completion in set length of time. Related to expected time, PERT utilizes time dispersion as a probability for the characteristic of a given task, given by the formula:

$$\sigma_{ij}^2 = \left(\frac{t_p - t_o}{6} \right)^2 \quad (2)$$

Optimistic, pesimistic and most likely times are estimated subjectively by experts, and project managers collect the results with much precaution. In the use of the probabilistic PERT method, we base on the hypothesis by which.

The use of probabilistic PERT method, we rely on the assumption that the estimated times are statistically independent and that

the time for completion of the project is normally distributed. Normality assumption allows us to use the normal distribution in the analysis. Average distribution of project completion time is the sum of the individual you on the critical path (critical path length). The total variance for the critical path is the sum of dispersions activities on the critical path and is given by formula:

$$\sigma_{cr}^2 = \sum_{i=1}^n \sigma_{ij}^2 \quad (3)$$

Corresponding to this dispersion, determine the standard deviation:

$$\sigma_{cr} = \sqrt{\sigma_{cr}^2} \quad (4)$$

In these conditions, the list of tasks required to accomplish a professional project, together with the logical predecessor relations and the afferent times, are shown in Table 1.

Table 1. Training sequence project activities with estimated times and corresponding dispersions

Code	Activities	Preceding Relationships	The optimistic (to) [weeks]	Most likely times (tm) [weeks]	The pessimistic time (tp) [weeks]	Expected time (te) [weeks]	Time dispersion $\sigma_{ij}^2 = \left(\frac{t_p - t_o}{6} \right)^2$
A	Setting up team the project implementation	-	6	8	10	8	0,44
B	<i>Project planning office</i>	-	6	7,5	12	8	1
C	<i>Material purchases</i>	-	3	6,5	7	6	0,44
D	Recruitment target group	A	6	9,5	16	10	2,77
E	<i>Target group selection</i>	D	5	8	11	8	1
F	<i>Advertising and promotion of the project</i>	C	8	12	16	12	1,7
G	<i>Organizing training modules and training</i>	F	2	3	4	3	0,11
H	<i>Activity counseling monitoring</i>	F	10	15	20	15	2,77
I	Training target group	E,B,G	28	29	36	30	1,7
J	Skills certification project participants	I	3	4	5	4	0,11
K	Awards to participants	J	1	2	3	2	0,11
L	<i>Informing companies and recruitment agencies</i>	H	5	8	11	8	1
M	Project evaluation	K,L	9	10	11	10	0,11

For the representation in a diagram for the successions of predecessor requirements I completed the network diagram according to the PERT technique and I adopted a

coding scheme by identifying the nodes with numbers and the arcs with letters, as it can be seen in figure 1.

Figure 1. PERT network with nodes and activities

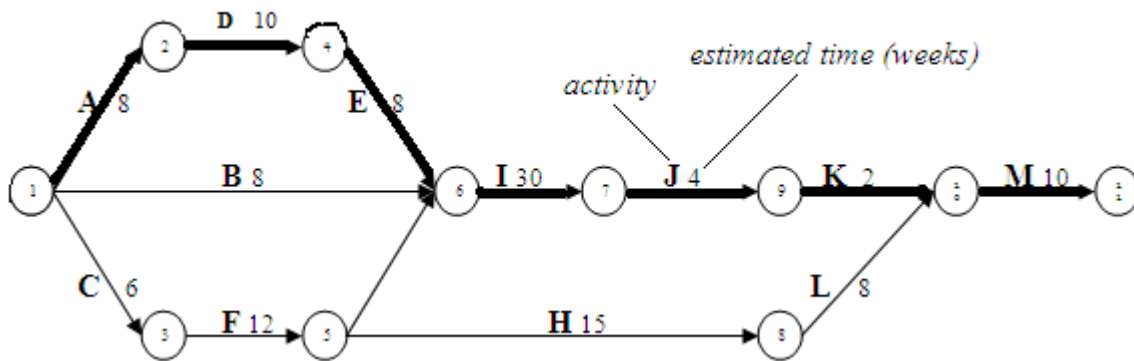


Figure 1 illustrates the essential features of network modeling. Each activity is symbolized by an arc, a curve segment (arrow). Beginning and end of each activity are symbolized by a node, a circle at the beginning or end of the arrow. The precedence relationships are represented by nodes of the common activities: an arc of which the end node is the start node of the second arc is an activity that must precede the next activity. In Figure 1 there are eleven nodes, numbered with Arabic letters from 1 to 11. The springs are named after their nodes start and end (1-2, 2-3, ..., 10-11), and their length is not relevant because it depends on the duration of that activity. Springs were assigned letters (A-M). A bow as ends in node 2, from which the arc D, arc D is an activity that must precede the work of A.

Following the fifth stage, namely finding the critical path, the critical path length and dead time. First, using the relation (1), calculate your estimated time for each activity. For example, activity A, this calculation is as follows:

$$t_e = \frac{t_o + 4t_m + t_p}{6} = \frac{6 + 4 \cdot 8 + 10}{6} = 8$$

For each activity have made similar calculations and estimated timings obtained were indicated next to the arrows in Figure 1.

Then the question is to identify all possible roads between the start of the project and the end of it. Thus we are identified four roads:

D1: A-D-E-I-J-K-M;

D2: B-J-K-M;

D3: C-F-G-I-J-K-M;

D4: C-F-H-L-M.

The next step in completing PERT algorithm is to determine the critical path as the path with the longest one of the four. The

estimated total time for the first road of 72 weeks, the second road is 54 weeks for the third road is 67 weeks and the fourth road is 51 weeks.

Since the critical path is defined as the longest path in a graph program and represents the shortest time in which you can execute the project, therefore, in our case the critical path is the path given by the sequence D1: A-D-E-I-J-K-M activities and the duration critical path is 72 weeks. In Figure 1 we showed thickened critical path on PERT diagram.

In these conditions, the dispersions for activities on the critical path, the information in Table 1 were 0.44 for A, 2.77 for D, 2.7 for E, 1 for I, 0.11 for J, 0.11 K and 0.11 for M. From equation (3) we see that the dispersion of the critical path is:

$$\sigma_{cr}^2 = \sum_{i=1}^n \sigma_{t_i}^2 = 0.44 + 2.77 + 2.7 + 1 + 0.11 + 0.11 + 0.11 = 6.24.$$

Critical path probability distribution has a mean equal to the critical path length $T_{cr} = 72$ weeks and standard deviation

$$\sigma_{cr} = \sqrt{\sigma_{cr}^2} = \sqrt{6.24} = 2.497.$$

Suppose now that the project aims to complete the project in 70 weeks, which is two weeks earlier than the estimated. Using unknown X to represent the duration for completion of the project, we aim to determine the probability P that $X < 70$, by calculating the standard deviation Z, by the formula $Z = (X - T_{cr}) / \sigma_{cr} = (70 - 72) / 2.497 = -0.80$.

In normal distribution table, we find the factor $Z = -0.80$, corresponding probability of 0.3023, which is the probability that the duration for completion of the project to be completed by 70 weeks, ie $P(70 < X < 72)$. If

we decrease the average $P(X < 70) = 0.5000$
- $P(70 < X < 72) = 0.5000 - 0.3023 = 0.1977$.

Therefore, the probability of completion of the project at more than 70 weeks from the beginning is only 19.77%. As a result, the project manager may want to accelerate activities or develop an alternative plan.

In each node of the network can calculate PERT dead time of the event that additional time available for each event if you arrive as quickly as possible, leaving as late as possible and still finish compliance planning.

Network nodes on the critical path no are dead time so that the activities must be fulfilled according to estimated times or otherwise, the project will exceed planning.

5. Conclusions

The work of the project manager is complex and extremely demanding. Even with good planning and a good motivation of the participants in the project, the activities that the project manager carries on are numerous. For this purpose, in order to guide his activity, we accomplished the PERT chart. With its help we determined the longest time probable to be exceeded in projects.

This was oriented particularly towards the training, improving or reconversion of the workforce. The critical path resulted from network modelling was of 72 weeks and it corresponds to the estimated period of a project.

For the project manager, graphics and timing deadlines are very important.

In the project, attention should be paid most critical activities that have a zero reserve and not fufera any deviation from the scheduled time. In these conditions the timing deadlines is essential not only for the planning function of management, but also for the control.

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International Maritime Organisation's Initiatives for Women Integration in the Maritime Sector

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Abstract

Despite many initiatives to promote equal chances of women access to the maritime sector, worldwide gender equality remains an issue of the XXI century's maritime sector. This paper is a review of the most important initiatives and actions of the International Maritime Organisation in promoting integration of women in a traditionally male-oriented industry.

Keywords: Gender, shipping, transport, recruitment, labour, crew, human resources

J.E.L. Classification.: M5; M53; M59; N7; O15

1. Introduction

Starting with 1975, the United Nations inter-agency work on the advancement of women and gender equality was suggested at the first World Conference on Women in Mexico. From 1996 the Inter-Agency Committee on Women and Gender Equality worked as a standing committee of the Administrative Committee on Coordination for coordination and co-operation on the promotion of gender equality throughout the United Nations system.

International Maritime Organisation's inter-agency co-operation with the United Nations system was ensured through active participation in the annual Ad Hoc Inter-Agency Meetings on Women and in the special session of the Ad Hoc Inter-Agency Meeting on Women convened in November 1995 to formulate the System-wide Medium-term Plan for the Advancement of Women.

International Maritime Organisation's

active participation in the UN inter-agency forum succeeded in promoting practical approach to the integration of women in a traditionally male-oriented industry, drawing on the experiences of other agencies in similar sectors such as United Nations Industrial Development Organization (UNIDO) to facilitate women's access to employment and income-generating activities.

European Commission states that social partners „should make every effort to promote and facilitate women's access to the seafaring professions” [1] and an OECD report on the availability and training of seafarers recommended that „greater encouragement should be given to female entrants to the industry”[2].

International Maritime Organisation (IMO) is the largest United Nations Agency concerned with matters related to safety and security of international shipping and marine pollution prevention. It is also involved in legal matters, including liability and compensation issues and the facilitation of international maritime traffic.

2. IMO's Initiatives of Women Integration in the Maritime Sector

International Maritime Organisation's programme on Integration of Women in the Maritime Sector represents a primary approach on achieving the UN-wide commitment to gender equity and development, in pursuance of the following objectives: integration of women into mainstream maritime activities, improvement of women's access to maritime training and technology, the increase of the percentage of women at the senior management level

within the maritime sector and to promote women's economic self-reliance, including access to employment.

Between the years 1988 and 2007, International Maritime Organisation developed the following two approaches for women integration in the maritime sector: Development strategy and the Programme on the Integration of Women in the Maritime Sector.

International Maritime Organisation's approach to women in development (WID) was first defined in 1988 with the publication of the Strategy of the Integration of Women in the Maritime Sector, a policy which identified access to training and employment for women in this sector, in accordance with the United Nations' recommendations on human resources development and capacity-building. Following this moment, the Integrated Technical Co-operation Programme (ITCP) established one of its targets on the access of women to all levels of training and employment in the maritime industry. One of the principal objectives of this programme is to help improve the human capital of developing countries through training, education and other means of knowledge transfer in order to strengthen the human element, without gender distinction.

In 1990, the integration of women in the maritime sector became a regular item on the agenda of the Technical Co-operation Committee (TCC). The global programme for the Integration of Women in the Maritime Sector (IWMS) was supported, since 2001, by the Technical Committee Fund.

The International Maritime Organisation's approach to gender-based programming between 1988-2007 was developed under two principal phases. The first phase was run between 1988 and 1996 and was based on the establishment of formal institutional structures and awareness-building. Between 1997 and 2007, the second phase focused on supporting capacity-building and fostering regional co-operation.

During 1988 to 2007, several training courses, workshops, and other programmes were delivered in the developing regions to strengthen the women access to maritime and port sector in the participating countries.

In 2008 Technical Co-Operation Committee drawn up a report showing the results achieved under the strategy and the

programme. Accordingly, there were the following several outcomes of the two successive phases of development.

A first outcome consisted in establishment of a policy and an institutional framework, including approval by TCC of successive strategies for the advancement of women in the maritime sector, and the adoption of formal resolutions on the topics of access to maritime training, and fostering employment opportunities for women in the maritime sector. Co-operation with the United Nation system-wide network on gender issues and participation in inter-agency forums helped the achievement of this outcome. Awareness-building was based on in-house training on the basis of customized case-studies and on delivery of sensitization seminars in regions of the central and Latin America and Africa. Another outcome was the implementation of the recommendations stemming from the 2001 Impact Assessment Exercise undertaken by the Government of Norway as programme donor. Fostering regional co-operation was possible through the establishment of regional networks in the Africa region and in the Pacific Islands region and a final outcome was the support to national capacity-building through a gender-specific fellowship programme.

IMO's commitment to the advancement of women in the maritime sector was translated into practice by pursuing recognition of this issue through the Organization's governing bodies and integrating the issue into the work of the technical committees. In 1990, the Integration of Women in the Maritime Sector became a regular item on the agenda and two strategic planning instruments were approved by IMO's Technical Co-operation Committee: IMO Medium Term Plan for the Integration of Women in the Maritime Sector 1992 to 1996 and Action Programme for Equal Opportunities and Advancement of Women in the Maritime Sector 1997 to 2001. The Medium-Term Plan identified a critical development path from the training stages, resulting in promoting the training of women in all maritime-related disciplines. The focus was on fostering women access to national and regional maritime training academies, through to employment and career development, while encouraging the advancement of women into the middle and

higher managerial levels of policy-making administrations. On the other hand, the outcome of the Action Programme for Equal Opportunities and Advancement of Women in the Maritime Sector 1997-2001 was to redirect the focus towards a more specific goal, namely fostering equal access to training opportunities for women and men in all spheres of the maritime industry. The long-term objectives of the action programme aimed at equal access for women to maritime training resources and equal benefits in the transfer of technology.

In the next period, the following four resolutions were adopted by IMO technical bodies:

1. Promotion of the participation of women in maritime training – Resolution TC.1(39), adopted by Technical Co-operation Committee on 16 June 1994;

2. Measures to enhance implementation of the IMO Medium Term Plan for the Integration of Women in the Maritime Sector 1993-1996 - Resolution TC.2(40), adopted by Technical Co-operation Committee on 17 November 1994;

3. Promotion of the participation of women in the maritime industry - Resolution 14-1995 Conference of parties to the STCW 1978 Convention; and

4. Promotion of the participation of women in the maritime industry – Resolution TC.3(45), adopted by TCC on 18 June 1998.

International Maritime Organisation encourages the mainstreaming of the gender perspective by the inclusion of this cross-sectorial element into regional and other strategic plans. This practice is illustrated by the incorporation of the gender perspective in the Plan of Action adopted in Abuja, Nigeria, on 23 February 2007 by the Ministers responsible for Maritime Transport in order to enhance the capacities and promote integration of women in the maritime sector.

IMO's interventions on the System-wide Plan policies centred primarily on women's access to high-level technical training and the need to provide adequate funding, considering the highly specialized nature of the training required in the maritime sector.

Regarding IMO's programme, a significant approach was developed by the government of Norway, for the support through financial funds for the launch and implementation of the programme. In

particular, at the invitation of the Department for Multilateral Development Co-operation of the Royal Ministry of Foreign Affairs of Norway, IMO participated in informal consultations on „Strategies for Women in Development”, held in Oslo, Norway, in 1988, 1990, 1993 and in 2002. Following, Focal Points for Women from selected international organizations and national development co-operation agencies provided exceptional forums for the exchange of views on the institutional strategies used to ensure that the organizations' programmes and projects benefit both women and men in equal measure.

According to UN Joint Inspection Unit report "The advancement of women through and in the programmes of the United Nations system: what happens after the Fourth World Conference on women?" from 1995, „on the human resources side, IMO is one of only three system agencies which has actually met its present target of professional women staff. Its present proportion of 30.6% places it among the system leaders, well ahead of other small technical specialized agencies. IMO has also established a policy and procedures on sexual harassment, and is considering work/family actions, actions to improve recruitment and retention of more women staff, and special training seminars requested by women staff. The IMO example also indicates the essential elements for success: Firm leadership and support from top management, a dynamic women's adviser, and responsive implementation by programme and personnel managers."

In 1993, with funding support from the Government of Norway, a project was developed to recruit a shipping analyst and a specialist in gender development, to undertake an employment projection study and strategy development. Outputs of this project included a study of the employment potential for women in the maritime sector, incorporating a detailed analysis of shore-based and sea-going disciplines which would be of particular relevance to women professionals. The study was intended to present the existing conditions throughout the shipping industry and national maritime administrations in order to highlight the areas of shortfall in specialized maritime power. In response to the projected demand within the industry, the results of the study were

correlated with the disciplines which offered the most immediate and practical interest to women in the maritime field, including maritime law, marine biology, maritime administration and marine sciences.

Between 1992 and 1993 a series of workshops on gender-planning methodology based on the specific needs of the maritime sector targeted IMO officers involved in both policy development and project implementation. Such workshops were conducted in-house by a specialist in Gender Training from University College, London. The approach to training was based on a methodology initiated in the UK and Scandinavia, which provided both the conceptual framework and the methodological tools for incorporating gender into the development context. Several case studies of operational IMO projects were provided, which represents the baseline for analysing the women in development components and for establishing verifiers to assess the impact of IMO assistance to women. Additional training materials from other agencies within the UN system were also adapted for these workshops. The outcome of the workshops was an increased awareness of the role and contribution of women within maritime development projects.

In 1988 Captain Wendy Maughan was invited by the IMO Women's Association as guest speaker to address the Organization on the occasion of the 1998 International Women's Day with the purpose to reflect her personal and professional experiences as a female seafarer. The result was a practical demonstration of the impact which role models can make in dispelling myths regarding the role of women as seafarers in the contemporary period.

The conferences revealed the practical benefits of regional networking as a mechanism for supporting individual women in professions where women represented a minority percentage of the managers and decision-makers. For example, Arab women in the maritime sector faced organizational constraints which stemmed from the lack of a nucleus. The isolation of women in their respective professional forums was a proven disadvantage in terms of receiving practical support on operational issues which were compounded by long-term consequences

relating to promotion opportunities. At other conferences among the participants were included women cadets from maritime training academies and representatives from other major maritime training institutions in the region. Participation of women graduates from both the World Maritime University and other maritime institution was of significant benefit as they had the role of models and served as a useful example of success at the managerial level in the maritime domain.

IMO's following resolutions targeted the participation of national authorities in encouraging the participation of women at all levels of technical and scientific education, leading on to specialized maritime training, with the long-term aim of promoting equal access by men and women to all professions within the maritime industry. Attention was also drawn to the importance of providing women candidates with practical maritime experience through the provision of on-the-job training opportunities.

Between 1993 and 2000, during a Norway-funded special fellowship programme for women, a number of 39 fellowships were awarded for maritime-related fields, including maritime law and shipping management, port terminal operations, computerization in oil spill control, post-graduate training in maritime legislation, safety in the port environment and hydrodynamics of offshore platforms in maritime engineering. The aim was to fund a critical mass of women trained within a specific country or region, in order to establish a target group of women experts which could play a more effective role in highlighting the benefits of capitalizing on capacity-building without gender restrictions. The fellowship programme for women was funded thereafter through the Technical Committee Fund on a biennial basis, and continued to contribute to the increased visibility of women as role models in a variety of key maritime professions. The immediate objective of the Norway-funded special fellowship programme was to increase the training and funding opportunities accessible to women candidates so that they might acquire the high-level specialized training required to work at the managerial level. In the long-term, the fellowship programme encouraged equity in

the appointment and promotion of women to high-level posts with managerial responsibilities and increased the percentage of women at the senior management level within the maritime sector. A further 50 fellowships were awarded from 2001 to 2007, covering a diverse range of subjects. On-the-job training placements were also made available by the maritime authorities of Australia and South Africa, which provided hands-on operational experience within a national maritime administration. The Port of Le Havre, France, provided similar on-the-job training in the protection of the marine environment in ports. Notable consequences of the multiplier effect of this programme include the increased percentage of women students at the World Maritime University and other educational institutions.

Through IMO's Integration of Women in the Maritime Sector programme was established a linkage to regional associations with interests in developing regional training opportunities, to match the specific needs and requirements of women, taking into account the socio-cultural elements which may determine access to training and career developments. Examples of such associations are Pacific Women in Maritime Association, Network of Professional Women in the Maritime and Port Sectors for west and central Africa, International Women's Maritime Forum for MENA and Africa and Women in the Maritime Sector of East and Southern Africa (WOMESA) [3].

3. Conclusion

Support through training and fellowships were a constant element of the International Maritime Organisation's strategies to develop women potential in the maritime business. Donor support from members of IMO are essential in funding the establishment of such specific fellowships and programmes for encouraging women to access the maritime sector. Gender-specific fellowships have the role of offering a solution in response to the infrastructural and socio-cultural constraints which prevent women from acceding to equal training and employment.

Also, in order to motivate joining women to the maritime sector, other strategies may be taken into consideration, like the

following: active promotion of seafaring as a potential career for female (as well as male) young people, dissemination of the positive experiences of companies employing women, implementation of policies addressing the most likely to happen problems for females working in seafaring (like sexual harassment) by all crewing and shipping companies and interested institutions should continue to develop policies relating to pregnancy and maternity benefits for seafaring women [4].

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Implementing a Staff Performance Appraisal System - Strives and Results

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Abstract

Present paper aims to discuss the pros and cons of the implementation of a staff appraisal system within the organizational framework, with particularities, unforeseen related costs and expected outputs. We analyse the components of the system and the procedures to be put in place in a critique view of most common practices, as well as unwanted facets of implementing a staff evaluation system using insufficient or frail management instruments.

Keywords: staff performance indicators
performance appraisal, HRM

JEL Classification: M5, M12

1. Introduction

The organization naturally seeks ways to become more competitive in its sector, exploiting all possible sources of competitive advantage, thus pursuing a progressively more proactive performance management.

Success of a company depends on many factors, some possible to control (mainly internal ones), other outside the company's range of control. Amongst the internal ones, the most cited is the human factor, meaning that commonly we find that success is a direct result of the performance of the employees. We can then state that the quality of the human capital is crucial for any company, enabling it to build and maintain a competitive advantage in a knowledge economy framework, along with technology and innovation, as pillars of the competitiveness in the sector.

The question then rises on how we measure human resource performance and most importantly, how do we maintain or ameliorate it in a systematic, formal and programmatic way.

Many practitioners, as well as scholars paid significant attention to the subject. Designing a performance appraisal system integrates several functions, such as: employee monitoring, setting up objectives and values, monitoring and evaluating hiring, training and retaining strategies [1].

One aspect that needs to be pointed out is the organizational context, which might present an important influence on the performance evaluation field [2]. Moreover, recent studies indicate significant connection between the organization's characteristics and the proclivity in adopting a formal performance appraisal [3]&[4].

Aside the structural features of the organization, other three factors are cited in empirical studies to be influential of the implementation of performance appraisal systems, that is: workforce particularities, level of job control and related human resources practices [5].

2. Purpose and constrains of the Performance Appraisal System implementation

One of the most obvious objectives is that implementing a Performance Appraisal System assists the organization into directing the efforts and competencies of its staff towards maximizing performance. This is done by means of measuring, reviewing and developing individual performance.

According to Brown and Haywood [4], the performance appraisal system is adopted when the employer strives to obtain benefits from the use of practice that is to obtain a tangible return on the investment. But we actually find that it is used as a management tool in order to influence performance overall, rather than to obtain clear results based on the effort of implementation.

During the Performance Appraisal process there are some areas that are

discussed, namely: job responsibilities, performance objectives and competencies. Focusing on providing feedback on staff competencies grants an effective personal development at work. Problem that arises often is that direct supervisor (generally conducting the appraisal) and the subordinate being appraised do not agree completely as to the criteria on which the effort of the evaluated staff is to be assessed. Or, agreement between the two parties in terms of evaluation criteria is essential in order to maintain the fairness of the process in the eyes of the subordinate being appraised.

We consider that in real life economy, failing to match the criteria of the appraisal process, thus to maintain a perceived fairness of the performance appraisal system generates the main reason why performance appraisals tend to be disgraced within organizations. We shall examine the situations and possible solutions to be implemented in order to avoid the entire process being compromised by lack of coherence in finding the particular set of combined indicators that can be accepted as relevant both by the appraiser and by the employee under evaluation.

We can depict three dimensions of a formal appraisal system implementation [5] the type of indicators used to rate staff performance, the person(s) carrying out the appraisal and the frequency of the process. Each of these dimensions singularizes the way the system is implemented in the organizational framework.

3. Performance Indicators

There are two major categories of staff performance indicators that will be used: objective (measurable) and subjective (non-measurable). The proportion between the two categories and how they are mixed up in the performance appraisal process affects the success of the approach and may lead to success (in the optimal combination) or to fiasco in case of mismatch of the components.

The choice of objective indicators depends on the type of activities performed by the appraised staff, being one of the organization's features. Objective measures (e.g. number of pieces produced per time unit, number of items sold per time unit) may

well apply for organizations whose activities can be quantified as such – meaning that measurable outputs can be defined and counted by the appraiser. As a consequence, the motivational wage is a function of the rating given by the appraisal process, as in measurable raise or decrease of wages could be depicted from the periodical evaluation. It is not always the case, or, to be more specific, it is rarely the case that (only) quantitative performance can be used.

According to Prendergast [6] not many organizations use such a system of indicators in the economic reality and deploy instead a mechanism in which the employees' bonus/wages depends on a subjective evaluation of their performance by the appraiser. Such mechanisms are called Principal-Agent models with subjective evaluation [7].

As stated before, job descriptions often contain a variety of tasks to be performed by the employee, which makes it difficult to evaluate performance using a singular set of objective indicators. Instead, subjective appreciation, based on the evaluator best judgment address the issue of complementarity of tasks, presenting in addition the advantage of increasing the flexibility of the process. The obvious disadvantage is that it also increases the level of dissatisfaction of the appraised employee, whose perception of inequity might also upsurge due to lack of tangible, verifiable and clearly defined criteria of rating. On the other hand, the use of mainly objective criteria as source of rating can determine employee to focus excessively on high scoring at these ones, thus neglecting other aspects such as initiative, team-player or communication abilities. It triggers out the mechanism of "misalignment of incentives" [1]

The appropriate mix of objective and subjective criteria has to be found and put in place in order to maximize the effectiveness of the process. As we know, this is very difficult to realize in practice, as too many constraints have to be reconciled, which means that actually, performance appraisal system put in place either do not produce results in terms of motivating the employees and classifying salaries accordingly or are simply ignored as management tools, due to lack of significance.

However, economic literature and practice strive to find better combinations of subjective and objective indicators in order to reestablish the correct role and significance of the performance evaluation.

Objective indicators are always linked to the specificity of the job and may vary significantly in relation to company's profile, activities and complexity of the tasks performed by the employee. They refer to the specific outputs of the job, where and when they can be quantified as such.

Common subjective indicators used in the appraisal processes we cite: dedication to mission and values of the organization, professionalism, teamwork spirit, learning and development of skills, initiative, handling uncertain situations, interaction and communication abilities.

The scale used in the appraisal process (both for objective and subjective criteria) is frequently the DOGNUT scaling type [8], meaning a 6 grades scale covering:

D=distinguished, O=outstanding, G=good performance, N=work needs improvement, U=unacceptable level and T=too new to evaluate. After the probationary period, the employee starts to accrue working experience in the company, first evaluation being normally place within a year following the probationary period.

4. The Appraisers

In most companies, the appraiser is the immediate supervisor, but the process (Fig. 1) comprises several stages, involving the staff being appraised, the evaluator and next level supervisor.

In order to eliminate as much as possible of the subjectivity of the process, most appraisals are not performed solely by the immediate supervisor, who gives however the main image of the staff performance and next level management overviews the process.

Figure 1. The Appraisers – role and time allocation in the staff evaluation process

WHO	ROLE/STEPS IN THE APPRAISAL PROCESS	SHARE (%)
Immediate Supervisor	1. Monitors the appraised staff job related performance during the given appraisal period. 2. Instructs the staff member to complete the Self-Appraisal form.	50-65%
Staff Member	3. Completes the Self-Appraisal form and return it to the immediate supervisor.	10-20%
Immediate Supervisor	4. Prior to mid-term between two consecutive appraisals, prepares a written appraisal of each subordinate's job related performance. 5. Establishes and conducts meetings with each employee independently to discuss the evaluation (objectives, criteria/indicators, synchronization of individual professional goals with the unit/section general objectives). 6. Requests that the staff being appraised complete the "Employee Comments" section of the Staff Performance Appraisal form 7. Secures the signature of the evaluated staff on the form, and sign where indicated. If needed, informs the staff being appraised that the Staff Performance Appraisal form stipulates that the staff member received the document and was present during the performance discussion meeting. <i>The signature on the document does not guarantee that the employee being appraised agrees with the appraisal rating. Staff member can express reserves on Comments section of the document.</i> 8. Provides a copy of the completed Staff Performance Appraisal to the employee. 9. Submits completed Staff Performance Appraisal form to the next level manager.	15-25%
Next-level manager	10. Endorses the signatures on Staff Performance Appraisal document and mediates possible differences in opinion between employee and direct supervisor in view of performance indicators and results 11. Maintains the original signed Staff Performance Appraisal in the staff member's personnel file and provides a copy to HR department.	5-10%

Staff being appraised gives his input on the process at all stages (setting the initial performance objectives, as well as goals for the next interval, establishing means to attain them, adjustments to the observed conduct, and setting targets both on quantitative as qualitative indicators pertaining to the job description).

Communication is the key of the process, especially if the purpose of the evaluation is to give the employee the necessary feedback on the work. Also, general conduct, experience and ability of the supervisor directing the appraisal appear to be crucial for the effectiveness of the entire process.

Due to the subjective, delicate nature of the evaluation, differences of opinions are likely to appear between evaluator and appraised staff, which may lead to conflicts and may even affect the quality of the work climate. Implementing a formal system of evaluation in the organization is therefore the correct approach, although there is always the caveat of bias in any observed process on appraising staff in real life. It is the main critique that the appraisal systems receive from experts and parties; as the need to implement such an instrument of measuring performance of the organization is increasing, its effectiveness still needs to be improved.

5. Frequency of the Appraisal process

Frequency is another factor that could alter the results of the process, as employees in different organizations do not react in the same way at same frequency of staff assessments.

We find cases in which an increase frequency affords a better accuracy of the results (which is in general the case), providing also a sense of increased fairness, satisfaction and motivation for the personnel, who collects an important feedback from the process.

In other organizations though, a high rating frequency demotivates the personnel, who tends to feel overwhelmed, distracted and even strained by too much feedback and attention from supervisors and management. It is mainly the case of companies with influential syndicates.

Commonly the operated frequency is annual, but depending on the scope of

performing the staff evaluation, pattern can be flexible.

6. Job control versus autonomy

Studies have revealed that the more complex the tasks to be executed by the employee, the more difficult the assessment process becomes, thus using more of the subjective indicators to appraise the work performance. This requires longer hierarchic chains, with imbricated appraisal responsibilities for multiple levels of supervisors. It is obviously quite costly to create and maintain such mechanisms, thus many organizations seem less efficient in appraising their staff performance than to build it.

Also, supervisors become "specialized" on performance criteria and areas, compromising the classic template (Fig. 1) of the immediate supervisor as main appraiser. According to Murphy and Cleveland [2], the immediate supervisor becomes well-suited to evaluate overall performance, while a higher level supervisor is more competent in determining specific dimensions of performance that are most significant for the organization, as well as required behavior in order to increase performance.

A positive correlation can be traced between high degree of job autonomy, larger number of (specialized and specifically trained) supervisors involved in the appraisal system, and higher frequency of evaluations.

7. Conclusions

Implementing a Performance Appraisal System within the organization framework has become as much common as needed in order to efficiently use the human resource.

Many companies strive to implement a systematic, formal performance evaluation procedure for their personnel, as measure of their staff coting linked to overall performance. Obstacles, as well as critiques can though be formulated in liaison with this approach, due to several factors such as: need of using in staff appraisals subjective criteria along with objective ones (when possible), personnel sensitivity to the process, costs related to the necessity of trained and sometimes numerous appraisers and difficulty to justify through tangible results

large budgets dedicated to implementation of sophisticated staff evaluation systems.

As vulnerable and critique prone they may appear, it is also true that no alternative to measuring personnel performance has proven to be more effective.

Thus, corrections and adjustments to the classic implementation technique and management tools may be required according to the specifics of the organization and to the changing economic reality.

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Human Resource Policy of Retail Companies – Managers Review

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Abstract

The study present the results of a questionnaire survey of management of large Ukrainian retailers regarding the content and features of the human resource policy in the modern world. The ways of improving of human resource policy of retail companies are suggested.

Key words: personnel, human resource policy, retail company

J.E.L. classification: M12.

1. Introduction

The term of human resource policy (HR policy) reflects the features of the work with personnel. It should be emphasized that the term human resources policy is used in the literature for years, but far not every top manager can clearly answer the question what this term contains and what the procedure of its development is. Thus, conducted by us survey of managers and professionals of large trading companies showed that only 60-70% of the experts identified the personnel policy of their enterprises as well defined.

HR Policy is a system of defined principles and rules that lead human capital in compliance with the general strategy of the organization [1]. The main goal of HR policy of trade enterprise is to ensure an optimal balance of processes of personnel formation on time, staff preservation, its development according to the requirements of the enterprise, current legislation and the labour market.

As shows theory and practice a single viewpoint on the definition and nature of HR policy does not exist. However, this fact is not a disadvantage; however a variety of views on the human resource policy is a precondition for its justification, review,

development and improvement.

Problems of HR policy development to ensure effective business activity of trade enterprises are examined in works of several scientists: V. Apopiy V, L. Balabanov, L. Lihonenko, P. Kotler, A. Mazaraki, E. Maslov, D. Sutton, M. Sorokin, E. Parhimchyka, F. Khmil and others.

There is the lack of specific the development of problems, in particular, the impact of HR policy on the competitiveness of large retailers whose turnover grows rapidly. Thus, Ukrainian big retail chains had 33 billion euro turnover in 2012 and their share in the retail trade turnover exceeded 90%.

2. The role of HR policy

70 managers and executives of big retail companies in Lviv and Lviv region (Ukraine), 23 employees of HR departments, 3 CEOs were interviewed in January and February 2013. 56 respondents have managerial experience of 5-10 years, and 35 respondents - 10 years. As experts were chosen employees of large retail companies such as, "Rukavychka", "Vopak", "Metro", "Selpo", "Furshet", "Arsen", "Auchan". Experts believe that the truest are the following views on the place and role of the human resources policy in retail company:

- The investigation of internal labour market dynamics is one of the preconditions of human resources policy effectiveness of the company (64.6% of respondents);
- The crucial factor of efficiency and effectiveness of personnel policy of the company is only the managers experience and "common sense" (51.0% of respondents);
- The investigation of external labour market dynamics is one of the preconditions of human resources policy effectiveness of the company (38.5% of

respondents);

- HR policy is the foundation of HR management of commercial enterprise (27.1% of respondents);
- Prospects of business entity development and its macroeconomic conditions of functioning should be considered in the formation and implementation of HR policy of the company (26.0% of respondents).

Respondents believe that currently the most topical are the following five principles of personnel policy:

- HR policy should be comprehensive, involving all human resources activity areas of the company;
- HR policy of the company should be systematic: consider both economic and socio-psychological factors;
- HR policy of the company should be economically justified, i.e. to proceed from the real financial opportunities;
- HR policy of the company should be flexible;
- HR policy should be closely associated with the strategy of the company.

Unfortunately, experts evaluated the extent of their implementation in practice of human resource management within 20-45%. This indicates that the HR policy of large retailers, mostly, is not comprehensive and systematic, and cannot be economically justified, sufficiently flexible and tightly associated with their development strategy.

3. Problems of HR policy

Respondents believe that problems in the human resources policy of retail companies by their importance are distributed in such a way:

- Lack of effective owner and management with a high level of motivation to improve the HR policy of company;
- Insufficient attention of management to formulation and implementation of HR policy;
- Insufficient competence of HR policy subjects in retail company;
- Lack of reasonable criteria of evaluation of the human resources policy effectiveness in retail company;
- Lack of complex methodological basis for formation and implementation of HR

policy in retail company.

Somewhat less influence on the effectiveness of human resources policy of trade have the following factors:

- Distrust of staff to the upcoming personnel transformation in the company;
- Imperfection of legal processes of formation and implementation of HR policy in retail company.

On the opinion of experts in the evaluation process of HR policy in retail company should be used the following criteria:

- Labour productivity (100%);
- Reducing of staff turnover (76.0% of respondents);
- Correspondence of professional and qualification structure of personnel to the character of tasks (63.5% of respondents);
- Influence of HR policy in the increase of the trade company competitiveness (38.5% of respondents).

We should not also reject the possibility of using other set of criteria: financial performance of commercial activities (25.0% of respondents); the level of initiatives, creativity, psychological cohesion of members in the workplace (26.0% of respondents); growth of retail turnover (25.0% of respondents).

The survey shows that the most objective evaluation of HR policy of the company can be provided by:

- External experts (76.0% of respondents);
- Representative of administration of the company (39.6% of respondents);
- Owner of the enterprise; the expert group composed of employees; the expert group, composed of representatives of administration (22.9 - 27.0% of respondents).

The study allows to state that the main obstacles in the formation and implementation of effective HR policy of large retail companies in Ukraine according to their importance in contemporary conditions should be considered the following:

- Lack of common vision of the situation and a single position on priority directions of the transformation in social and labour relations ;
- Uncertainty of the labour market

dynamics, what makes impossible to determine the effective rate of HR policy in retail companies;

- Unclear strategic orientation of development in most trade companies;
- Uncertain mechanism of taking into account the socio-psychological factors in the formation of human resources policy of the company, resulting in significant staff resistance during its implementation.

We have found that research of HR policy perspectives of modern trade enterprises doesn't have sufficient attention; particularly the instruments of personnel marketing are hardly used.

On the question how systematically and comprehensively socio-psychological factors are taken into account into the formation and implementation of companies personnel policy, the majority of respondents considered that only certain elements of the social and psychological relations at the workplace are taken into account.

In respondents' opinion not enough attention is paid to solving these problems of retail companies' employees:

- Employees' concern about their fate in the company;
- Indifference of employees to changes in the course of personnel policy;
- Deterioration of the socio-psychological climate in the workplace, increase of interpersonal and international conflicts.

In the course of questionnaire, respondents were asked to identify the sequence of typical characteristics of scope of personnel policy of large retailers for their importance (*Table 1*). Unfortunately most managers do not realize that personnel becomes the most valuable resource of the organization, a key factor of companies competitiveness and becomes at the same time the mean and purpose of strategic development.

Table 1

Allocation of typical characteristics of HR policy spheres of personnel of large retailers by their importance

Typical characteristics	The sum of ranks	Number of answers	Average value	Rank by importance
The presence of a scientific basis for personnel transformation	741	95	7,8	9
Drawing up and taking into account reasonable forecasts of dynamics of internal environment factors	377	92	4,1	3
Drawing up and taking into account reasonable forecasts of dynamics of external environment factors	355	96	3,7	2
Focusing on prevention of crisis tendencies in the employees	382	91	4,2	4
Focusing on the current location of the destructive effects of employees	639	94	6,8	8
Adequate consideration of socio-psychological factors in the process of personnel transformation	300	94	3,19	1
Availability of sufficient resources to ensure an effective HR policy	614	96	6,4	7
Targeting of HR policy measures on "closeness" for external labour market	396	92	4,3	5
Targeting of HR policy measures on interaction with external labour market	423	92	4,6	6
The problem of formulation and use of personnel is considered as a	912	96	9,5	10

minor				
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Source: authors' calculations

4. Information technologies in the HR policy

The respondents have rated the level of use of modern information systems in the HR management of large retail companies as average. On their opinion, it is reasonable to increase the use of modern computer technologies in the optimisation of process of HR policy formulation and implementation in the following areas:

- Analysis of qualitative composition of staff and their functional compliance;
- Ensure the objectivity of expert evaluation of HR policies efficiency;
- Methodological and algorithmic providing of decision making in the HR policy area;
- Registration and analysis of the movement of personnel;
- Coordination of business activities of HR policy subjects in order to increase its effectiveness.

5. Conclusions

Based on the survey results, we recommend specialists in human resource management to pay more attention to the following problems:

- Fast evaluation of the impact of socio-psychological factors in the personnel transformation process;
- Developing and considering the results of forecasting dynamics of external and internal environment factors;
- Work to prevent possible crisis tendencies in the sphere of labour in retail

companies.

The most relevant, according to respondents' opinion, is a problem of managerial competencies improving in the following areas:

- Evaluation techniques of effectiveness criteria for human resources policy;
- Consideration of social and psychological needs of staff in order to minimize problems in the team;
- The use of adequate mechanism for the formation and implementation of personnel policy;
- Expansion of the skills for using computer technology in the field of HR management;
- Determination of strategic elements of HR policy based on scientifically based approaches.

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The Messages in Managerial Communication

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Abstract

Managerial communication has drawn for many years the attention of the researchers and theoreticians, creating a great number of studies related to this subject. As soon as its value inside the organization is recognized, the efforts of improving the communicative competence have gathered the attention of the managers that are aware of the reality of modern times when communication is an instrument for progress [1]. An essential component of communication, the message is an instrument that can get when it is properly formulated, reactions aiming reaching the objectives of the senders.

The message must be persuasive, even manipulative sometimes. These features are imprinted to the message by knowing and mastering the communication techniques, the new discoveries related to linguistic programming and last but not least, by sender's talent. No matter if we talk about big or small organizations with an activity designed for selling services or products, official state institutions, diplomatic representatives, they all require communication, meaning sending messages and linguistic competence.

Key words: message, communication, managerial communication, organizational communication.

Jel classification: D83

1. Introduction

Management, no matter of its domain, means working with people having as the main aim the efficiency of the team work. This cannot be done without communication [2], this being the engine that can revolve an organization channeling it towards the direction that serves best its objectives [3]. Communication is the most important ability of a manager used alternatively with the organizational communication [4] as a competitive factor, a strategic advantage of the business management. The managerial communication style can be defined by the way that a manager communicates in a certain context. Just like the content and the shape of the message, the managerial communicative style must respond to the aim and objectives of communication, its receiver, the situational context and situation [5]. Most of the times, the message does not reach or surpasses its aim. In both cases we can speak about inefficient communication which means nothing less than a waste of resources. An exact estimation of the results when we speak of communication cannot be realized but we can try to maximize its efficiency. This is an objective that has been for a few decades the preoccupation of the researchers no matter whether they are mathematicians, linguistic specialists, sociologists, psychologists and others.

The immaterial source of information, the message, no matter of its shape, realizes the reciprocal relationship and influence becoming this way, due to its attributes, defining in order to process the information

[6].

No matter of its origins, as a carrier of information, the message is the instrument that we use to be persuasive and in order to do it, we imprint it certain features according to the sender's intentions. Native talent is very important here but also insufficient because extremely important is the permanent preoccupation for learning and improvement.

2. Literature review

The interest of the researchers towards communication inside an organization or between organizations has generated a great number of scientific researches that have not revealed yet the mystery of the efficient communication [7] and that continues to offer the interested ones a large variety of information.

Defined as „the process in which people stimulate meaning in the mind of other people through verbal or nonverbal messages in the context of a formal organization“ [8], managerial communication just like any other type of communication depends on the carrier of the information, meaning the message whose influence through the character of its components, the interaction environment and the factors that influence the receiving capacity and motivation are different according to context and persuasion [9]. Communication and management can be regarded as distinct disciplines, become due to the actual realities a single concept that not only integrates two disciplines but also becomes a science by itself [10].

Integrated since the beginning to the organizational communication [11], managerial communication has become one of the most important activity in the life of an organization especially due to the specific context where it takes place [12] and the influence that it has on the organizational success. No matter of the organizational hierarchy level, the manager communicates in order to persuade, motivate and keep together its team. These objectives can be reached through a positive attitude and language that make the manager a leader, a model to be followed, someone to trust. The autocrat manager whose communication is an exact command accentuates the distance between himself and his employees slowly

replaced by the democratic manager that uses a situational management technique and uses both assertive and supportive communication, communicating open and efficiently.

Promoting messages from middle to top management, is one of the manager's attributions [13], that can communicate using clear messages that are easy to understand and remember [14] or relevant messages that make people act, each characteristic of the message influencing in a unique way the persuasion process [15].

In the 1970's, the constructive research generated the conclusions related to the individual communicative abilities and the production of the message and in 1988 Barbara O'Keefe has proposed the theory of the message logical projection so that it can serve communication offering three features of the message projection (expressive, conventional and rhetoric) highlighting that the process of communication is not necessarily a uniform process [16].

The later researches have shown that the individual differences represent the variation in producing and interpreting messages [17]. The production of the message is based on contextual aspects in ways that allow restraining or projecting the message [18] and offer a starting point useful in investigating the interaction between the participants of the communication [19] and the influence of these messages on the audience [20].

Addressing to the external and internal environment of the organization, the manager has to have a coherent discourse, clear, understandable and persuasive that can lead to the desired results. To do it, they need to know their public really well so that the chances to convince it are as big as possible [21].

One of the reasons that can make a message relevant and memorable is to present it through a story because stories have the capacity to influence and give meaning to things becoming a real managing instrument [22]. Besides their etymology, words revive a particular experience in each person's mind determining this way a different interpretation of the message. The efficiency of the communication can be realized only when the receptor gets to understand the meaning of the message and

show it to the sender by an expected reaction [23] meaning, to give the expected feedback.

The studies regarding the efficiency of the messages take into consideration characteristics like the intensity or the side of the message and also the quality and the quantity of evidence that it has. Characteristics like the personality or the argumentation of the receptor will also influence the impact of the persuasive messages [24]. The abstract nouns and the equivocal messages have the advantage that although can be perceived differently by the auditory, they can transmit the desire to act [25].

Some of the studies have proved that sophisticated messages can redefine context and reach more efficiently some objectives of the transmitters or even manage relations [26].

What we can say for sure about communication first of all regards its quality in establishing relations (in and with the environment we live in) through direct and indirect interaction resulting in change. The communication vector, whose lack would make communication impossible, is the information, sent through signals or symbols that are part of a type of language we use either currently or professionally.

This complex process of sending information can offer information seen by the interlocutor and also extra information by decoding the hidden message, of the message behind the lines that leads to meta-communication. There were identified six types of mixture of verbal and nonverbal communication that illustrate the meta-communication functions, these messages can highlight, complete, contradict, repeat or replace other messages [27].

3. The understood or misunderstood message

Each person decodes the received message through personal filters conditioning this way the given answer. The answer is not about the message but about what the receiver understood from the message.

At his turn, the sender offers a message that depends on his internal filters and is not always the same with the intention. From this reason, the meaning of the communication is not the intended message but the answer

received. When we look at things this way, we can consider ourselves responsible for the reactions to the message and we will try to correct and improve our speaking competence of expressing ourselves according to our intention and we have to take into account the paraverbal language (the tone of our voice) and the non verbal one (gestures and miming).

If we think of all the events that we witness with detachment, we can see in them examples of the way we use brilliantly or not our communication and with a little effort we could learn something of it.

Each of us thinks that his speech is coherent and clear but many times we observe that our message was not received as we wanted or even worse, it was received wrong. This paper does not aim to find the guilty ones but to understand the complexity of the producing, transmitting and decoding process of a message.

❖ We chose as a first example the famous message received by the king Iidian Cresus from Pythia, from the priestess of Delphy [28].

His question was if it was good to cross the Halys river, meaning to start or not a war against the Persians.

The received answer was: "If king Cresus crosses the Halys river, he will destroy a great empire!"

Convinced that the reference was made to the Persian Empire, Cresus crosses the river. He is defeated, taken to Cyrus' court and set on a pile of wood in order to be burned. He is forgiven in the last minute. Defeated by Cyrus, Cresus destroyed a great empire, his own. Even if he had defeated Cyrus, he would also destroy another big empire – the Persian one.

At that moment, just like now, this kind of speaking leaves room for a lot of interpretation that make decoding more difficult having often the aim of misleading.

We will never know what would have happened if the message had been clear and precise but this message passed through time remaining an example of an ambiguous message that carries a correct information in an ambiguous shape.

❖ During the meetings of some leaders, there can be a lot of errors occurring and allowing interpretations that can jeopardize that meeting.

Coming back to an actual period, we can remember the expression „*Good point, good, good point*“ reinforced by the raise of the right hand thumb with the fist raised at the chest level symbolizing the ok sign addressed to the Spanish royalty by a former Romanian External Affairs minister.

Through the cordiality of the message, informal for that moment, the message underlined the lack of respect for the Spanish Royalty and also for the kingdom he represents. In the same time, the message marked the lack of professionalism and education of the former Romanian state representative.

❖ The transmitted message can have influences that we cannot estimate.

A few years ago, a national cold meats producer, released an advertising campaign having as main character a little lisp girl trying really hard to say „*sasesc salami*“ becoming this way a memorable character.

The TV commercial was an instant hit and the demand for that product surpassed any expectations but the public remembered only the name of the product and not the producer and shortly, from that spot a lot of producers that immediately launched similar products could benefit.

All these inconveniences were caused by the fact that the message was centered on the product, thing that distracted the public's attention from the production firm and so, after years of law suits, the firm remained with the trade „*Sasesc salami*“ and the loss of 7 million euro because other firms had used it.

❖ Another producer from our country released an advertising spot for a , product by saying „*Aqua Carpatica, the purest mineral water in the world*“.”

The message of this advertising is a fake one that misleads the public because there is no pure mineral natural water.

Promoting this spot brought the producer of Aqua Carpatica a lot of troubles: the spot was banned on every TV station because of a decision of the Audio-visual National Council and the Association of the Mineral Waters made a penal complaint against the producer.

❖ We live in the third millennium and we all enjoy the new technologies and the socialization networks where brands make their appearance. Their aim? To gather as

many likes as possible, to get reactions, popularity, in a word- publicity. In order to get it, on the social pages of these brands you can see pictures accompanied by a text saying: „*If you wash your greens and vegetables before storage it will much easier to use them for cooking because they are already prepared!*“ text written under an image showing this process of washing greens. And now here comes the surprise: what you have just read can be found on the page of Fairy Romania.

❖ The sent message can lead us to a housewife or a chef's advice not to a producer of dish washing liquid. In this case, the message is totally inappropriate and even offends the reader's intelligence. He will not be convinced for sure.

❖ On a similar page we can see the text „*What do you say? Can we make a cat happy today? P.S. With Sound and shot we can even hear it purr*“ and under the picture of a kitten on a mobile phone screen it says „*If I get 765 likes, I will happily purr till morning*“.

This message is posted by a mobile phone producer that probably wants to convince us of the value of his products using a message that lacked consistence and who did not get the expected result.

4. Conclusion

All the above mentioned examples can only underline the importance of the transmitted message and the importance of knowing how to send a convincing message. Whether we talk about political leaders, big or small business men, social or advertising managers, for all of us, the ability to communicate is a quality that we cannot miss.

People can be convinced through dialogue, through active learning, through supportive or encouraging messages to understand and adapt to the challenges and opportunities they confront. In any kind of communication there is a strong influence of the message on the results and gathering knowledge about how we can communicate efficiently, is a long life learning process.

The efficiency of the communication depends on a lot of factors and the complexity of the communicative process requires ability and knowledge of the communicative techniques.

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The Role of Communication and Job Satisfaction on Firm Financial Performance. Analysis on Romanian Tourism Sector.

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Abstract

Job satisfaction and communication have proved to be two critical aspects of enterprise performance. The present study analyses the relationship between these two non-financial aspects of a firm's activity and a financial measure of performance. The aim is to highlight the importance of job satisfaction and effective communication within firms, as they can lead to greater financial performance.

The study uses a quantitative method in order to confirm constructed hypotheses. It consists of a survey among employees within tourism firms located in the Southern-Eastern region of Romania.

Key words: job satisfaction, communication, survey.

J.E.L. Clasiffication: M50.

1. Introduction

Studies in the field of enterprise performance have revealed a growing importance of several non-financial factors in obtaining financial performance. Job satisfaction and communication have proved to be two critical aspects of enterprise performance. Consequently, we considered in our study these two factors as non-financial factors that affect a company's short-term results.

Therefore, research conducted aimed at identifying the relationship between job satisfaction and communication, on one hand, and firm financial performance, on the other hand. Analisis was conducted on Romanian tourism sector located in the

Southern-Eastern region of Romania and involved a number of 155 employees and 84 firms. It relied on confirming a number of two hypotheses, constructed on the basis on previous research in the field.

2. Definitions

2.1. Job satisfaction

Employee satisfaction is a key factor in determining the profitability of a company. Generally speaking, job satisfaction refers to an employee's general attitude towards work [6]. Employees who feel satisfied at work are more likely to have a positive attitude towards work, while an employee which is not satisfied with his work is more likely to have a negative attitude towards it.

Moreover, job satisfaction refers to a collection of feelings of employees regarding how pleasant or unpleasant their job is [1]. A method used in determining employee satisfaction uses an index, called Job Descriptive Index (JDI), in order to evaluate all factors that influence it. According to this method, five indicators are considered as defining elements of the Job Descriptive Index, i.e. job, payment, supervision, co-workers, and promotion system.

Motivation at work is also an important determinant of job satisfaction. Generally speaking, motivation refers to "those psychological processes that determine abetting, directing, persistence of voluntary actions to achieve goals" [9]. Therefore, "it is impossible to ignore motivation, since it gave rise to the productivity of the teams" [9].

Within this research, job satisfaction has been evaluated through a number of statements relating to:

- workplace atmosphere - the extent at which employees feel comfortable at work, they work in a pleasant, relaxed atmosphere;
- workplace cooperation - the extent at which employees help each other in accomplishing tasks, listen and take into account colleagues' point of views in making decisions and permanently cooperate;
- fluctuation of employees - movement of employees from one job to another, seeking better working conditions;
- professional development - the extent at which employees attend professional training courses, have opportunities to promote within the company or to develop their carrier;
- compensation scheme - the extent at which employees feel satisfied with their wages, possibility of wage increases or bonuses based on work results, award receivements or other types of benefits;
- working conditions - the extent at which the company provides working conditions according to the law and provide periodical trainings on safety;
- motivation at work - the extent at which the company appreciates the work of its employees, recognizes employees' efforts and appraises them.

2.2. Communication

By large, communication represents the process of sending and receiving messages between individuals. At work, communication refers to the act of sharing information between employees, regardless of their position within the company. Hence, employee communication is defined as "the communication transactions between individuals and/or groups at various levels and in different areas or specialization that are intended to design and redesign organizations, to implement designs and to coordinate day-to-day activities" [2].

Within this research, communication was assessed through a series of aspects:

- communication with superiors - the extent at which employees carry periodic discussions with their direct superior to convey information, to explain problems incurred in

performing their duties, to seek help in solving them and identify solutions to avoid future occurrence of the same problems;

- communication within teams - the extent at which employees change opinions within teams, consult each other in performing duties, appreciate colleagues' advices, but also the ways of addressing to each other;
- communication with management - the extent at which management lays emphasize on employees, give them the opportunity to express their opinion, consider their proposals for improving activities within company, provide people with information about the company;
- manager - shareholder communication - the extent at which management has regular discussions with shareholders, knows their desires and expectations and permanently provides them with information on the activity of the company;
- solving conflicts through open discussion - the extent at which conflicts between employees or between employees and managers are solved through dialogue, by identifying demands of both parties and finding the best solution.
- quality of information - the extent at which communication between employees and managers involves providing accurate and useful information.

2.3. Financial performance

Overall, financial performance refers to the financial results of a firm's activity. It is measured throughout financial indicators, such as profit margin, earnings per share, return on assets, return on equity, return on capital employed [4],[7],[8].

For the purpose of this research, financial performance was measured using return on equity indicator - ROE.

3. Methodology

3.1. Survey

In order to accomplish the proposed research, a survey was conducted among employees of Romanian tourism companies

located in the South-East of the country. The sample included both employees and managers and was aimed at identifying their perceptions regarding working conditions, workplace atmosphere, job promotion, trainings, compensation schemes, but also perceptions related to the process of communication within company - discussions between employees and superiors, reporting activities, solving problems, sharing information.

The questionnaire was designed using a 5 point Likert scale, where 1 was the minimum score and 5 the maximum score, and it included only positive statements. As a consequence, respondents were asked to assign a minimum score (1) in the absence of an analyzed circumstance. In this way, the score calculation was eased: low scores reflected a negative aspect, high scores highlighted favourable situations. Hence, statements like "The workplace atmosphere is a pleasant one", "You consult with your colleagues and/or superiors about tasks you are assigned" were preferred to negative ones like "The atmosphere is tense at work", "You do not consult with anyone on the tasks you are assigned".

The scores we obtained are average scores assigned to each statement of the questionnaire. We calculated the mean score of a statement as follows:

$$AS_i = \frac{\sum S_{i,n}}{n}, \text{ where:}$$

AS_i = average score for the statement "i";
 $S_{i,n}$ = score assigned to statement "i" by each respondent "n";
 n = number of respondents.

The questionnaire was designed so as to provide general information on the investigated subjects. Therefore, the first part of the questionnaire offered a clear picture on employee age, gender, seniority within company, studies. We present below a summary of this information, outlining respondent profile.

3.2 Respondent profile

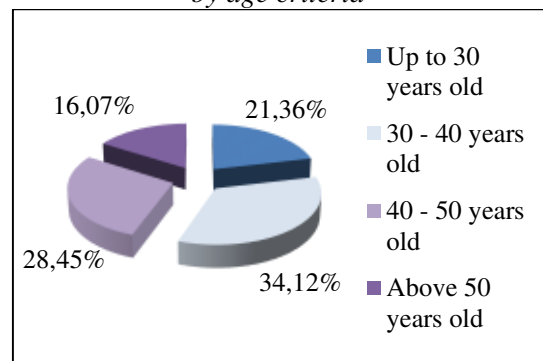
Figure no.1 reveals distribution by age of the investigated sample. As this figure shows, each group age has representation within our sample, so that 21.36 % of those surveyed are aged up to 30 years old, 34.12% are aged between 30 and 40 years old, 28.45 % are

aged between 40 and 50 years old, and 16.07% are aged 50 or more.

Considering gender of the respondents, most of them, respectively 59.38% are women, whereas male respondents account for 40.62% of the sample.

The sample is stratified according to seniority as shown in Figure no.2. Thus, 13.82% of the respondents have seniority of up to three years, 19.53 % have seniority of 3 to 5 years, while respondents with seniority ranging from 6 to 10 years account for 31.13% of the sample. In addition, 25.74% of the respondents have seniority ranging from 10 to 15 years, and respondents with seniority of over 15 years account for approximately 9.78% of the total.

Figure no.1 - Distribution of respondents by age criteria



Source: Authors' own processing.

Structuring the sample in terms of level of education level, 27.34% of the respondents hold a General Certificate of Education, 46.98% hold a Bachelor's degree, 23.85% graduated Master's degree and only 1.83% are PhD's.

Summarizing, on average, respondent of this study is a woman, aged between 30 and 40, holds a Bachelor's degree and an executive position and has a 6 to 10 years work experience.

3.3. Research hypotheses

Considering the importance of the two analyzed aspects in obtaining excellent financial results [3],[5], two hypotheses were constructed, respectively:

H1: There is a positive correlation between job satisfaction and financial performance;
H2: There is a positive correlation between communication within firm and financial performance.

We will validate hypotheses of this research using the Pearson's r coefficient.

Strong correlations require a high value of the r coefficient - above 0.500.

4. Main findings

4.1. Perceptions on job satisfaction

Among statements used to measure job satisfaction, the highest score was obtained by statements 4 and 9 - 3.913 points, or 4.098 points - both referring to financial rewards provided to employees. These results show that, within the analyzed Romanian firms, satisfaction at work is primarily determined by payroll system. Moreover, high scores recorded by these two statements reveal that employees consider working conditions and wages as satisfactory.

High score obtained by statement 2 regarding cooperation at work - 3.683 points - reflects an important aspect of job satisfaction, respectively cooperation between employees. This result underlines the existence of a positive attitude at work, willingness to cooperate, which leads to an efficient activity. Mutual aid, consultation with colleagues and superiors, providing necessary information in accomplishing tasks are defining aspects of cooperation between employees. Results show that a high awareness of the employees of the fact that objectives can be effectively achieved through a positive and supportive attitude at work enhances the sense of job satisfaction.

The lowest score obtained refers to fulfillment at work - 2.914 points. This highlights a first characteristic of Romanian employees in tourism, namely, that they feel dissatisfied with their current job and that it does not reflect their expectations, desires and ideals. The lack of job fulfillment could be explained through the statement concerning promotion opportunities within the company, whose score was very low. This statement underlines the fact that employees feel they have little chances of promoting on a superior position within the company. Consequently, we appreciate this aspect by the fact that promotions are not based on work results, but rather on subjective criteria - some employees may find themselves in close relationships with the management, others may even be related to them. Therefore, work results are not necessarily determinants of promotion.

Another negative aspect of this research is

the lack of opportunities of professional development within firm, as the low scores show. Therefore, the chances of extending employees' area of knowledge at work are low, as respondents believe that their work is always the same, becoming a daily routine that does not require accumulation of new knowledge. Failure to professionally develop and to promote is therefore one of the main reasons identified in this study as responsible for the decrease in job satisfaction.

Overall, the average score of job satisfaction was that of 3.4 points, out of a maximum of 5. Result is interpreted as follows: although Romanian employees within tourism sector are dissatisfied with certain aspects of their work (reduced opportunities of promotion and professional development, unfulfillment at work), they feel satisfied with their current job, as financial rewards play the central role in their view.

4.2. Perceptions on communication

Within this research, results referring to frequency of communication with the direct superior, highlight an essential aspect: the flow of information between employees and their superiors is very high, as they communicate daily. Two positive aspects can be extracted: firstly, the fact that superiors actively and positively involve in subordinates' work, providing them with all necessary information; secondly, the fact that employees have the opportunity to discuss and get advice from superiors.

The extent to which discussions which are held to address issues, finding the best solution in certain situations or disclosure of any irregularities is given by statement 10 of the questionnaire. Score of this statement indicates a positive aspect of communication between employees and managers, so that there is effective communication that allows a quick and efficient resolution on the encountered problems.

Another feature of communication is quality of submitted information, was captured by item 11 of the questionnaire. The study reveals an effective communication between managers and employees, showing that tasks assigned by superiors to the latter are fully understood, so they do not require additional explanations. Hence, the process of communication involves transmitting

accurate and useful information.

We also investigated whether employees are consulted in order to identify ways of improving business activity. Thus, there is a regular exchange of ideas between employees and higher hierarchical levels. In this way, subordinates are able to have a direct contact with the company's management. This fact improves awareness at work. Freedom to express opinion gives employees confidence, moral satisfaction that they are listened to and makes them understand the importance of dialogue, with positive impact on communication.

Regarding employee access to information on business activity, the score obtained indicates a first negative aspect of communication. Thus, employee access to information about the company's activity is a limited one. Restricting employee's access to information is a common practice in most businesses in Romania, as management provides employees only with the necessary information for performing their duties. Although employees access to information might help them not feel that "something is hidden" or understand certain decisions of the management, lack of information sharing is a deficiency identified in this study enterprises the analysis. As a result, we can say that surveyed employees perceive restrictions of their access to information to be due to management's distrust.

Overall communication score was that of 3.483 points. This score indicates good communication within analyzed tourism firms, but notes that there are some aspects that can be improved, such as giving free access to information on company's activity. In fact, this is the main weakness identified by employees of this survey.

4.3. Validation of hypotheses

In order to validate hypothesis, we calculated Pearson's r coefficient - one tailed, which enabled us to determine the nature of the relationship between the two analyzed aspects and financial performance. Values above 0.700 indicate a strong and positive correlation between the variables.

Table no.1 - Pearson's r coefficients

	ROE
Job satisfaction	0.76222
Communication	0.71458

Source: Authors' own processing.

As Table no.1 shows, both job satisfaction and communication registered high values of Pearson's r coefficient. Based on these results, we conclude that there is a positive correlation between job satisfaction and financial performance; also, there is a positive correlation between communication and financial performance. Hypothesis H1 and H2 are confirmed.

5. Conclusions

Conducted research confirmed the importance of job satisfaction and communication in obtaining positive financial performance.

Validation of hypothesis H1 highlights the need for intervention at employee levels, as they are crucial factors in achieving superior financial results. Satisfied employees work successfully, fulfill their duties, cooperate efficiently, are aware of the importance of their work, are motivated and loyal to the company. Productivity of such employees is increased, resulting in improved financial performance of the company.

Validation of hypothesis H2 highlights the importance of effective communication within firms. Effective communication leads to increased employee efficiency, improved work environment and influences financial results. Thus, research shows a positive impact of communication on the profitability of Romanian tourism firm.

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The Value Provided to Customers, Evaluating and Enhancing Their Satisfaction

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Abstract

The article examines an issue that has always given thought company, as it is known, there is no client business and customers are those who, in a complex process, decide, through their attitude and performance, the fate of any organization.

Thus, customers have their value. The total value for the customer is the aggregate economic benefits and financial, functional and psychological, they expect a client to an offer expressed in the form of value.

In turn, the company must analyze its own costs and performance in each activity able to create value and necessarily to find ways to improve. These creative, discussed in this material, primary and secondary activities include activities.

The most important way you can create more value for the customer is the network provided value. Therefore, the supply network of value is called supply chain supply.

The company will gain competitive adversity with a supply network of value better

Key words: attraction, retention, customer loyalty

J.E.L. Classification: M39

1. The value provided to customers

For a company to remain on the market and to overcome competitors must make serious efforts from multiple perspectives, enduring conditions, sometimes without insight and force them to pass, from a way of thinking based on the product and sell at a one which must be based, necessarily, on the

client. All science and then, all art is the best possible satisfaction of customer needs.

Is not a rule to believe that attracting customers should be a compulsory task of marketing, because the marketing is not only one of the factors attracting and retaining customers. It is known that even the best marketing department can not sell poor quality products or does not need one.

Typically, consumers and more customers are choosing a product or service, depending on the possibilities of knowledge, mobility and income expectations. Always "client will evaluate the benefits and costs of a bid, compare them with each other, and if the offer will live up to its demands value, purchase» [1].

The "value provided to the customer is the difference between total customer value and total customer cost.

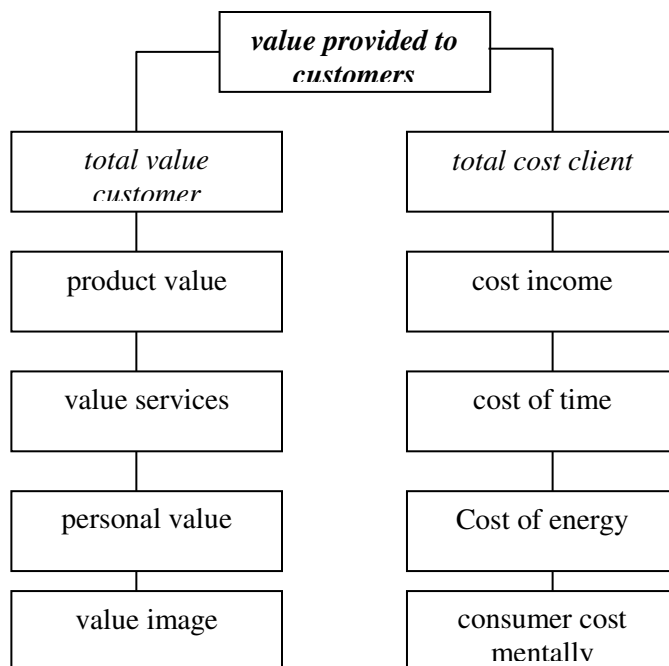
Customer perceived value is the difference between benefits and costs in the form of value.

The total value for the customer is all the economic, functional and psychological that client expects an offer expressed in the form of value.

The total cost for the customer is the sum of all costs that the customer expects to incur in evaluating, obtaining, using demand. Customers will buy from the company which they think provides the added value provided to the customer "[2].

Let use an example! Assume that for the purchase of a product, the buyer has the choice between two products. The desired product must have certain characteristics of reliability, durability, performance and resale value.

Fig. 1 The value provided to customers



Sursa: Adapting from Philip Kotler (2008)
Principiile marketingului.

We start from the cost of getting the product - 14,000 mu. The company estimates that its bid is worth 20 000 um, taking into account the brand. This means that the offer generates a potential benefit of 6,000 mu for the company. If, say, sets product price 19,000 um, means that you will get a benefit of 5.000 um, and the value provided to the customer will be 1,000 um.

The seller must Assessment total value for the customer and the total cost incurred by it for each competing offer must be made by the vendor, the idea of realizing how his offer may be attractive to any customer.

However, the seller is holding two possibilities to occupy first place in customer preferences: [3]

- to raise the total value to the customer - that increase the benefits of the product, service, person or image of the offer;
- to reduce the total cost to the customer - ie price reduction, simplifying ordering and shipping process or by taking a portion of the customer's risk, providing a performance guarantee.

2. Customer satisfaction

Buyer satisfaction is conditional perceived performance of the product and buyer requirements.

If the performance and quality of a product is not up to expectations, it will be bad praised by customers. Conversely, if the Quality and exceed the requirements and expectations of customers will be satisfied.

Between customer satisfaction and loyalty there's a directly proportional relationship.

Customer expectations play an important role in getting their satisfaction.

These expectations arise as a result of previous experience purchasing a consulting accepted by them, the available information, and of promises made by marketers.

Businesses must act with more accuracy, you make promises and issue various information about their products, because:

- A level too high expectations can lead to consumer disappointment;
- A level too low expectations will not attract enough buyers.

Also, companies are forced to constantly monitor and evaluate customer satisfaction.

Among the opportunities available to companies to assess customer satisfaction include: [4]

- analyze lost customers;
- studies on customer satisfaction;
- method "buyer spy";
- ways of receiving suggestions and complaints.

At the same time, it is recommended that businesses with simple methods - direct phone toll free, Web pages, e-mail, which consumers have the opportunity to make known their suggestions and complaints. In some studies, it was shown that only one in twenty dissatisfied customers complain.

Fig. 2 The relationship between satisfaction and fidelity

Dissatisfaction	Pretty satisfied	Completely satisfied	Very satisfied
-will give the company -will comment on the	- Will not refuse another better offer from the other companies		-will purchase from the same firm - there is a close

company in terms of negative and will make them look bad		relationships even affect the supplying company, not purely rational preference
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Source - adaptation author

It is recommended that periodically "businesses to store data on customer satisfaction, needs and intentions to return and repeat purchase and other issues through regular survey method" [5].

Method "buyer spy" involves sending people posing the potential buyers can check how the company staff is doing in different situations.

"Monitoring of the rate of loss of customers, contacts with customers who have switched to another provider, allowing identification of the causes of this behavior" [6].

Yet the main purpose of any business is to maximize profit and not primarily to create a high customer satisfaction.

"Expenditure resulting in increasing customer satisfaction at the expense of business partners or decreases profits should be avoided.

You must understand that each customer can be satisfied otherwise. It is not possible for all customers to be satisfied at a high level.

Also be given special attention, customer satisfaction as consumers can easily make a positive or negative advertising company internet". [7]

3. Increase customer satisfaction

There are several ways to increase customer satisfaction, such as: [8]

- Enhancing the services provided;
- Improve products / services;
- Falling prices.

It is not difficult to understand and deduced that "a satisfied customer is a guarantee of its remaining true to the company for a long time" [9] and therefore will buy more products, and while the company will introduce new products will give less attention to competing brands and will be less sensitive to price.

To increase customer satisfaction, there are several ways to follow, likely to cause a slight increase in expenditure: [10]

- prompt delivery order;
- delivered in total order;
- Ensuring a high degree of employee satisfaction, which leads to high quality products and services;
- correlation of business processes - this requires redesigning workflows and creating;
- interdepartmental teams to respond to each process;
- holding and stimulating resources and core competencies that make up the essence of the company;
- generation of distinctive capabilities that require exceptional skills on economic processes;

4. Conclusions

A consumer may be held by any person or organization whose conduct has the stated purpose of satisfying their needs.

Because consumer behavior involves other people or their behavior becomes dependent, it must be approached and analyzed as a complex social category, with two sides, somewhat distinct, with a perpetual interaction-purchasing behavior and consumer behavior.

- based on analysis of the purchasing behavior of consumers, providers should take into account: [11]
- consumer reaction to marketing strategy of the company, which has an impact on its success in the market;
- marketing mix the firm must satisfy customers;
- the opportunity to see how consumers will respond to firm strategies.

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The Influence of Port Activity in the Cultural Life of Local Communities

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Abstract

The relation between economy and culture has always been seen different in terms of time and space, in theory, by different categories of specialists. We consider that we have overcome a long time ago the conception according to which between economy and culture there is a traditional antagonism, especially based on the theory of value and, sometimes, on the attitude of indifference of certain economists/ economic thinking currents towards culture, and we are, today, capable to admit the interdependent relation between the two human activities. The mutual support that economy and culture can provide for themselves should be valued in the direction of local, regional and cross-border development, but in the same time, could be an important growth factor of social cohesion. To achieve this, we consider that it would be appropriate that this two areas to make the object of various interdisciplinary studies, theoretical and practical. We proposed that this paper to be a step in this direction.

Key words: port, economy, culture
JEL Classification: M31

1. Introduction

The concerns regarding the social and cultural cohesion at local and cross-border level, from three port-cities, Constanta, Calarasi and Ruse, were materialized in the research project “Danube Spirit In Port Communities”, Romania-Bulgaria Cross–Border Cooperations Programme 2007-2013, code 2(4.i)-3.3.-14, code mis-etc-602, co-

financed from european funds in the Operational Programme on Cross-border Cooperation Romania-Bulgaria. [1]

The activities conducted in the project aimed the mutual knowledge between partners, through cultural ways. The specialists from different areas, who participated in this cross-border study, aimed to outline the multiple connections between port and city life under the economic, social, cultural, artistic, educational, urban and architectural aspects. The project is intended to deliver the positive aspects outlined through the cross-border research, but also what currently represents outdated relations between port and the life of the partner cities of the project. It is desirable that this study have an impact both at the local communities level and at the port authorities level, local public institutions and other decisional factors of the three port-cities. Also, the partners of the project are expecting from this study to create a favourable context, that will lead to the development of new networks of business and cultural cooperation opportunities at cross-border level.

2. The marketing research conducted in the project “Danube Spirit In Port Communities”, Romania-Bulgaria Cross–Border Cooperations

Among the activities that were conducted in this project, there is the marketing research, which had as objective the mutual knowledge between areas like history, geography, urban and architectural planification, art, education, economy and business.

We opted for a field research, which took place between July 27 and August 15, 2013, in each of the three partner cities. [2]

The research, occasional survey type, was based on a questionnaire, and the completion of the answers was made by each individual selected in the sample. [3]

The size of the researched sample was of 154 people (50 individuals from Constanta, 50 from Calarasi and 54 from Ruse).

3. The knowledge of the influence of port activity in the cultural life of local communities by processing the information from the questionnaires

For the current study we have selected from the questionnaires only the answers

which helped us to establish if and in what way the local communities consider that the presence of the port influences the cultural life of their cities. The selected and processed answers are presented in the tables included in this study. We have maintained the same presentation of the partners from the project, respectively: P1- Constanta, P2- Calarasi and P3-Ruse.

One of the stipulated conditions from the project documents was that the questioned individuals to belong to the age group 15-50 years. Using equal intervals of 5 years, we have divided the sample in 7 age groups.

Table no. 1 Centralized and processed data from questionnaires

Project partners	15–20 years (%)	21–25 years (%)	26–30 years (%)	31–35 years (%)	36–40 years (%)	41–45 years (%)	46–50 years (%)
P1 (50=100%)	-	6%	20%	18%	16%	6%	34%
P2 (50=100%)	8%	6%	10%	24%	18%	12%	22%
P3 (54=100%)	11%	30%	21%	7%	11%	9%	11%
Total	6,5%	14,28%	16,88%	16,23%	14,94%	9,10%	22,10%

Source: own research

It can be observed that, in the segmentation of the sample, in terms of age, the individuals from the 46-50 (22,10%) age group are predominant, being followed by 3 segments with relative close percentages: 26-30 years (16,88%), 31-35 years (16,23%) and 36-40 years (14,94%). The smallest percentages belong to 41-45 (9,1%) and 15-20 (6,5%) age groups. We consider that in the researched sample, all the age groups are well represented, which guarantees correct and real answers in the conducted research. At the researched sample's level, it resulted that 60% are individuals with university degree, 20% are individuals with postgraduate studies, 16% have high school

studies and 4% have professional studies. It can be observed that this structure is connected to the structure of the sample on terms of age groups, in the sense that the high percentage (80%) of the people with university degree and post graduate studies is correlated with the prevalence of the age groups 46-50 years (22,10%), 26-30 years (16,88%), 31-35 years (16,23%).

Another stipulated condition in the project was that the sample to be composed of residents of these cities, representatives of port authorities, as local development factors, in areas like economy and business, art, culture, education.

Table no. 2 Centralized and processed data from questionnaires

Project partners	School		Univer- sity		Cultural institu- tions	Local adimistra- tive institutions	Port units	Econo- mic activities	Touris- tic activi- ties	Others
	E	P	S	P						
P1 50=100%	2%		4%	14%	6%	6%	20%	14%	20%	14%
P2 50=100%	8%	16%	-		26%	16%	4%	14%	4%	12%

P3 54=100%	17% 17%	15% 5%	15%	22%	2%	13%	4%	9%
Total	6% 8%	6% 6%	16%	15%	8%	14%	9%	12%

Source: own research

On what is concerning the areas in which the individuals from the questionnaires are conducting their activity, it can be observed that it have been realized an almost uniform repartition: 16% of the interviewed persons are conducting their activity in cultural institutions, 15% in local administration institutions, 14% in schools, 12% in universities, 12% in other areas. Smaller percentages were found for the individuals who work in touristic activities (9%) and port activities (8%).

We have searched if the people from the sample consider that the presence of the port influences the cultural life in their city.

Table no. 3 Centralized and processed data from questionnaires

Project partners	Yes	No	Total
P1	50 (100%)	-	50
P2	47 (94%)	3 (6%)	50
P3	50 (92%)	4 (8%)	54
Total	147 (95%)	7 (5%)	154

Source: own research

Following the centralization of the data, it resulted that 95% of the questioned persons consider that the presence of the port influences their cultural life. We found the highest percentage (100%) at the residents of Constanta. An explanation would be that here is the largest port of the country in terms of economic activity size, reason for which its influence in the cultural life of the city is considerable. We also found high percentages of affirmative answers at the other partners: 94% in Calarasi and 92% in Ruse.

We continued the research only with the individuals who responded affirmatively and asked them to evaluate in what extent the port is involved in their cultural life.

Table no. 4 Centralized and processed data from questionnaire

Project partners	The port activity determined the cultural life of your city:				
	Very great extent	Great extent	Some extent	Little extent	Very little extent
P1 (43-yes)	9	11	14	8	1
P2 (47-yes)	12	19	10	5	1
P3 (53-yes)	9	19	19	3	3
Total	30	49	43	16	5

Source: own research

We used the scale of measurement, with five levels, named semantic differential. [4] Based on the opinions expressed by the individuals in the sample, it was made the mathematical calculation, specific for this method. [5] It can be observed that the values resulted from this calculation for each partner (P1=3,44; P2=3,76; P3=3,52) are close to the value determined for the whole sample, which is of 3,57. This value shows that the port is involved in the cultural life of the cities in „some extent” to „a great extent”.

We asked the individuals in the sample to specify if they consider that in their cities are being organized particular cultural events which you do not find in other places of the country.

Table no. 5 Centralized and processed data from questionnaires

Project partners	Yes	No	Total
P1	43 (86%)	7 (14%)	50
P2	44 (88%)	6 (12%)	50
P3	42 (78%)	12 (22%)	54
Total	129 (84%)	25 (16%)	154

Source: own research

It can be observed that 84% (which is a high percentage) from the questioned persons considered that in their cities are

being organized specific cultural events, while 16% from the total of 154 persons responded negatively. Higher values than the average of the sample, in terms of affirmative answers, we find at the residents of Calarasi (88%) and Constanta (86%), which shows that in these port-cities is more obvious the concerning to organize specific cultural events, but also that these events are known and appreciated by the locals.

Also, we have analysed the opinion of the researched sample regarding the implication of port authority in supporting these events.

Table no. 6 Centralised and processed data from questionnaires

Project partners	Yes	No	Total
P1	29 (58%)	21 (42%)	50
P2	34 (68%)	16 (32%)	50
P3	24 (44%)	30 (56%)	54
Total	87 (56%)	67 (44%)	154

Table no. 7 Centralised and processed data from questionnaires

Project partners	Material implication		Organizer		In other way
	Yes	No	Yes	No	
P1 (29-yes)	20 (69%)	9 (31%)	25 (86%)	4 (14%)	-
P2 (34-yes)	23 (68%)	11 (32%)	29 (85%)	5 (15%)	
P3 (24-yes)	21 (87%)	3 (13%)	20 (83%)	4 (17%)	-
Total 87	64 (74%)	23 (26%)	74 (85%)	13 (15%)	

Source: own research

From the information obtained, it resulted that 74% (of all the individuals who responded affirmatively) consider that the implication has a material character and 85% appreciate that the port authority is an organizer of these events. It can be seen, at the level of each partner, that the percentages of the affirmative answers are close, fact that reflects similar perceptions about the way in which the port authority is involved in the organization of specific cultural events in each of the three port-cities.

We have searched which are the cultural institutions considered representative for the residents of each partner port-city of this project.

Source: own research

Even if a large number of residents (84%) of the three cities stated that there are being organized specific cultural events, only 56% of them think that the port authority is involved in supporting these events in their cities.

We find the highest values in the same two cities: Calarasi, with 68% and Constanta with 58%. Probably, the inhabitants of Ruse are much more reserved and exigent in their appreciations regarding the organization and supporting of these events, because they recorded the lowest percentages: 78% responded affirmatively regarding the organization of specific cultural events and only 44% consider that the port authority is involved in supporting these events.

We continued the research with the process of identifying the manner in which the individuals in the sample perceive the implication of the port authority regarding these specific cultural events.

Table no. 8 Centralized and processed data from questionnaires

Project partners	Muse-ums	Thea-ters	Cultu-ral centers	Libraries
P1	49 (98%)	14 (28%)	21 (42%)	21 (42%)
P2	33 (66%)	7 (14%)	33 (66%)	6 (12%)
P3	54 (100%)	14 (26%)	26 (48%)	11 (20%)
Total	136 (88%)	35 (23%)	80 (52%)	38 (25%)

Source: own research

It can be observed that from a partner to another there are different appreciations towards cultural institutions. The residents of Constanta consider that the most representative cultural institutions of their

city are the museums (98%), the cultural centers (42%) and the libraries (42%). Theaters are considered to be less representative (28%). An explanation would be that here, in Constanta, the theater activity has been significantly reduced.

In Calarasi and Ruse are appreciated as being the most representative the cultural institutions, respectively the museums and the cultural centers, but they have a different importance. The residence of Ruse consider museums (100%) and the cultural centers (48%) as being the most representative cultural institutions of their city, while the residents of Calarasi consider both as representative (66%). Less representative are considered to be the theaters, only 14% in Calarasi and 26% in Ruse, and the libraries as well, only 12% in Calarasi and 20% in Ruse.

In this research we aimed to find out if the inhabitants appreciate that there are links and approaches between the three partner cities in the project- Constanta, Calarasi and Ruse.

Table no. 9 Centralized and processed data from questionnaires

Project partners	Yes	No	Total
P1	34 (68%)	16 (32%)	50
P2	39 (78%)	11 (22%)	50
P3	25 (46%)	29 (54%)	54
Total	98 (64%)	56 (36%)	154

Source: own research

It can be observed that the residents of Constanta and Calarasi considered in large proportions (68%, respectively 78%) that there are links and approaches between the three partner cities in the project, while only 46% of Ruse's inhabitants responded negatively.

We continued the research only on the individuals who responded affirmatively and we asked them to appreciate the aspects in which the connections between the three port-cities are realized.

Table no. 10 Centralized and processed data from questionnaires

Project partners	Cooperation between ports		Common architecture elements		Common lifestyle elements		Similarities regarding population structure		Diversity of customs and cultural traditions, gastronomy, clothing		The organization of entertainment events with navy specific	
	Yes %	No %	Yes %	No %	Yes %	No %	Yes %	No %	Yes %	No %	Yes %	No %
P1 (34=100%)	73	17	38	62	64	36	32	68	82	18	88	12
P2 (39=100%)	72	18	33	69	59	41	33	69	90	10	87	13
P3 (25=100%)	88	12	44	56	72	28	76	24	100	-	96	4
Total	76	23	38	62	65	35	44	56	90	10	90	10

Source: own research

It can be observed that the individuals who appreciated that there are connections between the three partner cities in the project- Constanta, Calarasi and Ruse, have different opinions regarding the forms in which this links manifest.

The most important forms of links and approaches are represented by: cooperations

between ports (73% for the residents of Constanta, 72% for the residents of Calarasi and 88% for the residents of Ruse), diversity of customs and cultural traditions, gastronomy, clothing (82% for Constanta, 90% for Calarasi, 100% for Ruse) and the organization of entertainment events with navy specific (88% for Constanta, 87% for

Calarasi and 96% for Ruse), and in a lesser extent than those mentioned above were appreciated the common lifestyle elements (64% for Constanta, 59% for Calarasi and 72% for Ruse). These forms of connection between the researched port-cities should be developed in the future.

The least appreciated by all the three partners are the links established on common elements of architecture and similarities in terms of population structure. On these type of links is more difficult to be able to intervene.

4. Conclusions

In various studies, which approach under the theoretical aspect the connection between economy and culture, we noticed that the current tendency is to admit the mutual influence between these two areas of activities. The inclusion of the cultural factors in the analysis of the economic process leads to a better understanding and interpretation of the economic phenomena, and these, in turn, have an overwhelming influence on society in general. [6] Also, we noticed the opinions of certain specialists, that for the members of a society, culture creates values that regard human needs. Under the influence of the contemporary economic life, the elements of culture are discussed in relation to issues of consumption, demand, investment, animation, development, success. [7]

From the interpretation of the results obtained in the marketing research conducted in the project „Danube Spirit In Port Communities”, we should note the following significant conclusions:

- 95% of the questioned individuals consider that the presence of the port influences in „some extent” to „a great extent” their cultural life, and 64% of the sample stated that there are links and approaches in terms of culturality between the three port-cities, which manifest under different forms;
- 84% of the interviewed individuals consider that in their cities there are being organized specific cultural events, in which the port is involved materially, but also as an organizer. The locals of the three port-cities appreciated that the most representative

cultural institutions are the museums and the cultural centers.

This paper tried to outline the perception of the inhabitants of each city on the way in which the presence of the port influences their cultural life, but also their expectations regarding the diversification and intensification of the cultural connections between port-cities. The knowledge of these issues by port authorities, local institutions and other decision makers in the three port cities may influence their decisions and actions in the direction of local and cross-border development.

5. References

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Determination of the Influence of Port Activity on the Economic Activity and Business Environment by Using Marketing Research

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Abstract

The economic history shows that there has always been a connection between the economic activity of a city or area and its social and cultural aspects. The presence of some natural resources and a certain geographic position determines a prevalently development of a place in a certain activity field, that further attracts also the development of other economic activities, the shaping of a characteristic lifestyle, the outlining of multiple features under the architectural, cultural, educational and artistic aspects. The presence of an important water in the vicinity, has allowed some localities to develop and to rise as ports. It is also the case of Constanta, Calarasi and Ruse. In a cross-border research project, we aimed to discover the influence the port activity has on the economic and social life of these cities.

Key words: port, influence, opportunities, economic development

JEL Classification: M31

1. Introduction

The “Danube Spirit In Port Communities” project, Romania-Bulgaria Cross-Border Cooperations Programme 2007-2013, code 2(4.i)-3.3.-14, code mis-etc-602, co-financed from european funds in the Operational Programme on Cross-border Cooperation Romania-Bulgaria, priority axis no. 3: economic and social development, intervention area: 3.3 „People to people”, had as a general objective the contribution to social and cultural cohesion at a local and cross-border level, in three Danubian port

cities: Constanta, Calarasi and Ruse. In this purpose, it has been organized a marketing research for the mutual knowledge in areas such as history, geography, urban planification, art, education, economics and business. [1]

2. The organizing and the course of marketing research

The research method chosen is the direct marketing research, occasional survey type based on questionnaires. [2]

The target public for this research was represented by the members of the local communities of the three partner cities: Constanta, Calarasi and Ruse, aged between 15 and 50 years, representatives of port authorities, as well as representatives of the local public authorities, as factors of the local development, from areas like economics and business environment, art, culture and education.

The sample initially set was composed of 150 individuals (50 people from each city, from all the categories mentioned in the target public structure), but in the end, the sample used in the research included 154 individuals, because from Ruse were received 154 questionnaires.

The questionnaire includes a number of 38 different questions: simple options questions, multiple options questions, semantic questions in scale, open questions, control questions. [3]

The questionnaire was drawn up following the discussions from the working meeting that took place in Constanta, between July 18-19, 2013, and was discussed during the working meeting from Ruse, organized in July 23-24, 2013.

The period to complete the questionnaires

in the three port cities, was scheduled between July 27 and August 15, 2013.

The processing of the questionnaires, the elaboration of the conclusions and the writing of the research report were done between August, 16 and September, 5, 2013.

3. The processing of the information gathered on the field and the interpretation of the results

From the questionnaire summary, we have selected for this study, the questions about the influence of the port activity on the economic and business activity. In all the tables of this study, which include collected data from the selected sample, it is retained the same presentation for the project partners, respectively: P1- Constanta (50 residents of this city, who have completed the questionnaire), P2- Calarasi (50 residents of this city), and P3- Ruse (54 residents of this city). For space reasons, in all the other tables we used the short form of the presentation: P1, P2, P3.

The first aspect to follow was to identify if the individuals from the samples are permanent citizens/ residents of Constanta/ Calarasi/ Ruse.

Table 1. Centralized and processed data from the questionnaires

Project partners	Yes	No	Total
P1-Constanta	50 (100%)	-	50
P2-Calarasi	49 (98%)	1 (2%)	50
P3-Ruse	54 (100%)	-	54
Total	153 (99%)	1 (1%)	154 (100%)

Source: own research

It can be observed that from the total sample of 154 individuals, 153 (which represents a percentage of 99%) are permanent residents of the project partner cities. Only one person, from Calarasi, is not a resident of this city.

We have determined, next, if the individuals from the selected sample consider that the presence of the port has an influence on the economic and social-cultural life in their city.

Table 2. Centralized and processed data from the questionnaires

Project partners	Yes	No	Total
P1	50 (100%)	-	50
P2	47 (94%)	3 (6%)	50
P3	50 (92%)	4 (8%)	54
Total	147 (95%)	7 (5%)	154

Source: own research

In a very large proportion, 95% of the total number of questioned individuals, consider that the presence of the port influences the economic and social-cultural life of their city.

The highest percentage (100%) can be found at the inhabitants of Constanta. An explanation could be the fact that this city has the largest port of the country, both sea port and fluvial, owing to the link between Constanta Port and the Danube, through the Danube-Black Sea Canal, reason for which its influence on the economic and social-cultural life is considerable.

We have searched, next, if the residents of these cities feel connected to port life.

Table 3. Centralized and processed data from the questionnaires

Project partners	Yes	No	Total
P1	37 (74%)	13 (26%)	50
P2	30 (60%)	20 (40%)	50
P3	24 (44%)	30 (56%)	54
Total	91 (59%)	63 (41%)	154

Source: own research

More than a half, respectively 59% of the researched sample (154 individuals), consider that they feel connected to port life. The feeling is more powerful for the residents of Constanta, who responded affirmatively in a percentage of 74%, and also for the residents of Calarasi, who responded affirmatively in a percentage of 60%.

A different situation was found at the residents of Ruse, where a percentage of 56% of the questioned individuals responded negatively, considering that they do not feel

connected to port life.

For an intimate knowledge on this aspect, the individuals who responded affirmatively also stated the ways through which they consider that the connection with the port is being realised.

Table 4. Centralized and processed data from the questionnaires

Project partners	The port – working place for the family		The port – business opportunity		The port – specific lifestyle	
	Yes	No	Yes	No	Yes	No
P1 (37-yes)	24 65%	13 35%	34 92%	3 8%	32 86%	5 14%
P2 (30-yes)	4 13%	26 87%	22 73%	8 27%	17 57%	13 43%
P3 (24-yes)	11 46%	13 54%	22 92%	2 8%	-	-
Total 91	39 43%	52 57%	78 86%	13 14%	49 73%	18 27%

Source: own research

On what is concerning this aspect, the answers stated by the inhabitants of these three port-cities are quite different.

The analysed persons from Constanta considered, in a percentage of 65%, that the port represents a working place for their families, 92% appreciated that the port represents a business opportunity and 86% answered affirmatively regarding the influence of the port on their specific lifestyle. These percentages recorded in Constanta are the highest compared to the values recorded by the other partners of the project. We can explain this through the fact that Constanta port, being the largest one on the economic extent, generates much more jobs, more families have one member who conducts an activity inside the port, becoming therefore much more connected to the port, both under the economic aspect (as a source of revenue and business opportunities) and under the social aspect (belonging to the port community and to a specific lifestyle).

The inhabitants of Calarasi answered quite different: for a percentage of only 13% the port represents a working place for their families (probably because of the limited activity of this port), but 75% appreciated that the port represents a business opportunity (which shows high expectations

of the population), and 57% consider that the port has an influence on a certain specific lifestyle.

A particular situation was found at the inhabitants from Ruse, who have not responded in any way regarding the influence of the port on a specific lifestyle, which should raise many questions for the local authorities. Even in this situation, the residents of Ruse, in a percentage of 46%, appreciated that the port represents a working place for their families, and 92% considered that the port represents a business opportunity.

We can remark that in very high percentages: 92% for Constanta, also 92% for Ruse and 73% for Calarasi, the individuals from the selected sample consider that the presence of the port in their cities is a business opportunity. This aspect shows the perception of the population of these cities, respectively that the port activity, compared to other activity fields, is more attractive for business. Also, the expectations of the population regarding the development of the port activity are much higher than for other activity fields.

The people who answered that they do not feel connected to port life, mentioned which are their expectations in this direction.

Table 5. Centralized and processed data from the questionnaires

Project partners	The involvement of the port in the financial support of the city		Imprinting a specific lifestyle for the inhabitants		Other expectations
	Yes	No	Yes	No	
P1 (13)	11 85%	2 15%	11 85%	2 15%	-
P2 (20)	16 80%	4 20%	19 95%	1 5%	-
P3 (30)	16 53%	14 47%	26 87%	4 13%	-
Total 63	43 68%	20 32%	56 89%	7 11%	-

Source: own research

At the whole sample's level, 68% of the respondents considered that the port should be involved in the financial support of the city. The highest expectations were found at the inhabitants of Constanta (85%) and also at the inhabitants of Calarasi (80%). High

and similar values were found at all the partners (P1=85%, P2=95%, P3=87%), regarding the expectation that the port should determine a specific lifestyle for the inhabitants.

The residents of the three cities, who answered affirmatively regarding the aspect that the port activity should determine the economic activity, measured the value of this influence.

Table 6. Centralized and processed data from the questionnaires

Project partners	The port activity determined the economic activity of your city:				
	Very great extent	Great extent	Some extent	Little extent	Very little extent
P1 (43-yes)	26	12	4	1	-
P2 (47-yes)	9	17	17	2	2
P3 (53-yes)	12	27	10	4	1
Total 143	47	56	31	7	3

Source: own research

We have chosen as a method of scaling, the semantic differential with five levels [4]. The mathematical calculation specific to this method was done based on the opinions formulated by the individuals in the sample. [5]

The calculated values for every partner show different appreciations regarding the influence of port activity on the economic activity.

The value of 4,46 for P1 (Constanta) is situated between „great extent” and „very great extent” appreciations.

For P2 (Calarasi), the value of 3,61 is situated between „some extent” and „great extent”.

The value of 3,90 for P3 (Ruse), corresponds with „great extent” appreciation.

At the whole sample's level, the value of 3,99 shows that the port activity determines in „a great extent” the economic activity.

Hereinafter, we aimed to know whether the individuals from the selected sample consider that the port activity influenced the development of activities from other economic sectors of their cities.

Table 7. Centralized and processed data from the questionnaires

Project partners	Yes	No	Total
P1	42 (84%)	8 (16%)	50
P2	35 (70%)	15 (30%)	50
P3	53 (98%)	1 (2%)	54
Total	130 (84%)	24 (16%)	154

Source: own research

It can be observed that for the whole sample, 84% of all the people answered affirmatively, considering that the port activity has influenced the development of activities of other economic sectors of their cities.

The individuals who responded affirmatively expressed their opinion on the port influence on the development of some activities of other economic sectors.

Table 8. Centralized and processed data from the questionnaires

Project partners	Trans-ports and infra-structure		Construc-tions and ship repairing		Fishing and fish proce-ssing		Leisure tourism		Food service	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
P1 (42-yes)	39	3	40	2	30	12	37	5	34	8
P2 (35-yes)	30	5	8	27	28	7	28	7	12	23
P3 (53-yes)	46	7	47	6	34	19	42	11	23	30
To-tal	115	15	95	35	92	38	107	23	69	61

Source: own research

Table 9. Centralized and processed data from the questionnaires

Project partners	Trans-ports and infra-structure		Construc-tions and ship repairing		Fishing and fish proce-ssing		Leisure tourism		Food service	
	Yes %	No %	Yes %	No %	Yes %	No %	Yes %	No %	Yes %	No %
P1 (42-yes)	92	8	95	5	71	29	88	12	81	9
P2	86	14	23	77	80	20	80	20	34	66

(35-yes)									could provide advantages for the development of tourism in general, but also of some particular tourism forms, characteristic for these port-cities, which may attract also other segments of tourists.
P3 (53-yes)	86	17	88	12	64	36	79	21	43 of 57
Total	88	12	73	26	71	29	82	18	53

Source: own research

From the analysis of the dates of these two tables, it can be observed that the port influence on the development of some activities from other economic sectors is perceived in different ways by the inhabitants of these cities.

The activity from transports and infrastructure is considered to be influenced by the port activity in high percentages at all the three partners: P1=92%, P2=86% and P3=86%.

For the constructions and ship repairing activity, we can observe a big gap between Constanta's residents appreciations- 95% and Ruse's- 88%, who responded affirmatively, and the inhabitants of Calarasi, who gave the same answer in a proportion of only 23%. In this case, also, we can assume that Constanta port, being the largest, has the capacity and the facilities needed to develop this activity.

On what is concerning fishing and fish processing activity, the percentage values expressed by the three partners are relatively close: P1=71%, P2=80% and P3=64%. Note that, this time, we find the highest percentage (80%) at the residents of Calarasi, which shows that here, the influence of port activity on fishing and fish processing is the strongest. An interesting fact is that, although there were recorded high percentages at the inhabitants of Constanta and Calarasi regarding the port influence on this activity, actually, in these two port-cities, there are no more economic units conducting fish processing activities. Probably the inhabitants assimilated fish processing activity with food service activity.

High and similar values of the affirmative answers were found at the leisure tourism activity: P1=88%, P2=80% and P3=79%, which demonstrates that the residents of the three cities consider that the port activity has a significant influence on tourism, in general. For the local authorities and the economic agents from the tourism sector, is preferable to know this aspect, because the enhancement of some concernings in this activity field,

port activity has influenced the food service in a high percentage of 81%, while for the inhabitants of Calarasi the percentage was of only 34%, and the residents of Ruse gave affirmative answers in a percentage of 43%.

At the whole sample's level, we can conclude that the most influenced activities are the transports and infrastructure (88%) and the leisure tourism (82%) .

The individuals from the sample were asked to mention whether the development of the cross-border cooperation inside the EU space is opportune.

Table 10. Centralized data from questionnaires

Project partners	Yes	No	Total
P1 (50-100%)	42 (84%)	8 (16%)	50
P2 (50-100%)	44 (88%)	6 (12%)	50
P3 (54-100%)	49 (91%)	5 (9%)	54
Total	135 (88%)	19 (11%)	154

Source: own research

At the whole sample's level, in a percentage of 88%, it has been considered that the development of cross-border cooperation inside the EU is opportune.

These individuals, who responded affirmatively, measured the importance that investment opportunities and cross-border programmes/projects present, regarding the development of the cross-border cooperation inside the EU space.

Table 11. Centralized data from questionnaires

Project partners	The importance of investment opportunities				
	Very high	High	Medium	Low	Very low
P1 (42-yes)	29	11	2	-	-
P2 (44-yes)	27	10	6	1	
P3 (49-yes)	23	22	2	2	-
Total 135	79	43	10	3	

Source: own research

For the processing of the answers, we have also used, as a method of scaling, the semantic differential.

The calculated values for each partner are: P1(Constanta)=4,64, P2 (Calarasi)=4,43 and P3(Ruse)=4,35.

These values, but also the value recorded for the whole sample, which is of 4,49, are situated between "great extent" and „very great extent" appreciations.

Table 12. Centralized data from questionnaires

Project partners	The importance of cross-border programmes/projects				
	Very high	High	Medium	Low	Very low
P1 (42-yes)	7	12	3	-	-
P2 (44-yes)	24	9	10	1	
P3 (49-yes)	4	29	5	1	-
Total 135	65	50	18	2	

Source: own research

The importance of cross-border programmes/projects was differently appreciated by the three partners. The highest value was awarded by the residents of Constanta (P1=4,57), which represents an importance situated between „great extent" and „very great extent". This value is followed by the one awarded by the residents of Calarasi (P2=4,27), and the one given by the inhabitants of Ruse (P3=4,14), values which correspond with „great extent" appreciation.

4. Conclusions

The marketing research conducted in the "Danube Spirit In Port Communities" project, Romania-Bulgaria Cross-Border Cooperations Programme 2007-2013, led us to the following conclusions:

- It is appreciated that, in a percentage of 95%, the presence of the port influences the economic and social-cultural activity of the three partner-cities involved in the project;
- The calculated value of the impact of the port activity on the economic activity is of 3,99, which corresponds to „a great extent" appreciation on a five level scale used in the research;
- It was determined that the strongest

influence of the port activity is perceived by the activities from transports and infrastructure (88%), and leisure tourism (82%), but we should also mention the activities of constructions-ship repairing (73%) and fishing-fish processing (71%);

- The inhabitants of the three cities feel connected with the port, in a percentage of 59%, considering that it has an influence on their economic, social, and cultural life. They appreciate that the port determines for them a specific lifestyle (73%), offers them a working place (43%) and represents a business opportunity (86%). Also, they expect the port to be more involved in the social life and in the financial support of their cities;
- The cross-border cooperation in the EU space is appreciated in a percentage of 88% for its role in the development of port activity, which, further, could represent the engine of the economic, social and cultural development of these partner-cities from the project.

We consider that the decision-making institutions should be acquainted with the conclusions drawn from this research, and more than that, this conclusions should be exploited in order to outline economic development and incentive strategies for a business environment, characteristic to each port-city, partner of this project.

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Decision Analysis Regarding Business Development Strategic Options Using WinQSB Software

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Abstract

Purpose - The aim of this paper is to determine the most efficient strategic alternative in the case of a firm which provides consulting services in crisis management, by taking into account the expected values associated to different levels of supplementary services requests from the part of its customers.

Design/Methodology/Approach - The information about the strategic alternatives related to the business development strategy of the company involved in crisis management consulting services was collected after a discussion session with its manager.

Findings - The determination of expected monetary values associated to the strategic alternatives by means of WinQSB software confirms the hypotheses concerning the feasibility analysis results and the manager's ability to make the right decision from the financial point of view.

Originality/value - Our paper reveals the advantages of the decision making process simulation, which was facilitated by WinQSB software.

Keywords - decision tree analysis, crisis management, information technology, consulting services, expected monetary value

1. Introduction

The management decisions making process using the method of the decision tree are made in the decisional complex situations, in which random events that take place successively are involved. By means of this method, the multi-sequential decisional

processes are described under the form of some diagrams in which the future events condition the decision, determining a set of values concerning the results of each considered decision alternative. [5]

This method provides an extremely useful tool for making operative decisions, being successfully used in the case of a succession of decisions interconnected in time.

Decision tree method in the data mining approach involves several stages: developing an understanding of the application model, selecting a data set on which discovery is to be performed, choosing the appropriate data mining tasks and deployment of the decision tree in the order to select the optimal decision. [6]

Decision tree models are the transition point from the structuring phase to the evaluation phase of the decision analysis process. The issues generated during the business assessment and the decision hierarchies are important for the foundation of the decision tree model. [8]

Because the consequences of each decision are not known with certainty, the choice of the most beneficial decision and its value is typically calculated based on the values of each possible result multiplied by the probability of that result. Thus, the standard presentation of decision tree analysis bases the decision on the expected monetary value (EMV) of the alternatives.[4]

Calculating the expected monetary value of each possible decision path is a way to quantify each decision in monetary terms. Determining expected monetary value by using decision trees is a recommended tool and technique for quantitative risk analysis.[7]

Decision support systems can aid human cognitive deficiencies by integrating various sources of information, providing intelligent

access to relevant knowledge, and aiding the process of structuring decisions. They are especially valuable in situations in which the amount of available information is prohibitive for the intuition of an unaided human decision maker and in which precision and optimality are of importance.[3]

2. Application of the decision tree method in the decisions modelling process within a company providing crisis management consulting services

Crisis management is the art of making decisions in order to mitigate the effects of such an event, often while the event itself is unpredictable. The organizations must allocate time and resources to design a crisis management plan before they experience a crisis. Crisis management in the face of a crisis includes identifying the real nature of a current crisis, intervening to minimize its negative effects and recovering from the crisis. Crisis management often includes strong focus on public relations to eliminate as much as possible any damage to public image and assure stakeholders that recovery is underway.

Gathering the definite elements of the research domains (making decisions by means of the decision tree and crisis management consulting services), we considered appropriate the emphasis of the choice manner between a development strategy and an outsourcing strategy.

We applied the decision tree method to a company, which provides consulting services in view to help an organization to implement a recovery strategy based on emergency operations plans by means of a customized training and exercise programs

The consulting company manager where we carried out the survey considers that his business unit can't face any longer the supplementary requests of the customers regarding crisis management consulting services and analyzes three decisional alternatives that can lead to the solution of the customers' requests:

- ♦ Rental of a supplementary office within a Business Center and hire of three new consultants, in view to satisfy the higher demand of crisis management consulting services;
- ♦ Rental of two supplementary offices within a Business Center and hire of five new consultants, in view to satisfy the higher demand of crisis management consulting services;
- ♦ Outsourcing of the supplementary consulting services to other companies, receiving a fee for each additional consulting service from the part of the partners.

The company manager gives the financial department the task to carry out a feasibility analysis concerning the profits or the losses predicted according to different levels of the supplementary consulting services requests (60, 80 and 100 requests). (Table 1)

Table 1 - The forecasted profits or the losses according to different levels of the supplementary crisis management consulting services requests

Decisional alternative	60 supplementary consulting services	80 supplementary consulting services	100 supplementary consulting services
Rental of a supplementary office within a Business Center and hire of three new consultants	- 95.000 EUR	210.000 EUR	345.000 EUR
Rental of two supplementary offices within a Business Center and hire of five new consultants	- 125.000 EUR	165.000 EUR	450.000 EUR
Outsourcing of the supplementary consulting services to other partner companies	45.000 EUR	70.000 EUR	95.000 EUR

Source: Own contribution

The feasibility analysis predicts losses for the situations in which the consulting company will focus its development strategy on rental of one or two supplementary offices and hire of three or five new consultants, by

taking into account a low additional request of only 60 supplementary crisis management consulting services. The decision of outsourcing of the supplementary consulting services to other partner companies doesn't

involve the risk of financial losses, but the predicted profits are much under the limit of the other two decisional alternatives.

As the consulting company manager considers that the event with the highest chance of taking place is represented by the level of 80 requests of supplementary consulting decisions, we will give this event the coefficient of importance equal to 1. In the same time, the consulting company manager thinks that the probability of the other two events (60 or 100 supplementary requests of consulting services) to take place is three times lower, so we will assign them the coefficient of importance equal to 1/3. The determination of the three events' probability to take place involves a process of standardization, which is revealed in Table 2.

Table 2 - The determination of the probabilities associated to the three decisional alternatives

Event	Weight	Standardi- zation	Proba- bility
60 supplementary consulting services	1/3	$(1/3)/(5/3) = 0,2$	0,2
80 supplementary consulting services	3/3	$(3/3)/(5/3) = 0,6$	0,6
100 supplementary consulting services	1/3	$(1/3)/(5/3) = 0,2$	0,2
Total	5/3	-	1

Source: Own contribution

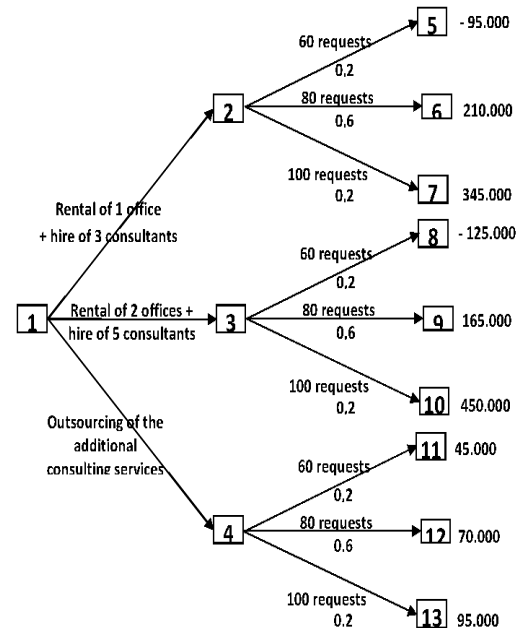
The process of choosing the appropriate decisional alternative is represented by a chart associated to the decision tree formed of nodes (decision and chance results type) and branches. In this situation, the initial node will generate three main branches (corresponding to the three decisional alternatives taken into account by the consulting company manager); from each final node of these three branches, we emphasize other branches associated to the three supplementary consulting services, to which we will assign the probabilities calculated in the table 2. (Figure 1)

In order to determine the optimal decision alternative, we will calculate the expected monetary value (EMV) in the nodes 2,3 and 4:

$$EMV_i = \sum p_i \times V_e$$

EMVi - Expected monetary value in the node "i"
pi - the probability associated to a branch of the decision tree which departs from the node "i"
Ve - the value of the profit or loss in the final nodes.

Figure 1 - The decision tree associated to the three decisional alternatives taken into account by the consulting company manager



Source: Own contribution

The determination of EMV in the nodes 2, 3 and 4 is based on "roll-back" procedure. This procedure supposes the selection of the optimal decision in the last decisional point, according to the maximal mathematical expectancy criteria. [4]

$$EMV2 = 0,2 \times (-95.000) + 0,6 \times 210.000 + 0,2 \times 345.000 = \mathbf{176.000 \text{ USD}} \quad (2)$$

$$EMV3 = 0,2 \times (-125.000) + 0,6 \times 165.000 + 0,2 \times 450.000 = \mathbf{164.000 \text{ USD}} \quad (3)$$

$$EMV4 = 0,2 \times 45.000 + 0,6 \times 70.000 + 0,2 \times 95.000 = \mathbf{70.000 \text{ USD}} \quad (4)$$

In the initial node, we will choose the maximal value between EMV calculated in the nodes 2, 3 and 4, and we will be able to emphasize the optimal decision - EMV2 which corresponds to the rental of a supplementary office within a Business Center and hire of three new consultants.

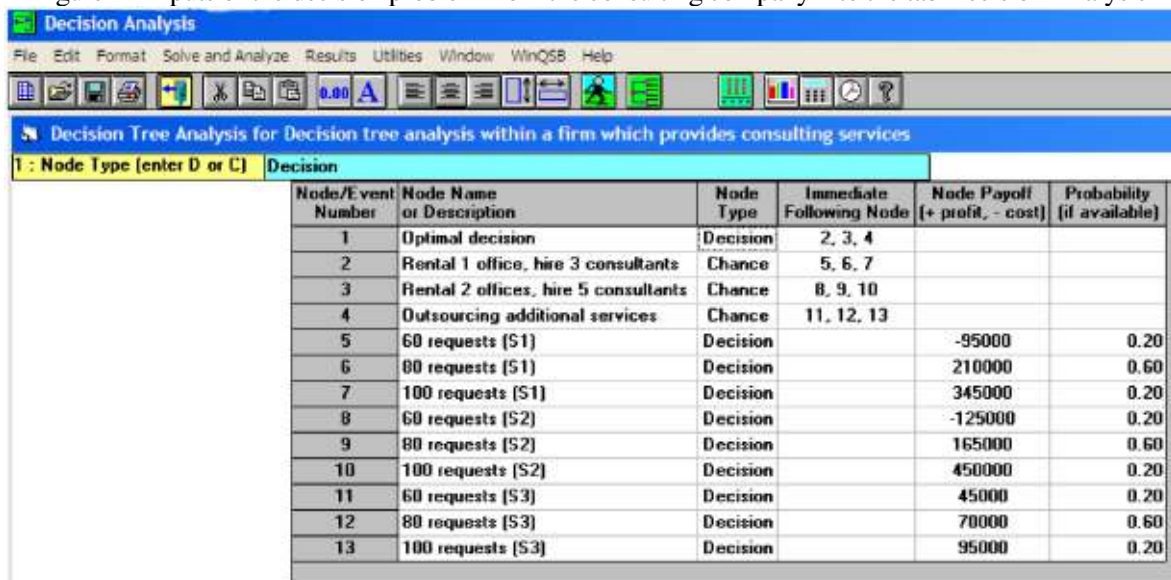
3. The decision problem solving by means of WinQSB software

The application of the decision tree method in the decisions modeling process

within the company specialized in crisis management consulting services (office rental + new consultants hire versus outsourcing) using WinQSB software involves the access of the **Decision Analysis** tab from the module **Decision Tree Analysis**.

The entry database will contain the names of 13 nodes represented in the figure 1, the

Figure 2 - Inputs of the decision problem from the consulting company into the tab Decision Analysis



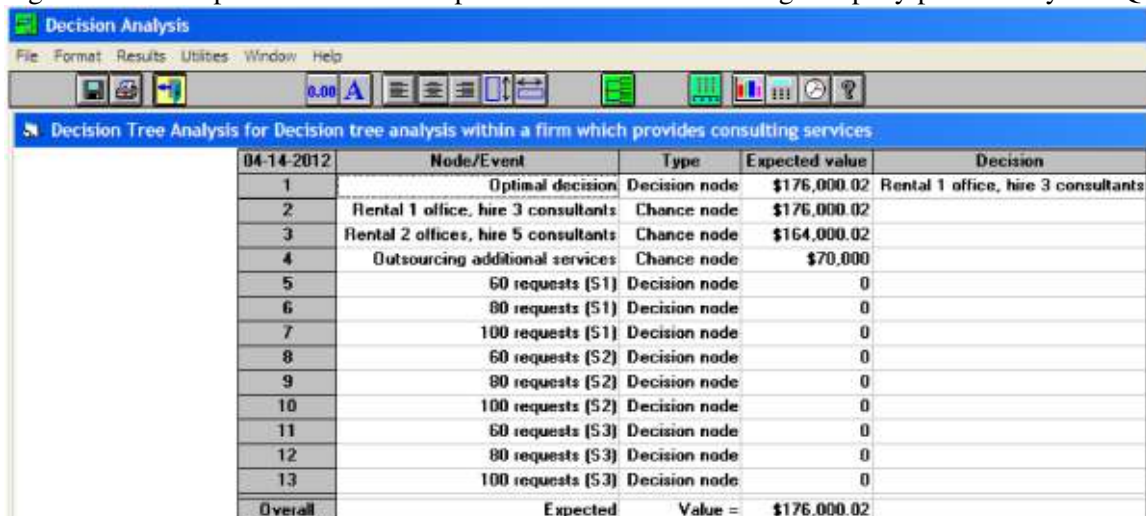
Node/Event Number	Node Name or Description	Node Type	Immediate Following Node	Node Payoff (+ profit, - cost)	Probability (if available)
1	Optimal decision	Decision	2, 3, 4		
2	Rental 1 office, hire 3 consultants	Chance	5, 6, 7		
3	Rental 2 offices, hire 5 consultants	Chance	8, 9, 10		
4	Outsourcing additional services	Chance	11, 12, 13		
5	60 requests (S1)	Decision		-95000	0.20
6	80 requests (S1)	Decision		210000	0.60
7	100 requests (S1)	Decision		345000	0.20
8	60 requests (S2)	Decision		-125000	0.20
9	80 requests (S2)	Decision		165000	0.60
10	100 requests (S2)	Decision		450000	0.20
11	60 requests (S3)	Decision		45000	0.20
12	80 requests (S3)	Decision		70000	0.60
13	100 requests (S3)	Decision		95000	0.20

Source: Own contribution

The solution for this decision problem using WinQSB software involves the determination of the indicator EMV in the nodes 2,3 and 4 by means of the function Solve the problem, in the conditions in which the intermediary decisions are conditioned by

Figure 3 -The outputs of the decision problem from the consulting company provided by WinQSB

the predicted results of the final decisions. The choice of the optimal decision using decision tree method as well as the values of EMV in the nodes associated to the decision alternatives are revealed in the figure 3.



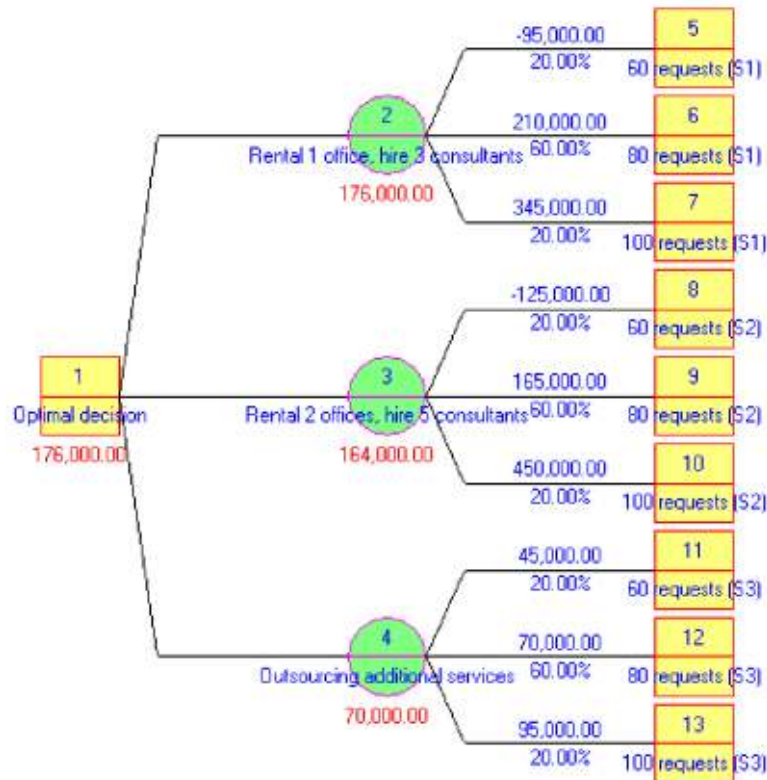
04-14-2012	Node/Event	Type	Expected value	Decision
1	Optimal decision	Decision node	\$176,000.02	Rental 1 office, hire 3 consultants
2	Rental 1 office, hire 3 consultants	Chance node	\$176,000.02	
3	Rental 2 offices, hire 5 consultants	Chance node	\$164,000.02	
4	Outsourcing additional services	Chance node	\$70,000	
5	60 requests (S1)	Decision node	0	
6	80 requests (S1)	Decision node	0	
7	100 requests (S1)	Decision node	0	
8	60 requests (S2)	Decision node	0	
9	80 requests (S2)	Decision node	0	
10	100 requests (S2)	Decision node	0	
11	60 requests (S3)	Decision node	0	
12	80 requests (S3)	Decision node	0	
13	100 requests (S3)	Decision node	0	
Overall	Expected Value =		\$176,000.02	

Source: Own contribution

In order to view the decision tree designed by WinQSB software, the manager of the company specialized in crisis management consulting services can access the function

Show Decision Tree Graph from the tab Results of the module Decision Analysis. (Figure 4)

Figure 4 - Design of the decision tree by the means of the function Show Decision Tree Graph provided by WinQSB software



Source: Own contribution

The alternatives taken into account by the consulting company manager become effective, fact that confirms the initial hypotheses concerning the feasibility analysis results and the manager's ability to make the right decision from the financial point of view.

4. Conclusions

Our model reveals the advantages of the decision making process simulation, facilitated by WinQSB software. Once the optimal decision is found, the consulting company manager can seek to improve that solution by finding ways to relax binding constraints. This model can be personalized to any type of business activity, revealing the interdependences between its variables and constraints and emphasizing the value of the decision tree approach in the formulation of a business problem.

Being aware of the limited explanation power of the WinQSB software application to the consulting company business dynamics, we intend to further design of a decisions-support system, focused on goal seek and optimization patterns analysis, defining target variables according to certain constraints and searching the optimal values by means of what-if analysis.

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An Overview of the Marketing Research Methods Appropriate for Tourism Industry in Romania

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Abstract

The main issues affecting the development of tourism in Romania regard the insufficient promotion of the country as a tourism destination, the human resources and the poor quality of tourism services. In order to tackle these problems it is essential in our opinion to give the due importance to marketing research. Marketing research in the case of services has a series of particular traits dictated by the characteristics of services and is focused on the superior understanding of consumers' needs, perceptions and expectations. Given the recreational nature of tourism, the raising competition among tourism destinations and service providers this focus seems even more legitimate. The paper aims at briefly presenting the most common directions for marketing research at service level and emphasizing the most adequate methods of marketing research that can be successfully employed by the tourism industry in Romania – observation and studies focused on consumer satisfaction.

Key words: marketing research, tourism services, tourism industry, Romania, customer satisfaction

J.E.L. Classification: M31

1. Introduction

The main issues Romanian tourism has been confronting with during the past years

seem to regard in particular the insufficient promotion of the country as a tourism destination, the human resources and the poor quality of tourism services. In order to efficiently evaluate and manage these issues it is necessary in our opinion to grasp the expectations, preferences and opinions of tourism customers which can only be obtained through an active, adapted, and consistent marketing research activity.

In this paper will shall explore the main characteristics of marketing research in services and point out the methods that are in our opinion the most suitable for the needs of tourism industry in Romania.

2. The main particularities of marketing research at services level

Services are characterized by a series of features that differentiate them from goods and have a strong impact on marketing activity in general and on marketing research activity in particular. These characteristics commonly described as intangibility, inseparability, variability, perishability and the inability to own services lead to certain implications and consumer reactions:

- Intangibility makes the evaluation of competing services extremely difficult, the consumers perceive a higher level of risk, while the price becomes a key factor in assessing quality;
- Inseparability transforms consumers in partners in service production;
- Variability has as direct consequence the difficulty to maintain a certain level of

quality, which in turn poses serious questions regarding brand creation and consolidation;

- Perishability stands for the impossibility to store services and consume them at a later date. In case of most services (and particularly obvious in the case of tourism) it involves a flexible and sometimes visionary management of demand and supply.

Given the above mentioned particular traits of services marketing research should focus on the superior understanding of consumers' needs, perceptions and expectations.

The most important directions for marketing research in services should be [1]:

- To discover which features of services are of most importance to consumers;
- To understand the level of these features that customers expect;
- To find out what customers think the company can and should do when problems occur in service delivery.

As with marketing research in the case of tangible goods, the first stage in designing marketing research is defining the problem and setting the research objectives. The most common objectives in marketing research are considered to be the following [1]:

- To discover customer requirements or expectations for service;
- To monitor and track service performance;
- To assess overall company performance compared with that of the competitors;
- To assess gaps between customer expectations and perceptions;
- To identify dissatisfied customers, so that service recovery can be attempted;
- To gauge effectiveness of changes in service delivery;
- To appraise the service performance of individuals and teams for evaluation, recognition, and rewards;
- To determine customer expectations for a new service;
- To monitor changing expectations in an industry;
- To forecast future expectations of customers.

One may notice that several of the formulated objectives of the marketing research in services are similar to those formulated in the case of tangible goods. There are also elements specific to services resulted from the particular features of services and the implication of the human factor in creating and delivering services, the strong interdependence between service performance, quality and the human resources being obvious. Two main specific elements that differentiate services marketing research from tangible goods marketing research should be given due attention [1]:

- The necessity to perform the marketing research on a continuous basis, given that services are variable and services performance is conditioned by human factor performance;
- The necessity to monitor the gap between expectations and perceptions, which is dynamic due to the permanent fluctuation in both expectations and perceptions.

3. The raising importance of marketing research in tourism

In the past, marketing research has not been given its due importance in tourism industry and has only seldom been used. Several factors may be regarded as responsible for this poor utilization of marketing research in tourism: given the fast development of the tourism market, the marketers needed to react rapidly therefore relying on their judgement rather than on marketing research; restrictions imposed by official regulations and also a far too great importance of price combined with weak branding [2].

Recent years however consecrated marketing research as extremely useful for adopting sound marketing decisions in tourism. The driving forces that led to the coming into prominence of marketing research in tourism include:

- The tourism industry has known unprecedented growth and dynamism and proved a great resilience when faced with economic recessions;

- Tourism services consumers have become increasingly sophisticated and demanding;
- Customers have higher expectations;
- The tourism market is characterized by fierce competition;
- The development in communications industry have facilitated the consumers access to information;
- The development of computer software that enables the fast and accurate processing of data resulted from the research.

4. Methods and techniques suitable for marketing research in tourism industry in Romania

The main objectives of the Multiannual Program of development of tourism destinations, forms and products [3] elaborated by the ministry refer to the necessity to increase the quality of tourism services in Romania and the improvement of staff training. In fact, these two issues are the most commonly discussed problems of the Romanian tourism. Given the particular problems faced by the Romanian tourism and based also on previously conducted research on tourist satisfaction [4] we believe that the most efficient research methods in the present context are:

- The observation (it can be employed either without implication or through the mystery shopper technique), and
- Studies focused on consumer satisfaction (analysis of complaints, post-transaction survey, and the study of future expectations).

I. The observation

The observation allows the researcher to notice the quality of products and services, the localization, the ambiance and the general atmosphere, prices and, extremely important, the employees' attitudes and behaviour. We feel that it is essential for the researcher to observe not only the employees' general attitude and interaction with the customers (politeness, kindness, thoughtfulness, efficiency, the implication in service

presentation and brand promotion etc.) but also their interaction with each other. Subsequently, the researcher can formulate best practice examples and recommendations regarding the behavioural elements in need of improvement.

The mystery shopper technique is in our opinion even more useful and offering because it gives the mystery shopper the opportunity to create a certain situation, attentively observe the development of the process and the behaviour adopted by the employees and record the strength and weaknesses of the approach. It is particularly useful in places where there are many customers present, such as hotels and other lodging facilities, restaurants etc.

II. Studies focused on consumer satisfaction

The reason we selected studies focused on consumer satisfaction as one of the most relevant methods in tourism marketing research is based on the reality that consumer satisfaction is a concept closely related to services quality. Without neglecting the impact of other factors on quality assessment and delivery, we feel that customer satisfaction is essential for a sound marketing approach. After reviewing the relevant literature we decided that the most suitable research techniques in this respect are the analysis of complaints, the post-transaction survey, and the study of future expectations.

A. The analysis of complaints

It represents an endeavour that leads to analysis and reparation of problems occurred in service delivery provided that it is conducted with due exactness and necessary frequency. In order to obtain satisfactory results that can constitute a foundation for adopting necessary measures it is required that the number and nature of complaints formulated by customers be registered on a continuous basis. Subsequently, the management can act to solve the most frequent problems. While it goes without saying that tourism companies should solve the complaints received in an operative manner and in the shortest time possible, the analysis of complaints represents a subsequent phase, the one that follows the effective problem solving and requires a careful

categorization of the problems in order to identify a certain pattern that can eventually lead to the elimination of the generating cause. In tourism, most commonly the complaints can be gathered from the organization employees that are in direct contact with customers but also from institutions and organizations that customers directed their complaints to.

B. Post-transaction survey

In the case of the Romanian tourism the main advantage of this method is that because of the time of the survey (shortly after service consumption) the response rate can be very high. Also, the method benefits from quite actual and up to date information about the personnel involved in service delivery, the customer satisfaction, the main strengths and weaknesses of the organization or service. Since the experience is quite fresh in the mind of the consumer they can provide details that probably could not be provided at a later date. The continuous basis of this survey offers the possibility to gain a close and trustworthy image on customers' perceptions and propels the personnel to take particular care of their attitude and behaviour knowing that they are permanently evaluated. Moreover, the method contributes to raising consumer satisfaction, the consumers being assured they are treated with consideration not only before but also following the transaction.

C. The study of future expectations

If the methods previously presented focused on improving the quality of current services, the study of future expectations is a method useful for the organization development and for its survival in a fiercely competitive market such as the tourism market. The constant and rapid changes in consumer tastes, preferences and expectations, and the spectacular dynamism of tourism industry has determined tourism organizations to permanently seek new opportunities and ways to create a competitive advantage by offering their customers new, fashionable, up to date services, adapted to their tastes and preferences. To this end, it is essential for tourism organizations to conduct studies regarding customers' future expectations in order to identify the traits

and characteristics of new services to be developed or to identify future characteristics to enrich existing services.

5. Conclusions

Although the tourism potential is extremely offering Romania has yet a long way to go to become a successful tourist destination. It is our strong belief that several problems that deterred the tourism development require sound and consistent marketing research activities. The paper aimed at presenting the main particularities of marketing research at service level and identifying the most suitable research methods that can be employed by the tourism industry. Considering the general issues Romanian tourism is confronted with, the most adequate and relevant methods identified were the observation and several studies focused on consumer satisfaction.

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Quality on Accommodation Services' Market Case Study: Classic Inn Hotel – Brasov

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Abstract

In terms of accommodation services diversification, nowadays, the hotel services do not limit only at the accommodation service and is complemented by additional services, being the result of combining a variety of activities.

The range of additional services beside accommodation is almost unlimited and hard to divide in relation to the basic function. Their variety is dependent on the conditions offered by technical material equipments in terms of the construction type, equipment degree, comfort category.

Quality is an important factor on the hotel services market and that is why, in this article, the quality of services within Classic Inn hotel from Brasov is analysed.

Keywords: quality, hotel services, quality strategies

JEL Classification: M1, L83, L11

1. Introduction

Starting with the years '50 of the previous century, quality has become a notion more frequently used in business environments. The quality sustains the competitive advantages of a company [2]. Managers of companies from travel industry and tourism, employees, consumers, all want this quality, but recognize that it is difficult to identify and assess in a correct manner the multiple dimensions of quality [5]. The basic demanding on quality is the importance given to quality factor in the overall strategy of that enterprise, and the capacity and availability of employees to consider quality

management as a process of continuous improvement [1].

Quality awareness should start with the clear identification of customer requirements, regulatory requirements (norms, laws, applicable standards) and continuing with all other internal processes of the company involved in developing the product/ service [3].

2. The presentation of the hotel Classic Inn from Brasov

The classic Inn is situated in Scheii Brasovului, at the foot of mountain Tampa, having a wonderful view and privacy.

The hotel has a structure arranged in three buildings : Building A, B and C, with rooms, suites and apartments endowed accordingly for the 3* category, providing specific services, having reception and food space inside.

The hotel has 3-4 accommodation places newly built, equipped with furniture and installations inspiring sophistication and good taste.

- 2 single rooms;
- 14 double standard rooms;
- 10 double superior rooms;
- 5 suite;
- 3 apartments.

The conference room is on the ground floor and has a capacity of 80 places being equipped with all the facilities required (projector, screen, sound) proper for business meetings or conferences of any type. The Classic Inn Hotel, beside the accommodation services, offer the tourists an elegant restaurant, an intimate library, lobby band, a game room and a terrace. The library, called „The reading corner” is situated in a quiet

area of the hotel where customers can enjoy in silence the volumes of international and romanian literature and can write their correspondence at a small desk without being disturbed. On the last floor, there is a place for games and entertainment. Also, it can be found the playroom where children are left under the supervision of a babysitter.

The Classic Inn hotel is an alternative at popular hotels with a big number of rooms, but impersonal, from town. The strategic location of the hotel allows the customers to be in the same time in the center of the town and in a calm and ventilated area, at the foot of mountain Tampa.

Because of the specialists in cuisine, the restaurants' offer can satisfy any taste. The special atmosphere of the large restaurant of 100 places, offers the perfect framework for the succesful organization of festive dinners, reunions and business meetings.

The restaurant has a well trained staff, very polite and skillful.

From the quality point of view the hotel Classic Inn applies the following strategies : strategies oriented towards product differentiation and strategies based on technological advantage.

The Clasic Inn hotel is different in comparison with its competitors because it has a market segmentation well defined, exclusively targeting the business customer segment and those with incomes above average at national and international level. The tourism product offered is different because of very good services, attention towards details and classic atmosphere of location.

The hotel wants to improve the offer by arranging a diversified playground for children, targeting also the customers with families looking for a safe, quiet location and with quality services but also a SPA center for tourists relaxation which can contain an outdoor swimming pool with hot water for cold winters.

Strategies based on technological advantage, oriented on acquiring high technology, ensures lower costs and a higher quality of services and, implicit, a competitive advantage for the company. In order to keep pace with the continous trends of technology renewal, the hotel has equipped the rooms with Philips TV sets and air conditioning devices, an industrial

dishwasher, refrigerating systems and new electronic equipments for the conference room with a capacity of 85 places.

3. Research regarding the assessment of services quality in Clasic Inn hotel from Brasov

The quality of services offered by Classic Inn hotel from Brasov was determined by using this research with the questionnaire specific to Servqual method which was applied for 10 persons. The indicators of quality of services offered by this hotel were calculated and the results were interpreted.

Servqual is the most used method for the assessment of services quality and was experienced in a variety of specific frameworks (professional services, health services, tourism services, transport services, electronic library services, IT services, telecommunication services).

In the original version the authors have identified 10 dimensions of the services quality, subsequently grouped, on the basis of results obtained from other experiments in 5 categories:

- Tangibles: physical facilities, equipments, staff and promotional materials (the proof of physical existence of the service);
- Reliability: capacity to provide the service in a correct manner, safe and at the performance level promised;
- Responsiveness: the desire to help the customers and to provide them the service promptly;
- Assurance: capacity to inspire safety and trust to the customers, and the efficiency, respect and honesty of the employees;
- Empathy: treating with due care each customer, the ease of contact and communication with the customer.

The procedure of measurement and assessment of the service quality using Servqual method consists of the following main steps:

Step1. Establishing the requirements regarding the quality of service.

According to the field of reference for the service, it is adapted the significance of the five dimensions SERVQUAL and the content of attributes from each dimension is reformulated.

Step 2. Collecting data based on questionnaires and interviews.

In order to collect data, the questionnaire technique is used. Usually, two assessment questionnaires are used: first questionnaire where are recorded „Customers expectations regarding the quality of service” and second questionnaire measuring „Customer perceptions regarding the quality of service”

Step 3. Calculation and determination of the service quality indicators.

Data collected using questionnaires are systemized and arranged in a format which allows the calculation and determination of the service quality indicators

Step 4. Presentation and interpretation of results.

The results obtained from the measurement and assessment process are written in an assessment report.

Regarding the final result of assessment – the indicator „service quality” expressed as the difference between perceptions and expectations – interpretation is the following:

- positive values show a service better than expected;
- negative values show a weak quality;
- zero value signifies a satisfactory level of quality.

The sample of this marketing research consists of 10 persons according to relevant features for the Servqual type research (gender, age, place of residence, occupation and education).

Regarding gender, at the research have participated 6 men and 4 women. Of these, 2 persons were in the age group 20-29 years, 4 persons were in the age group 30-39 years, 3 persons were in the age group 40-49 years and one person was aged between 50-59 years.

Regarding place of residence, 4 respondents were from Bucharest, 2 from Sibiu, 2 from Focsani, one from Craiova and one from Baia Mare. The structure of the sample taking into account education is the following: 7 persons with secondary education and 3 persons with higher education.

After the calculation and determination of indicators for the quality of services offered by the Classic Inn hotel it can be noticed in figure 1 the ranking of dimensions influencing the quality of these services.

Figure 1 Dimensions' ranking

Nr.in ranking	Dimension	Average value of service's quality
1	Empathy	1,2
2	Receptivity	0,7
3	Tangibility	0,4
4	Trust	-0,7
5	Fiability	-1,9

Source: Serqual research

The first place is occupied by „Empathy”, which means that the employees of the Classic Inn hotel pay attention to each customer, having an ease in contact and communication with each customer.

On the second place is „Receptivity”, the customer giving a higher attention to it, but the hotel is facing some difficulties in the desire to help customers and to provide them the service promptly.

On the third place is the factor „Tangibility”, which means that the hotel's activity does not focus enough on the physical evidence of service.

On the fourth place is „Trust”. This factor is based on the ability of the hotel to inspire trust and safety for its customers, and also proficiency, honesty and respect from employees.

Last place is taken by „Fiability”. Here comes a rather large and obvious discrepancy if this factor should have the highest importance in customers attention, after the determination of quality of services offered, it ranks last. Hence it can be concluded that the hotel has big problems regarding the ability to provide service in a proper and safety manner, and always at the quality level promised to the customers.

As a conclusion, the average values of the quality of services offered by Classic Inn are positive and negative, but all have low values, which means that the respondents were less dissatisfied by the services offered by the hotel, in comparison with their expectations. This situation is due to the fact that the hotel Classic Inn is a new hotel and has to work more at weaknesses.

4. Conclusins

Through the strategies adopted by the hotel the managers will foresee a certain

level and a certain structure of quality. The most important issues are the customers expectations and the impression they had before about the level of service [4]. All these elements enhance subtlety and complexity of quality in services.

The development and quality of tourism services are primarily dependent on the existence of a suitable technical equipments, with appropriate facilities, which can offer tourists optimal conditions and which can perform, in certain cases, other functions. Secondly, the tourism services are influenced by qualification and training of staff from the accomodation and public food units and from the treatment facilities and recreation. In this framework, the unproper training of the staff negatively influences the quality of tourism services.

In order to improve the quality of services offered by the hotel and to have a competitive advantage against stiff competition on the tourism market from Brasov, the manager of Classic Inn hotel should target the following objectives:

- The increase of the hotel's services quality by trying to understand customers' problems;
- The efficiency increase and the reduction of time for solving the problems mentioned by customers;
- The offer of quality products/services (a higher attention should be given to personalized services);

- Providing all the services required by customers and in due time ,

In the Classic Inn hotel it was noticed an effective desire to improve the quality of services by establishing an appropriate organizational framework, the efficient use of human and material resources, of maintaining the existing market segments and of entering new segments in conditions of a strong competition.

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Consumer Behavior Analysis of Braşov Residents Regarding the Choice of Furniture Products Produced by Multinational Companies

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Abstract

The furniture market which is under constant diversification is disputed in Romania by four of the largest retailers namely IKEA, Mobexpert, Kika and Elvila. Although IKEA, the world's largest furniture retailer holds the largest market share in Romania, the expansion strategy of the Austrian retailer Kika triggers the need to conduct market research in order to investigate consumer behavior when choosing furniture, as the results can be used in developing and implementing marketing strategies adopted by the IKEA multinational company.

Key words: market, furniture, strategy, customer, product

JEL Classification: F2, F5, M1, M3

1. Introduction

IKEA is one of the most popular furniture stores, about 10% of Europeans having at least one product in their home purchased from the Swedish company.

Featuring Scandinavian modern style furniture and accessories it includes storage options, lighting, home decoration products, kitchen appliances and pet care accessories.

What began as a small store selling inexpensive furniture to poor residents of Sweden has become one of the most successful businesses today, with more than 300 stores in 35 countries and more than 80000 employees.

Companies that use price as a competitive weapon may use global sourcing to access cheap raw materials or low-wage labor.

Companies can gain economies of scale with high production volumes [1].

If a company is able to offer a combination of superior product, distribution or promotion benefits, and lower price than competitors, it should enjoy a competitive advantage. In this context, it is safe to claim that IKEA products have a competitive advantage regarding the price quality ratio. The Swedish furniture maker made significant gains in the Romanian market because it offered products of higher quality and lower prices than those made by Romanian furniture producers.

IKEA's furnishings come in a range of styles and colors, but the products are generally known for a sleek, minimalist look. In creating these items, IKEA comes up with a price tag first. Everything, from the raw materials to the way the product is delivered, has to be analyzed to meet that bottom line. Production takes place at 1350 suppliers located in Europe, Asia and North America, with China and Poland leading the way in creating IKEA products.

The furniture comes to the store in flat packs that are cheaper to transport. The furniture stays put in that flat pack because IKEA expects some work on the part of the customer to keep the prices low. Customers assemble the furniture at home, though they can arrange for help from IKEA for a small fee.

When people imbue products with their own labor, their effort can increase their valuation. Even assembling a standardized desk, a solitary task, can lead people to overvalue their (often poorly built) creations. Some authors call this phenomenon the "IKEA effect", named in honor of the Swedish manufacturer whose products

typically arrive with some assembly work required [2].

IKEA also keeps costs low by keeping staff to a minimum in the stores, but sometimes the cost depends solely on the location.

The statistician Gabriel Thulin created the IKEA index to compare the prices of IKEA items around the world. He found that people in the United States paid the least for IKEA products, while consumers in Finland paid the most [3].

Despite price differences, however, IKEA furnishings tend to sell well in all locations. The United States is currently IKEA's second biggest sales market after Germany. The average amount that each customer spends on a visit, about 85USD, is also the same in all countries [4].

The retailing industry favors franchising as a market entry mode. Franchising is also a cornerstone of global growth in the furniture industry; IKEA's reliance on franchising to expand globally is a case in point. The furniture giant has a well-known global brand name and a business system that can be easily replicated in multiple country markets.

2. IKEA's marketing policy

Product policy

IKEA develop standardized products marketed worldwide with a standardized marketing mix. The company targets marketing efforts on people who readily accept change. The target segment is young people who buy or rent his houses, families with children from all social categories.

Standardized product strategy does not involve tailoring the product, the price, or the promotional material to suit the requirements of global markets. The only marketing mix element that differs is the "place;" that is, the country where the product is sold. However, the standardized product strategy does not entail complete cultural insensitivity. IKEA is a strong brand that understands that growing globally requires sacrifices and innovation from global teams, and they are ready to listen, respect and learn from the local environment. IKEA stores worldwide offer a range of commodities but also focus on product lines that meet the requirements of local consumers.

IKEA offers a number of extra services that its competitors do not. IKEA's in-store environment and purchasing processes promote greater consumer interest and facilitate the buying behavior of customers. IKEA displays every product and sells in room-like settings that help customers imagine how to put the pieces together. They also provide in-store childcare and extended hours facilities. These services are mainly designed for the customers who are young, not rich, likely to have children, or work for a living and need to shop at odd hours.

Each IKEA store has a restaurant and a bar where people can enjoy IKEA's famed café.

Price policy

IKEA is known for providing high value in terms of creative designs, multiple functionalities and quality at a low price. IKEA mainly targets people who want value at a low prices but are willing to do a bit of work. It can provide quality furniture at low price to its customers by making some trade off.

- Instead of having shop assistants attending customers, IKEA uses a self-service model based on clear in store displays.

- Rather than relying on third party manufacturers, IKEA designs its own low-cost, modular, ready-to-assemble furniture [5].

- Items are provided to customers in flat-packed form, which results in a wide range of supply chain contributions. The flat package reduces the cost of shipping, storing, construction and assembling. It also provides greater transportation capacity and warehouse space [6].

For these reasons IKEA prices are 30% to 50% lower than competing fully assembled products. These low prices are also determined, by purchasing large quantities and cheap space presentation, especially in the suburbs.

IKEA prices vary from market to market due to fluctuations in exchange rates and differences in tax regimes and taxation [7].

Promotion policy

Promotion is based on the company's catalog, website and the IKEA loyalty program. More than 500 million people around the world visited the store's Web sites yearly and the IKEA catalog had a print run

of 175 million copies in 27 languages. The catalog, which made its way to 100 million households in 30 countries, is allegedly printed more than the Bible [8].

Other specialized publications are Smart Kitchen, IKEA View, Professional Office Furniture and IKEA Summer [9].

The global site provides access to all the other local sites, their main function being to provide information about IKEA products and their availability in stores. IKEA advertising in the UK is directed towards drawing attention to its products and to visitor traffic growth in IKEA stores. Some British citizens appreciate its unique style of advertising, others detest it and thus generate many controversies and debates on the topic.

Sales and brand appreciation increased despite IKEA's use of one of the most controversial advertising campaigns in some countries.

Distribution policy

IKEA developed its distribution network worldwide. About 10000 IKEA products are manufactured and shipped to 1600 IKEA stores worldwide through 27 central warehouses and distribution centers. It is able to ensure timely delivery of products to retail stores all over the world by utilizing control points in the distribution cycle [10]. Currently 60% of transport is made by road, 20% by rail and 20% by sea [11]. The main countries of origin for IKEA products are Sweden (14%), China (14%), Poland (8%), Germany (8%) and Italy (6%). Manufacturers' components and finished products are delivered to large deposits, such as the one in Sweden or to one of the 25 distribution centers in 15 countries. In order to facilitate transport IKEA, developed RAIL IKEA the only private railway company in Europe. The final distribution of the products is the customer's responsibility. IKEA does not offer home delivery to the customer, but collaborates with various local companies that offer trucks for rent or furniture assembly services.

It has over 1800 suppliers located in over 50 different nations. IKEA's suppliers are mostly located in low cost nations within close proximity to raw materials and distribution channels. The company possesses a big network of suppliers keen to supply chain processes that helps in gaining industrial knowledge continuously and

enhances information flow facilitation and operational efficiency.

3. IKEA in Romania

On March 21, 2007 the first IKEA store in Romania opened its doors to buyers in Bucharest. The IKEA store in Romania was the 253th to open in the 35th country [12]. Just like other IKEA stores in the world, the Romanian one is operated through store franchise. In Romania the IKEA product range is extended. First, in terms of functionality we find everything we need to decorate our house, from plants and furniture to toys and complete kitchens. Secondly, on account of styles approach, the tastes range covers both elderly and young people. And last but not least, the IKEA range having been integrated, product categories combine functionality with stylish design simultaneously. This is the IKEA concept underlying everything the company does, from creation and transport of the product, until the sale itself in all IKEA stores worldwide.

4. Qualitative Marketing Research

In order to identify the main reasons for buying behavior characteristics of the population of Braşov a qualitative marketing research was conducted on "Criteria for choosing IKEA among families."

This research has resulted in obtaining primary data directly from families in order to clarify their views on making purchases from the IKEA store in Romania.

The qualitative marketing research conducted is a technique of direct communication, the research method chosen was the nominal group [13]. This was conducted on families residing in Braşov, between the 3rd and 14th of May 2013.

The sample consists of 40 families residing in the county of Brasov, categorized according to certain relevant characteristics. Their recruitment was conducted by telephone, using a recruitment questionnaire consisting of 6 questions. Of all respondents, 50% of them aged between 26-45 (20 subjects), 38% fall into the 46-55 years old group (15 subjects) and the lowest percentage corresponds to the over 55 group (5 subjects).

Based on subsequent evaluations, quantitative processing analyses were performed such as, for example, the calculation of average scores and, on their basis several rankings were devised. Data analysis is conducted by means of content analysis.

Information processing was performed using the statistical analysis software package SPSS data 17 - Statistical Package for Social Sciences.

Table 1. Descriptive statistics for the criteria considered by families from Brasov

	N	Minimum	Maximum	Mean
Facilities for children	8	2.00	5.00	3.5000
Discounts	8	2.00	5.00	3.5000
After- sales services	8	1.00	4.00	2.6250
Distance traveled	8	1.00	4.00	2.6250
Quality of products	8	4.00	5.00	4.5000
The diversity of the product range	8	4.00	5.00	4.5000
Ambiance	8	3.00	5.00	4.0000
Parking facilities	8	1.00	5.00	3.2500
Opening hours	8	2.00	5.00	3.5000
Store staff	8	3.00	5.00	4.2500
Complementary services	8	3.00	5.00	4.2500
Reputation of store	8	4.00	5.00	4.5000
The budget allocated	8	4.00	5.00	4.5000
Pre-sales consultancy	8	1.00	4.00	2.6250
Valid N (listwise)	8			

In the horizontal analysis, we calculated, for each criterion, the average score in order to devise their hierarchy and to determine the degree of importance within each surveyed family [14].

Regarding the criteria taken into consideration by families from Braşov when selecting IKEA it should be noted that the criteria "budget", "the IKEA company reputation," "product quality" and "diversity of product range," have an average score of 4.5 points on a scale of 1-5, where 1 stands for "of no importance" and 5 for "of very high importance". This dominant position was confirmed in the calculation of the frequency of citation, which demonstrates that within a family several criteria are taken into account when choosing IKEA.

Demand for various types of products such as paper and plastic bags made of recycled materials has dramatically increased. This change in consumer preferences represents a good opportunity for IKEA to promote research and development initiatives among its suppliers with the aims

of introducing furniture and other types of products made of recycled wood and other recycled materials on the market.

Ranked second, the "additional services" and "store staff" criteria registered an average score of more than 4 points. These criteria ensure a the balance, enabling respondents to obtain relevant information on marketed products, but also a great experience of the buying process through complementary services offered (e.g. the IKEA restaurant). There is an opportunity for IKEA to increase its revenues through offering services ranging from international calling cards to various types of insurances and loans.

The last three positions in the ranking are held by the "after sales service", "pre-sales advice" and "distance traveled" criteria. These scored lowest in the average score, confirming that when families from Braşov go shopping to the IKEA store they are less interested in these criteria.

From the vertical analysis it results that there are differences between families' opinions, which can be explained by the

segmentation performed in the recruitment questionnaire, namely the one regarding age and income.

According to the processing of the data furnished by the interviewed subjects, it appears that they give more importance to holiday budget and product quality. These results coincide with the first two qualitative assumptions made above.

5. Conclusions

Since its beginning, IKEA has been a successful company that has managed to create a powerful brand. Today, IKEA is the most famous international furniture manufacturer with a wide range of products from indoor and outdoor decorative and ending with ready assembled furniture or self-assembly furniture.

In Romania, IKEA has had a great success among families who come to buy furniture due to the affordable prices practiced, owing to innovative promotional schemes and because they offer multiple choice possibilities depending on one's need. The modern management practices also contribute to the company's success. And last but not least, its specialized workforce that provides support for all customers during they purchase of either one or several IKEA products contributes to the clients' choosing the company.

In spite of the fact that IKEA's target market has been middle class to lower middle class people and its strategy has been long-term, IKEA should develop products that are designed for high class people who are sensitive to design and quality and do not care about the price.

IKEA can initiate a service that would allow customers to order customized products for some extra charges. This will help IKEA secure the particular segment of the market that love customization.

Customers are now more concerned about the environment than ever. So IKEA can make products that are environmentally friendly; products that require less wood so the carbon footprint would be kept to a minimum. Having followed this trend IKEA would acquire advantages in the market of

recycled furniture therefore the company would be able to further strengthen its position on the market.

Over the years, the company has realized that it is very important to adapt to the market and to buyers' requirements. Therefore, the IKEA company improves or changes their strategies so as to stay one step ahead of the competition and to attract a larger number of customers from one season to another. IKEA has used various product strategies to bring more quality products, has been involved in environmental protection and has implemented strategies in the event of social or economic crises.

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Benefits of Executing the Controlling Function Using Performance Management Systems

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Abstract

In recent years, the market for on-demand CRM applications suffered especially in the segment of small and medium companies because of the concerns about the cost and the complexity of on request implementations. CRM on demand is a good choice for companies that want to implement standard processes that can use data structures "out of box" with little or not at all internal IT support and does not require complex or real-time integration with back office systems.

However, on-demand CRM software is not always as simple as vendors want us to believe. Customizing can be problematic and interface tools of CRM vendors can not provide desired levels of integration. Implementing a hosted CRM system should not take so much as traditional software packages does, but with very large and complex variants it may take even a year. In addition, some companies that hold sensitive data such as financial services could refuse to entrust control of such data to third parties for security reasons. For these reasons, AMR Research believes that by 2012, hosted CRM applications market will be only 12 percent of the total CRM market.

Keywords: CRM, companies, SCM, ERP

JEL classification: M10, M11, M15, M2, G21

1. Introduction

Gartner Group defines CRM products (Customer Relationship Management) as a business strategy, the end result being to

optimize the profitability, the revenue and the customer satisfaction by defining customer segments, customer satisfaction practices development and implementation of process-oriented client.

Switching increasingly stronger of "traditional" business to electronic media has brought about important changes in the critical area of relationships management between companies and their customers.

Customer Relationship Management can be defined in the following ways: a process for implementing a business strategy that places the customer at the center, which, in a "chain reaction" causes the redefining of all functional activities - this involves new work processes, only possible using information technology; as an extension of the selling concept on an ongoing process, considered equally art and science, of collecting and using customer information in order to "educate" the loyalty - which is impossible without appropriate technology; strategy for selecting and maintaining customers, for their value to the firm to be optimal; this involves a business philosophy that puts the customer at the center by all processes; the success is possible if and only if the leading team, appropriate strategy and organizational culture act simultaneously; specific management approach that places the customer at the heart of business processes and practices, the aim of this approach is the increase in profit and productivity; an entire business process orientation to its exterior, on customers, which involves understanding customer needs and process management within the firm, to develop and maintain customer relations [1].

Information about customers is the essence of CRM. Although the development

and maintenance are important, clear and well structured data about customers is vital. Unfortunately, many businesses do not pay enough attention to the importance of consistent and quality data. In fact a study made by Price Waterhouse Coopers revealed how widespread the data quality problems in companies around the world are. Based on a survey of 600 mid-level companies from USA, Europe and Australia, have drawn the following conclusions: 70% of companies have recognized that insufficient data have a negative financial effect on the business; 50% added extra costs to reconcile data; 30% were forced to postpone investments in new systems due to data issues; one respondent stated that data problems have caused a loss of \$ 8 million only in a fiscal year [1].

Many leaders of companies have considered the subject of data management as boring, until they realized how high the stakes is. When a critical project can not comes to life because of the clarity data problems or when they realized how much it will cost to clean up the institutionalized data, the negative effect of neglected data management has become clear. More than money, the existence of poor quality data means analysis and weak performance indicators, which makes the management to take appropriate decisions to come out of this impasse [12]. When it comes to customer information, poor data can lead to problems that are no less critical. Each has his story about incorrect data regarding customers. But the quality of customer data is not a joke, they are absolutely necessary to develop and maintain enterprise CRM systems operational and analytical. So, consistent and quality data are critical components of CRM system [2].

Creating a single universal database is, unfortunately, not feasible for most large companies, due to the diversity of portfolio applications and associated databases. However, an integrated and customer multichannel sight is feasible and it is one of the main advantages of CRM applications. To achieve this, these applications must be pragmatic integrated, intermediate applications using intermediate components, each dealing with a portion of the database [3].

The next step is to inventory the available sources of data, determining where to collect data from internal or if they are obtained

from external sources. To create a view of analytic, data should be extracted from various sources, converted into meaningful and usable information, and then loaded into analytical data structures. Tools to extract, transform and load (ETL) can be used for this. They are oriented on data sets and they have a strong support for meta-data. In addition to collecting data from internal sources, it should be available collection methods of external data, to fill gaps not covered [2].

Definition of customers may differ greatly between transactions "business to business" (B2B) and "business to consumer" (B2C). In B2B customers are companies and their customers, and B2C customer is usually an individual, but can also be a family.

2. Advantages of using CRM

Using data integration solutions can produce a significant return on investment (ROI). The benefits obtained are: best "cross-selling" and "up-selling" (improved modeling and better targeting of customers); improvement customer retention (achieved by avoiding the using of customers); improvement of new customers attraction [2].

3. Competitive advantage through CRM

CRM is defined as a strategy to manage customer relationship and interaction with them in the most profitable way possible for both. There are several operational CRM solutions providers that allow execution of traditional CRM strategies. These typically strategies are supported by focused solutions on how to be made the services, the sales and the marketing of more efficient departments, thus increasing the profitability of the organization and its customers [3] .

In recent years, the market for on-demand CRM applications suffered especially in the segment of small and medium companies because of concerns about the cost and complexity of implementations on request. CRM on demand is a good choice for companies that want to implement standard processes that can use data structures "out of box", with little or at all internal IT support and does not require complex or real-time integration with back systems office [3].

4. CRM Solutions for exercising the function of controlling

ERP (Enterprise Resource Planning) is an integrated software, which is achieved using functional process management in an organization / enterprise. ERP software applications use a common database and they are called integrated because it incorporates all relevant information flows in the company.

The first appeared system in the evolution of ERP systems was the MRP (Material Requirements Planning) that represented by the 1960 the metamorphose of inventory control system, under the influence of the electronic computer, in fact a set of techniques for working with inventory, stocks and production schedule to calculate requirements for materials.

Maturation of MRP systems meant their evolution to Manufacturing Resource Planning - MRP II (the 1970s) by integrating new economic functionalities: finance, human resources, distribution, sales, project management [4].

MRP II systems provided a method for effective planning of all resources of an industrial enterprise, namely: operational planning of the necessary to support the production processes, financial planning, production planning, sales planning, production scheduling, material requirements planning, production tracking, etc [5].

Extending of the MRP II features gave rise to the first ERP systems in the late 1980s, as software packages that support all functional areas: planning, production, sales, marketing, distribution, accounting, finance, human resources, project management, inventory, services, maintenance, logistics, e-business.

American Production and Inventory Control Society (APICS - Educational Information Society for resources management research), defined ERP systems as "a method for effective planning and control of all resources necessary to acquire, implementation, delivery and accounting for customer orders in production companies, distribution or services".

ERP system is designed in a modular architecture and uses a single database so that users can select the required modules, add new modules to achieve various

combinations in order to improve their business performance. Sometimes, integrated modules come from different suppliers and can be implementate to work as a whole. Unique database allows each user to add information and obtain desired information in real time so that the processes management of organizations is very easy. Data is the foundation of the ERP system and the application programs do the link between databases and served functionalities. Another concept of ERP systems is "process flows" or "transaction flows - workflow" which is how the application reflects the processes or the business processes flows in a functional area [6].

5. Advantages of using an ERP system

Within a company, an ERP software system is designed to manage information and provide tools to automate operations, bringing a number of benefits: Ensures data quality, consistent and fair, in a single database; Avoids data redundancy by eliminating repetitive tasks and operations update; Leads to decrease response time by a coherence reports; Has a high adaptability, by allowing quick and easy reconfiguration of modular applications included in the integrated system; Being modular designed, the system benefits of scalability, by the possibility of adding new components; Improved maintenance and upgrade system of the ERP, by contracting these activities to the ERP provider; Collaborative size and the improvement of communication with customers through wide and open CRM modules to customer and providers relationship management, which allow employees access to information on orders, a certain invoices degree collection; Spread toward e-business as a result of an architecture of ERP systems designed to integrate new types of applications; Simplification of procedures common to the organization by reducing the number of documents required to cross from one department to another and their faster development; Easing the access to required synthesis information to management in the process of decision substantiation, the reports can be interactive obtained by applying filters to the database; Improving the quality of products delivery to its customers. An ERP

software includes functionality for productive activity and contribute to improved performance by automating processes related to production: production planning, launching production, supply of raw materials, production monitoring, termination, etc.; Coverage of all legislative changes enacted by the care of solutions provider so that the beneficiaries do not experiences interruptions in the work they perform; Application provider is required to provide schooling for users to implement and also in extensive changes case that require beneficiaries training to meet the new conditions [6].

6. Microsoft Dynamics CRM

Microsoft Dynamics CRM is a CRM solution that provides the tools and capabilities needed to create and easily maintain a clear picture of customers, from first contact with them to purchase and post-sales services. With modules for sales, marketing and customer service, Microsoft Dynamics CRM offers a quick, flexible and accessible solution to determine consistent and measurable improvements in every business process, enabling closer relationships with customers and achieve new levels of profitability.

Even for companies with complex sales processes, Microsoft Dynamics CRM provides easy-to-use features and capabilities that help improve the way sales and marketing departments approach new customers, manage marketing campaigns and lead sales activities [8].

The central element is the customer database which allow to store a lot of information about customers, potential customers and competitors of the company. Marketing automation module allow to run custom campaigns on segmented database according to marketing strategy. Campaign effectiveness is measured so that the company should focus on methods that really give results. Sales module is vendor management tool in the same way that enables sales managers at all levels to manage the sales force of the company, to forecast future revenues, coordinate joint campaigns with the marketing department and receive information from the service department.

Service unit is extremely versatile and allows service management and help desk activities, workflow definition and maintenance of a "knowledge base".

Microsoft Dynamics CRM 4.0 integrates with Microsoft Office and runs on MS Internet Explorer. In this way the users do not have to change their favorite tools, which facilitate the adoption of the application by users [7].

Searching and displaying information mechanism is using an about natural language and allows users to create custom "View Links".

The workspace is customizable, allowing the user to configure the interface according to their needs. Calendar service allows scheduling and common resource using of marketing and sales departments. Mechanisms for reporting and analysis are intuitive and very powerful. This allows in-depth analysis and development of custom reports.

MS Dynamics CRM aims to manage business processes in the most efficient way possible: Marketing module allows the tracking of campaign progress and their results measuring; Quick Campaign Wizard lets you define custom lists of customers, fast running campaigns on various channels of communication with them and accounts the campaign results; Service scheduling allows centralized management of customers requests, allocation of resources to solve them, their accounting and control fulfillment of service duties; Easy customizing gives the chance of repetitive tasks automation, resulting in a permanent increase of productivity; Implementation of sales processes is essential to move from based on individual qualities actor-seller, to the professional seller who gets regularly, measurable and predictable performances [9].

7. Data warehouse

A data warehouse is a database designed to meet the needs for key information within an organization. It integrates data from a number of different operating systems and is usually loaded with data at regular intervals. Data warehouse contains time ranked information, allowing the analysis of a long time performance factors [9].

Such of system in telecommunications for example has a strategic importance because telecommunications companies works with large volumes of data in a competitive market. Large volume of data is arising from the customer number and the variety of services and is amplified by the need to keep a history on which to perform analysis or prediction [11].

In contrast, a data warehouse wouldn't be suitable for a small company. The small size of the sphere of activity will allow the analyze of company performance without the existence of an integrated system. At the same time, if competition in this field is high, the investment in a system of decisional support is not justified [10].

For these reasons, and others might be find, operational systems are separated from the information and analytical and must meet several additional requirements to another IT project. General requirements of the decision support system must meet for successful implementation: The system must provide the information so that it is accessible; Submission of data to be intuitive and obvious to a user who knows his business. Users want to separate or combine data in many combinations (a process known as slicing and dicing); Applications for access must be easy to use and at the same time to return query results with minimal waiting time; The data must be consistent; Data will be assembled from various sources of organization, cleaned and integrated to be credible. The information available to a department must be in correspondence with the information available to another department. If two variables have the same name, they must reflect the same name or conversely if two variables have different meanings, they must be named differently; The system must be adaptive and easily to reflect changes in the organization; Change is a reality that can not be neglected. It can be changed the information needs of users, businesses, the data itself or technology. Information system must take into account these inevitable changes. Adaptability of the system is reflected in the fact that existing data should not be affected and new data can be received to warehouse; Decision support system should be based on reliable data storage, to which only authorized users has

access; The system must allow access control to protect organization sensitive data;

Data Warehouse should act as a foundation for improved decision making. The present data should be only those that add information in decision making. Output of such a system must be evidence of the decisions to be taken [12].

Unlike the operating systems that users are often forced by circumstances to use them, using of decisional support system does not impose a so rigid constraint. For this reason it is especially important that the system to be accepted by users.

8. Conclusions:

Given the complexity of developing and implementing a solution for controlling, the organizations are appealing to consulting companies which have the experience and skills necessary to develop such a solution. Consulting companies have the advantage of practical experience in implementing solutions for controlling other organizations, as well as the access to last-minute knowledge in business and information technology techniques.

Existence within an organization of a controlling solution help the evolution of the company in the field of "how much we sell?" in the sphere of "how profitable we are at the individual product line?". With growing of business environment competitiveness and customer requirements, organizational goals become, from extension of the market, the increasing profitability and quality of service. Objectives changing decisions and the evaluation of how these are achieved can be made only by means of controlling processes and by existence of an informational infrastructure to provide decisional support based on information, not on intuition.

However, defining synthetic indicators should start from the requirements of performance and profitability of the organization and not to existing systems in the organization. Information systems should not be a goal in itself in implementing solutions for controlling, but an informational component in the design of this solution. Computer systems - ERP, CRM, etc. - contains necessary data to create needed information to synthetic indicators which are generally processed in a Corporate

Performance Management Systems/ Business Intelligence type systems.

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Advantages of Competitive Potential Strategies

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Abstract

Entry of commercial enterprises play an important role by maintaining active competition for existing businesses and development of innovation and long-term growth. Rules and regulations often restrict the entry have only a negative effect on competition. Moreover there are numerous papers providing evidence that the ability of firms to enter the market and develop normally depends on the ability to attract external funding for new projects to be undertaken

Keywords: competition, potential, competitive market, limit-pricing

JEL Classification: D20, D22, D23

1. Introduction

The potential competition can be defined as being the competitive pressure on a market by one or more companies, which are not actively present on that market. The potential competition can determine an incumbent firm on one certain market to exploit its power on that market, having as a result the reduction of prices or improving the quality of products and services [6]. The positive effects of the potential competition can come about in two different ways, the first one being the discipline of the incumbent firm as the entry threats, resulting in a reduction of prices and improving the quality. As far as the second is concerned, the existence of the potential competition increases the probability that new companies enter the market, resulting in positive effects for the consumer. Michael Porter, one of the greatest business writers,

defined the potential competition as being one of the 5 fundamental competitive forces which can determine the profitability of a company [7].

For example, an incumbent firm will try to create barrier strategies known as entry deterrence to stop the entry on the market for some possible companies, which might enter the market. These actions may be as price reductions, new investments in technology for increasing the production, introduction of new brands or maybe some new products. All these activities are for the benefit of consumers, but also in the same time might stop some great positive effects that would benefit from entry. If the incumbent firm sets the prices above the average costs, a company entering the market would have to set the prices below the competition, but in the same time make the firm profitable, and to gain some control over the market. Probably, the incumbent firm will take the decision to reduce the prices, and again take the control on the market, but in the same time the second firm can leave the market without any costs. If the prices change rapidly, the incumbent firm would have to adopt a reduction in prices, as a response to the competition. In contrast, the price changes would characterize the movement as not being profitable, having as a consequence a high profit for the incumbent firm [5].

2. Theories of potential competitive

There are theories which bring arguments against potential competition problem, while others bring arguments demonstrating it's an efficient theory. Consider a perfectly competitive market, a situation where the companies and consumers are small and

numerous (sellers and buyers do not determine the change of prices). For simplicity, assume the fact that everyone are using the same technology and there are no fixed costs. The buyers have all the information about the price and quality, choosing to buy from those companies which sell at the lowest price. In consequence, the company which sets the price above their competitors will not be able to sell anything, while an enterprise which sets the price below the competitors will be able to capture all the market. This means that the companies will have to set the prices equal to the marginal cost [8]. In the case in which two or more companies produce identical products, they compete in terms of price. For simplicity, assume the fact that the firms have identical functional costs and there are no fixed costs. In this case, the buyers will choose to buy the products from the company which is able to sell at the lowest price. If there are no constraints in what capacity of production is concerned, the competition will force the companies to set the price equal to the marginal costs.

Another theory of the potential competition is the theory of „limit-pricing” [5]. This theory sustains the fact that an incumbent firm may prevent the entry of other companies on the market or to slow down this process. According to the classical theory of „limit-pricing”, the incumbent firm sets a quantity limit, so that the actual demand to be insufficient so that the potential company to avoid the entry on the market. In other words, the potential competitor notices the quantity of products and services that the incumbent firms offers, and in the moment in which decides to enter the market, it can be assumed that the incumbent firms will continue to offer the same quantity of products and services. This means that the potential competitor will be able to sell to the „remaining customers”. If the quantity that the incumbent firm chooses is too big so that the potential competitor choice to remain unprofitable (if what remains from the market after the firms sells all its quantity, it's too little), the potential competitor will restrain from entering the market. The logical weakness of this classical theory is that once the potential competitor has entered the market, it may be profitable for the incumbent firm to raise the price[7].

The theory of limit-pricing is an example of anticompetitive strategy. An enterprise will always take actions to prevent potential competition from entering the market. Apparently, like in all models of anticompetitive strategies, the firm will always take aggressive measures of protection, only if they have an effect on the potential competition. The firms should focus on maximizing the profit in the short term, as long as it is the only enterprise from a specific market.

For many centuries, it has been proved that there may be excessive penetrations of markets in the industries with fixed costs. The reason is that the profit of the potential comes from two parts. Firstly, the potential competition will increase the rivalry, will reduce the prices and will increase demand. Secondly, there is the so called „business-stealing” which means that a big part from their profit, will return to their potential competitors. The potential competitor will enter the market if the sum of these two components is bigger than the cost of entry. Then, the estimation of probability of entering the market of a potential competitor and identification of the actual entry on the market are simple tasks than the identification of the unfulfilled effect of the potential competition, because it is much easier to identify the actual competition rather than potential competition [8].

Understanding the competitive advantage¹ is another challenge for those who take the decision in a firm. The ability to develop a competitive advantage in our days is an extremely laborious thing, because an competitive advantage which has been achieved, may be lost rapidly. The companies sustain a competitive advantage as long as the services which they offer, and the way they distribute, correspond to some specification from the customers. The competitive advantage is the result of the difference between the products or services of an organization and those from the competitors from the buyers minds[7].

Generally, the firms must anticipate as fast as possible how the environment,

¹ W. Jack Duncan, Peter M. Gintei, and Linda E. Swayne, Competitive advantage and internal organizational assessment, Academy of Management Executive 1998.

structure, culture change so that there are just advantages. The competitive advantage has become a subject of movement and the ability to change location and position. The potential strengths and weaknesses must be seen as strategic resources, because together with the objectives of the company will help to develop the competition spirit.

In what prices are concerned, comes the next question: Does the potential competition limit the price of a product? [5] Or maybe the price of products remain high until the actual potential competitor appears? The potential competition can discipline the price. Under certain conditions the incumbent firm will have taken the decisions before the potential competitor will take the decision of entering the market, affecting the environment by reducing prices. For example the incumbent firm, fearing of the entrance of new firms on the market will take the technological innovation decision so that it could enlarge production. A potential competitor will know that the incumbent will have lower variable cost in the future, this low cost meaning that the incumbent will set lower prices if the potential competitor will enter the market, than if the incumbent hadn't invested in new technology. As a consequence of lower prices, and the extra capacity of production, the potential competitor will have to set some lower prices. In this way, the price of entry on the market will be lower than the cost, being insufficient to cover all costs, finally deciding not to enter the market.

Moreover, having an extra capacity of production, the incumbent will set the prices at a low level, even if there is not threat from another firm entering the market. The potential competition has disciplined the price. If there wasn't for the potential competition, the incumbent would have taken the decision to grow production by investing in new technology, having a higher price. The possibility of entering the market for firms, limits the price that the incumbent would have practised, the so call „limit-pricing" strategy.

The potential competition limits the price under certain conditions. Firstly, the incumbent will have to determine the potential competitor that the entry is totally unprofitable. In the last example, the company has decided to invest in new technology, reducing in this way the price,

but in the same time reducing the probability for a new entry on the market. Secondly, the limit-pricing strategy has to be viable, the benefit must overpass the costs. The incumbent firm profit will be lower because of the applied policy, caused by applying some lower prices, and not a price which could assure a maximum profit.

The term of potential competition appears in other context, apart from the analysis of competition. Some authors make a distinction between the actual potential competition and the perceived potential competition. Potential competitor may have the capacity to enter on a market with certain conditions, for example in case of a merger between two companies, threatening to raise the price [8].

Is there a link between potential competition and firm's initiatives to innovate? The incumbent will have access to a new technology which will confer a monopolistic position on the market. Innovations can be achieved after intense and costly studies of research and development. There are two paradigms to describe competition in innovation. According to the first theory, the company that spends the most money on research and development will certainly be the first to invest. This means that R & D competition is like a kind of auction, where the company that spends the most on innovation will win. According to the second paradigm, research and development expenses will increase the chances for a company to be innovative.

Fundamental to leading the company's ability to stop other companies entering the market [5], is the ability to take action before competitors. Some of these actions are aimed to benefit consumers. These barriers to entry can be classified into three categories: natural, alternative and administrative. Alternatively, natural and administrative barriers are classified as exogenous input. Natural barriers are due to supply and demand fundamentals. The trade barriers are, for example administrative, legal monopoly or restriction of entry.

In general there should be a relationship between levels of entry barriers and leading the company's ability to set prices above competitive levels. If barriers to entry are low, prices should be close to competitive levels, and if entry barriers are high, prices should be close to the monopoly, while

intermediate entry barriers should be associated with prices located between the competitive and monopoly levels. For example, in the absence of entry barriers, prices will be located at competitive prices, unless there is only one company active in the market [8].

If the limiting pricing is used to stop the entry, then when entry barriers are high, although prices will be kept relatively low. Another indirect method to analyze the effect of potential competition is the analysis of profit levels. If high profits are in the concentrated markets, the competitive potential is low. Also, the difference between the profits of industry and firm level is a very important element for leading companies in measuring profit. Furthermore, it is well documented that most of the profit is then sent to other employees and suppliers [2].

Potential competition is in itself a threat to any firm in a market. However, for consumers, potential competition is important because in some cases can stop taking place between different understandings of market leaders that have concluded agreements on the practice of a single price. Potential competition may develop in principle, in order to adjust market prices, to increase the quality of products and services sold by market leaders, these things are achievable by adopting pro-competition policies, something that would benefit all consumers. Also by adopting these government policies, will enable market expansion, the range of products offered to consumers by eliminating barriers to entry, along with amending the legislation to stop the bureaucracy to protect certain companies from the market, and successful potential competition removal that would enter the market.

Also [3], any potential competitors who want to impose on the market, to conquer a better position, bring new production capacity and provide resources, should not be neglected. Following entry, can cause decreases in current prices, rises in competitors costs that are already on the market. Size is directly proportional to the importance of barriers to entry, with competitors already on the market reaction. Mass production may be a negative factor for potential company, because they are required to enter the market at a much larger scale, the

investment effort is extremely high. Clumsy effort to retain is another feature of potential companies that will have to make considerable effort to retain current customers and potential for their products. The volume of capital required for market entry can be an obstacle, because to the initial costs, it can add other things related to customers, advertising, or even the initial losses.

Mainly, the potential competitive is the pressure on leading companies to the possibility of market entry of some other companies, generic called potential competitors. They may be attracted by the profits achieved above average in some markets by leading companies, possibly due to low competition. When market entry barriers are high, decrease the threat of possible companies that wish to enter the market. In general, both theoretical and empirical analysis confirm that the current competition is more competitive than the potential applied only in certain limited areas. Theories also suggest that barriers to entry are potential determinants of competitive power.

Moreover, potential competition can be excessive or detrimental. In industries with fixed costs, there may be several companies who wish to enter the market. The threat of entry can be costly, unprofitable in terms of company leadership with effects as premature and excessive investments in production capacity. Some empirical studies suggested that the entry barriers are critic for the efficiency of competitive potential. Some studies also showed that the efficiency of competitive potential is different from one market to another. The competitive potential can be effective on those markets where long term contracts are concluded and where massive investments are not necessary.

The entry of commercial enterprises [1] on market plays an important role by keeping an active competition for existing firms, by developing innovation but also by long term economic growth. Rules and regulations which mostly restrict the market entry have a negative effect upon competition. Moreover, there are numerous papers that prove that the capacity of a firm to penetrate a market and to normally develop depends on the ability to attract external finances for new projects that are bound to happen.

3. Basic areas of business potential analysis

Experience is a decisive factor for the potential competitor. Fail rates (leaving the market) are frequent, more than 60% of the new-entries not succeeding in business, leaving the industry in no more than 5 years. Intern strategy diagnose is realized by analysing the potential of enterprise. The analysis of the potential of enterprise must identify the strengths and weaknesses of the activities of enterprise. As referred before, the analysis must be made through comparison to other competitors from the same sector of activity, the real focus being on identifying the relative position of the enterprise in the sector. This analyse offers an answer to the following question: "What can the enterprise do better than its competitors?" and it evidences the competitive advantages and disadvantages of an enterprise as well as its distinctive competence. According to the authors of this model of strategic diagnosis, the analysis of the potential of an enterprise principally refers to three basic domains.

1. The positioning of an enterprise on its markets that includes the following essential aspects : the part of the market hold by each commercialised product, the penetration of products on different geographical areas, the sales volume, the number of clients, the fidelity level of clients, the profit margins, the reputation of enterprise on its markets, the level of technique and quality of products, the nature and volume of post-sale offered services and of commercial facilities, the contribution of each product in turnover and in profit, the sale prices and their fluctuation in time and zone, the promotion and publicity policies, the diversity of products, the characteristics of distribution network etc.

2. The positioning of an enterprise in relation to its factors of production that refers to the analysis of production equipment, human resources, energetic resources and raw materials resources which can be assured by the enterprise. Concerning the production equipment, the study aims: the volume, the structure, the technique level, the quantum of mechanization and automation, the specialised or universal character, the size of production capacity and the indicators of

usage, the possibilities of static flexibility etc. The analysis of human resources is made in relation to the number and structure of existent personnel, to professional characteristics and qualification, to aptitudes, level of experience and specialization, social climate, relations with unions, to salary, to ways of motivation, level of work productivity, level of fluctuation etc. Raw and energetic materials resources are studied in the same context but from the point of view of existent suppliers, supply and storing policy, of the prior factor in supplier-enterprise relation, of level and fluctuation of procurement prices, of negotiations aptitudes.

3. The positioning of an enterprise in relation to its competitive factors of which the most important are: financial force, management system efficiency, research-development and innovation potential, flexibility level, the speed of reaction to the changes of competitive environment, the capacity of satisfying the individual requirements of clients, the existence of experience phenomena etc.

4. Conclusions

The conclusions dragged from the internal strategy diagnosis allow the enterprise to adopt measures for eliminating the weaknesses susceptible of compromising its evolution in the future and it enables the enterprise to establish the strategy based on valuing its strengths and competitive advantages. Intern strategy diagnose is realized by analysing the potential of enterprise. The potential analysis of an enterprise must identify the opportunities and threats found in the environment, the specific successful key factors found in the domain of activity in which the enterprise operates.

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The Role of Social Media Marketing in Strengthening the Brand Image

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Abstract

The presence of companies on Social Media has become a widespread phenomenon, both globally and also in our country.

By using these new marketing communication tools, companies have the opportunity to establish and maintain contact with a large number of consumers, and listen to their opinions. Also, Social Media offers various possibilities to connect brands to consumers. But beyond the simple popularization of the brand among a large audience, the marketing actions should serve to consolidating the brand equity.

Building a successful brand is a goal pursued by any company, but it requires constant attention to every interaction and experience with the consumers. The marketing communication strategy on Social Media must take into account the general impression and the impact it generates on the brand image.

Keywords: online marketing, online marketing communication, brand image, Social Media, Facebook.

J.E.L. Classification: M31.

1. Introduction

Social Media gained great popularity among marketers over the recent years due to its particular characteristics. This new media "refers to the innovative forms of interaction between people and technology, to the relationship between people and the communication tools, creatively used to meet basic needs for information, communication and networking." [1]

The necessity to constantly maintain and improve the interaction with consumers, not only in the real environment, but also in the virtual space, stimulated the companies to

integrate Social Media into their marketing communication strategy.

Knowing that today a large number of consumers use the Internet and the Social Media applications to get information about products, services, companies or brands, the marketers realised that it is important to create and manage a new communication channel in order to bring the consumers closer to them and generate business exposure.

2. Social Media marketing and the brand image

The concept of Social Media marketing can be defined as "any form of direct or indirect marketing that is used to build awareness, recognition, recall, and action for a brand, business, product, person, or other entity and is carried out using the tools of the social Web, such as blogging, microblogging, social networking, social bookmarking, and content sharing." [2]

In general, Social Media marketing can track the following goals [2]:

- relationship building
- brand building
- publicity
- promotions
- market research.

Social Media marketing can be used for all these objectives due to the ease of establishing contact with a large number of real or potential consumers and their availability to interact with the companies.

Focusing on the brand building objective, the four fundamental steps to ensure its success are: awareness, recognition, memory and spreading the word. [2] Therefore, it is necessary first to ensure awareness of the brand in order to reach the upper level where people are willing to talk to others about it.

In this context, "Social Media conversations present the perfect way to raise brand awareness, boost brand recognition and

recall, and increase brand loyalty" [2], using specific instruments and tactics that can reach directly to the consumers.

Communication through Social Media is different from traditional communication and it demands an adaptation of the marketing strategy. Transparency, credibility and sincerity should be the key elements of every message and action related to the consumers on Social Media. Another important aspect is that "all the communication options must be evaluated in terms of their ability to influence the brand equity." [3]

Although brands are omnipresent, developing, maintaining and strengthening a brand can be a difficult process taking into account that "a brand is a promise to consumers that sets consumers' expectations and meets those expectations in every customer interaction and experience." [2]

"The power of a brand is supplied from what the customers have seen, read, heard, learned, thought and felt over time about that brand. The power of a brand is based on what is in the minds of consumers, as well as on the experiences they have lived, directly or indirectly, in connection with the brand." [3] Also "the future perspectives of a brand depend on the consumers." [3]

In a highly humanized environment like Social Media, where people have the control over the content and where they can share both positive and negative brand experiences with others, the companies need to create pleasant experiences for their consumers, that involve their proactive participation.

The communications tools used by the companies should be diverse and as much as possible interactive, because "brands are not built only through advertising. The consumers get to know a brand through many and varied contacts. The consumers feel more attached to a brand by creating an intense and active relationships." [3]

The concept of brand image "refers to the consumers' perceptions and beliefs about the brand." [3] A brand can be perceived by the consumers in a rational and an affective way. The consumers usually have expectations from the brands and this is why companies must build trust between them and their customers.

A brand must remain relevant and in permanent touch with its consumers and it would be preferable to have the consumers'

permission in connection with any marketing action.

It is very important to remember that "the strengthening of the brand equity cannot be obtained without innovation and relevance. Sooner or later the inability to strengthen the brand will reduce its level of notoriety and it will dilute the brand image." [3]

3. Social Media marketing among Romanian companies and brands

According to the study "Social Media and the Romanian business environment" conducted by EY Romania at the end of 2013, in our country four out of five companies are using Social Media for promotion. Compared with the global data, where 97% of companies are present on social networks, 78% of the Romanian companies choose to be present mainly on Facebook, YouTube and LinkedIn. [4]

In our country, "94% of the companies are using Facebook, 43% are using YouTube and 41% LinkedIn. For comparison, 92% of the worldwide companies are using Facebook, 56% YouTube and 70% LinkedIn." [4]

More than half of the companies participating in the study (52%) are using social networks as marketing tools for about 1 to 3 years, 19% started using them less than a year ago and 28% are using them for more than 3 years.

Most of the respondents (90%) agree or strongly agree that Social Media marketing is important for their company, a percentage very close to the international opinion where 86% of the companies consider the same thing. Of the remaining 10% Romanian companies, only 2% disagree with this idea.

"83% of the companies believe that social networks are a quick and effective way to present products and services. The companies' managers believe that social networks provide increased exposure to the market (83%), increase the company's awareness (79%), raise the consumers' loyalty (52%), grows the consumers' traffic on websites (52%), increase the sales (46%), reduce marketing costs (37%) and help develop business partnerships (13%)." [4]

Regarding their Social Media activity, half of the companies are daily posting online ads or messages, 15% every 2 or 3 days, 21%

weekly, 9% monthly and 6% every few months.

As it can be seen, Facebook is by far the most used social network among the Romanian companies. One of the reasons is the strong development of the network in our country, especially in terms of users. On November 1, 2013 Facebook was counting 6,600,000 users in Romania, representing 32.8% of all the country's population. [5]

Based on this, an increasing number of companies created Facebook pages and managed to gather a large number of fans in their communities. For example, "among the 100th most popular Romanian Facebook pages, 23 of them are company or brand pages." [6]

The most visible pages, which count even hundreds of thousands of fans, belong to both local and international companies or brands.

According to an analysis conducted in 2011, the most visible brands on social networks in Romania (in terms of number of posts) were registered in the electronics sector (38.9 %). The list is completed by the automotive sector (23%), the IT sector (18%), telecommunications (6%), FMCG (5%), banking (4%), retail (4%) and insurance (1%). [7]

In the electronics sector, Apple (iPhone) was the most popular brand with 40% of the posts, followed by Nokia (13%), Sony (6%), HTC (5%) and Samsung (5%).

In the automotive sector, the first place was occupied by Dacia with 19% of the posts, followed by BMW (12%), Audi (9%), Ford (9%) and Opel (7%).

In the IT sector, Google counted more than 20% of the posts, followed by Microsoft (16%), Adobe (6%), IBM (2%) and Oracle (2%).

In the telecommunications sector, Orange had 32% of the posts and it was followed by Vodafone (29%), Romtelecom (12%), RCS & RDS (12%) and Cosmote (7%).

In the FMCG sector, Pepsi was the leader with 9% of the posts, Silva had 8%, Coca-Cola 8%, Avon 7% and Ursus 5%.

In the banking sector, the most visible brands were: BCR (17%), CEC Bank (14%), ING (11%), BRD (11%) and Raiffeisen Bank (9%).

In the retail sector, OMV-Petrom had 20% of the posts and the other important brands were: Rompetrol (14%), Carrefour

(12%) and Cora (7%).

A different study, realised by fbMonitor, presents an analysis over the most visible brands in Social Media in June and July 2013. [8]

The study takes into consideration three main areas: information technology and communications (IT&C), electro retail and telecommunications, and presents the top brands in each category.

The IT&C sector registered more than 76,600 posts in Social Media in July 2013, with 4% less than in June. The total viewership was of almost 145 million and it took into consideration the online media, the blogs and forums and the social networks (Twitter, Facebook, YouTube, LinkedIn).

The IT&C sector's visibility on social networks decreased by 8.5% in July compared to June, it grew with 3.8% on blogs and forums and it decreased with 6.5% in online media.

"On Facebook, the number of IT&C brand pages fans exceeded 10 million, increasing by 3% compared to June and the number of the active fans increased by 11%.

The total number of comments posted by fans on the IT&C Facebook brand pages declined with 21% from June to July, while the total number of likes increased by 18% and the total number of shares grew with almost 66%." [8]

The videos were the most used type of posts and registered a growth of 17% from June to July. Both the number of statuses and the number of links increased, by 54%, respectively by 35%. The number of posted photos increased by only 6%.

Among the most important brand pages, depending on the number of *people talking about this*, are listed Dell, Samsung Mobile Romania and Kaspersky Lab.

The most successful posts came from Samsung Mobile Romania, Canon Romania and Nokia Romania.

The top three most visible IT&C brands in Social Media were Apple, Samsung and Nokia.

"The electro retail sector generated in July over 3,000 online appearances, 11% more than in June, and a viewership of 7 million." [8]

Compared with the previous month, in July the electro retail sector registered an increased visibility across all the channels:

7% more posts on social networks, 13% more in online media and 14% more posts on blogs and forums.

"On Facebook, the number of electro retail brand pages fans fell by 6% in July compared to June and the number of active fans fell by 1.3%.

The total number of comments posted by fans dropped by 40% from June to July. The total number of likes fell by almost 1%, while the total number of shares decreased by almost 6%." [8]

The number of posted videos has decreased by 9%, the number of photos by 10% and the number of statuses by 16%, while the number of posted links increased by almost 30%.

Among the most important brand pages, depending on the number of *people talking about this*, were listed Altex Romania, Quickmobile and NetMusic Romania.

The most successful posts came from SAY, F64 Studio and CIT Group and the top three most visible electro retail brands were Altex, Flanco and Domo.

"The telecommunication sector generated in July over 23,000 online appearances, with 6% more than in the previous month, and a total viewership of over 86 million.

The sector's visibility increased from June to July by 13% on blogs and forums and by 8% in online media, and decreased by 2% on social networks." [8]

On Facebook, the number of telecommunication brand pages fans exceeded 1,700,000, with 4% more than in June and the number of active fans increased by 10%.

The total number of comments and the number of likes increased from June to July by 19%, respectively by 9%, while the number of shares decreased by 8%.

The number of posted links increased by 15%, the number of statuses by 14 %, the photos by 15% and the number of videos decreased by 25%.

Among the most important brand pages, depending on the number of *people talking about this*, were listed Vodafone Romania, Cosmote Romania and Romtelecom.

The most successful posts came from Orange Romania, Vodafone Romania, Romtelecom and UPC Romania and the top three most visible telecommunication brands were Orange, Vodafone and Cosmote.

4. Conclusions

As it can be seen, a large number of companies develop intense Social Media activities, especially on social network sites like Facebook.

In general a well-communicated image helps the brand's market performance. "Turning *Likes* into sales seems difficult to do and the presence on Facebook is often measured only by the image capital, although the lack of presence on social networks does not result in a capital loss, but rather bypassing the opportunity to improve it." [6]

The brands can make use of different and creative ways of communication, that should be carefully managed so that the brand value does not depreciate or loses its consistency.

If not used properly, Social Media can also create disadvantages for the company, such as the loss of consumer credibility or generating negative word-of-mouth, which can lead to a huge impact on the brand image.

The objective of brand building is reached when the companies adopt a transparent, credible and constant communication that helps them become a part of the community.

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Analytical Methods of Strategic Management

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Abstract

Strategic management is characterized by the growing importance of forecasting and monitoring attributes in a globalized market economy and accelerating technological progress. It can be defined by estimating changes in market and competition, receiving and interpreting the signs of the company, identifying and estimating potential future business. To analyze the company and its environment there are used strategic management methods such as: SWOT Analysis, Michael Porter's Model, Value Chain and PEST Analysis.

Keywords: Michael Porter's Model, PEST Analysis, strategic management, SWOT Analysis.

J.E.L. Classification: M10, M21

1. Introduction

Main factors that influence the strategic management can be considered: economical increasing or decreasing, the growth of national and international competition, the main market sectors of national economy. According Robson [1] the stages of strategic management are:

- The strategic analysis of the company (internal, local, regional, national), of its environment and also its performance evolution;
- Strategy implementation (the planning of actions and resources, adapting the organization, training of personnel, the improvement of information system);
- The determination of the target and strategic objectives (options generation and analysis, strategic decisions);
- Performance evaluation, deviation analysis and economic supervision.

Experts in strategic management theory consider that the formulation and

implementation of strategic management is a three- dimensional process. The three basic dimensions of strategic management are: the economic dimension, the human dimension and the organizational dimension.

Increased importance of the human dimension in the strategic management is due to the recognition of the company as a social space, as socio-economic unit having the decision- making power in relation to the external environment.

The economic dimension represents the rational and analytical process of strategic management with the role of defining the strategy, the technical and economical orientation of the company, the strengths and weaknesses of the company.

Organizational dimension consists of all individuals and departments of the company assigned into a specific configuration and of all relations between them in order to achieve organizational objective.

In the modern economy, companies are key strengths of progress, development, are those that ensure the company's survival.

Modern economic company is a complex reality presented in several ways: production agent, profit center, political space, a complex dynamic system open to the environment.

Companies are divided in two categories: ones that get considerable success, prosper and grow continuously, and others who fight hard for financial survival or register modest economic performance. To examine the factors that determine success or failure of organizations there have been developed specific methodologies for analysis and diagnostics company.

2. SWOT Analysis

Strategic management involves the elaboration, implementation and control of

the firm's strategy to increase performance and achieve organizational goals.

In essence, the specific of strategic management is the continuous analysis of the external environment on the one hand, to anticipate or timely notify the changes therein and on the other hand, the internal situation analysis to assess the company's ability to successfully cope with change. The method used in this sense is generically called SWOT acronym representing the words:

- Strengths are skills that give the organization competitive advantages compared with similar organizations;
- Weaknesses are weak points that generate competitive disadvantages;
- Opportunities are occasions, situations and are a combination of favorable external elements that cause significant benefits under terms of its particular course of action;
- Threats are hazards, adverse situations and are a combination of the organization's external elements that cause significant damage in terms of keeping their course of action.

SWOT analysis can be carried throughout the company or the shaping of deepening the investigation and analyze more detailed conclusions on the functional areas within the company: marketing, sales and distribution, production, research and development, financial department, personnel department. SWOT analysis has a highly quality nature allowing development of a diagnosis of past and current condition of the Company or its functional areas and outlines the prospects for long-term evolution of the firm and the respective areas.

For an efficient use of SWOT analysis is necessary to know its limitations both theoretical and practical. It is interesting that the last edition of the successful textbook, for example Lynch or Wheelen and Hunger highlights the criticism that bring this strategic management tool. SWOT analysis as Lynch and Rothchild's [2] criticism:

- Is not pervasive;
- Contains long lists of factors, but they are not logical;
- Use lists and sequences of factors in order to avoid dangerously their analysis;

According Wheelen and Hunger [3] SWOT analysis shows disadvantages:

- Contains long lists of factors;
- Does not realize a reflection of priorities;
- Place a factor in two opposite categories;
- Is reduced to a single level of analysis;
- does not make a logical connection with the implementation;
- Uses vague or ambiguous terms.

3. Michael Porter's Model

Michael Porter's [4] strategic approach analyzes the competitive dynamics of environment and conceives specific strategic maneuvers for each company. In his view, the choice of a strategy depends primarily on the nature and intensity of competition that manifests in the industry considered. Meanwhile, Porter defines generic strategies which are the starting point in the construction of private and original strategy of each firm. In any economic sector, whether it is national or international or offers a product or service, the competition rules are represented by five competitive forces: rivalry among existing competitors, entry of new competitors, substitute products, negotiating power of customers, negotiating power of suppliers.

Collective strength of these competitive forces determines the ability of firms in an industry to obtain rates of investment profitability over the cost of capital. The intensity of the five forces varies from one branch to another and may change as the branch evolves.

a) Analysis of rivalry between existing firms in the industry.

Competition is more intense when:

- In the field operates numerous competitors that have substantially the same competitive forces—(it doesn't exist a leader and the competitors have strong positions);
- The industry has a slow rate of development;
- Fixed costs occupy a significant share in the cost structure of the specific domain - large production capacity and logistics, which require special investment that can be recovered only by higher production volumes and higher market share;
- The storage costs of the products have high values - the tendency is to reduce inventory by practicing low sales prices, which intensifies competition on prices;

- The existence of the producers of overcapacity, stimulating growth and increasing production in market share;

- Recording of important strategic stakes such as the repositioning over a profitable domain, the conquest of potential market segments, mergers and acquisitions with favorable estimated effects.

These conditions cause frequent "war" of pricing and advertising that leads to the necessity of applying strategies for diversification and renewal of products offered and increasing cost competition.

b) Analysis of the entry of new competitors in the industry

One industry is not attractive if he can be penetrated easily by new competitors, which will bring additional production capacity and resources and will fight for market share and profit sharing. Entry into the sector will be facilitated if the barriers to entry and the trend towards competitive relationship between existing competitors are less obvious or reduced.

A deeper analysis involves studying potential correlated inputs and outputs within the industry, in terms of level barriers in both cases as follows:

- If both entry and exit barriers are low, incomes are stable, but small, firms enter and leave easily the sector without restrictions, there is a high risk in terms of the degree of competition;

- If entry barriers are low and the exit barriers are high, firms enter easily in the industry, when situation is favorable, but hardly get out; in these conditions, product demand exceeds the absorption capacity of the market, reducing the profits for all competitors;

- The best and attractive sector is one in which entry barriers are high, and the output ones are small, in case of recession firms can leave the industry easily;

- If both barriers are high, profit potential is high, but the risk is also big because it is difficult to leave the industry when the growth of the business and the possibilities of obtaining profits are stable or even begin to decline.

c) Analysis of substitute products' threat

One area is not attractive if it is characterized by the existence of actual or potential substitute products. They cause the formation of "ceiling" prices that can be obtained due to

the fact that some of the existing demand migrates to substitute products. Company must continuously track the development of prices of substitute products. A decrease of their prices causes a decrease of the demand and, depending on this, of the price and profit of substituted products.

d) The analysis of customers' negotiating capacity

One area of activity isn't attractive when customers have high bargaining power. They will try to get the lowest possible sales prices, high quality products with after sales services and commercial facilities. This causes strong competition in the sector and lower profitability.

The negotiating power of customers is high when:

- They buy large quantities of goods in relation to sales of the manufacturer;

- Product purchased has a significant share in the total expenditure of the client;

- The products offered are standardized or poorly differentiated;

- Transfer costs of the switching suppliers are low;

- The products offer on the market is higher than the existing demand;

- The product purchased isn't too important to the client, which can give up to it easily;

- Producers are price sensitive due to low profit margins per unit.

To defend, manufacturers may choose those customers who have the least power to negotiate or changing suppliers. Or, they can provide products with superior features that customers cannot refuse too easy.

e) Analysis of the suppliers' negotiation capacity

One area activity is not attractive if providers are able to raise the prices of offered products and to reduce the amount delivered.

Bargaining power of suppliers is greater when:

- There aren't substitute products;

- The product offered by the supplier is important for the client;

- Switching suppliers costs are high;

- The products offered by the provider have a high degree of differentiation;

- The suppliers are well organized;

- There are a limited number of suppliers;

The best way of defense for buyers is to establish beneficial long-term relationships

with suppliers or use multiple sources of supply.

4. Value Chain

It is a tool for finding ways to create a superior value to the consumer, proposed by Michael Porter. In any company there are designing, manufacturing, selling and promoting activities. The value chain refers to the existence of the nine activities of strategic importance. Four of the nine activities are support activities and the rest form the group of the primary activities.

The value chain emphasizes the total amount that a company makes its products or services. In order to analyze these costs, namely performance, the company must have as comparison the costs and the successes of the competitors. It is not enough the performance of each department of the company for it to be successful. It is necessary that activities are coordinated within them to form a coherent whole, which emphasizes the communication and interaction between all departments of the organization.

5. PEST Analysis

This is one of the most popular analytical models used in the evaluation environment. It is a tool for understanding the development or decline of a market, allowing implicit definition of the position, potential and direction of a business, market attractiveness. PEST analysis has to be performed before SWOT analysis because it helps to identify SWOT factors. PEST stands following areas:

- Politics - aimed at understanding the political (domestic legislation, future legislation, international law, government policies etc.). Politicians can influence the competitive environment and therefore the company's work;
- Economic - economic changes occurring in the environment , such as lowering interest rates, inflation, taxation , macroeconomic trends in the market and distribution channels, customer behavior, issues of international trade and capital flows or slowing growth influences the life company ;
- Social - demographic guidelines , lifestyle changes people's attitudes and opinions of consumers, consumption patterns of the

population, access to marketing networks , brand and company image linked to impact the organization;

- Technology - the latest innovations influence especially companies that are heavily dependent on technology in the production and distribution of goods and services (competitive technology development, research funding, technology maturity, innovation potential etc.).

6. Conclusions

Strategic management is a complex process of foreshadowing of the future of the firm, its long-term development, in which take place the formulation, implementation and monitoring - evaluation of the strategy. Strategic management is not just a process of strategy formulation (which overlaps management system company), but a new form of management based on strategy. Strategic management requires a coherent approach to internal and external factors affecting the company and, from there, develop and implement of rigorous and explicit strategies that allow the company to face the changes likely to occur in the environment, to enable it to survive and adapt. Strategic management involves the position currently occupied by the company and the position that is intended to be occupied in the future, which involves mandatory, analyze and forecast the evolution of all the factors that can influence the company. This covers: competition and market demand knowledge, identifying the objectives and interests of stakeholders and the development of skills from the company aimed to contribute to the successful implementation of the strategy.

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Study of the Interdependence between Economic Indicators using Statistical Methods

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Abstract

Economic indicators, socio-economic phenomena in general, do not evolve independently, being in contact with other economic variables. In many economic decisions it is necessary the study of dependence between variables through statistical methods such as: graphical method, regression method, the correlation report, ANOVA). This gives the possibility that using the knowledge of a particular variable to be predicted the other variables that are in a certain dependency.

Keywords: ANOVA, correlation, regression method

J.E.L. classification : C10, M10

1. Introduction

Management systems are by nature information and decision making systems, that treat statistical information in real time. Taking as a basis a certain amount, a certain structure and a certain way of presenting statistical information, managerial decision appears as a dynamic and rational manager requesting the ability to master complex mechanism of the entire system of management of the company. In this respect computer subsystems, information - statistical and decision bring their fundamental contribution.

Decision-making processes are based on the use of statistical data to develop mathematical models of economic phenomena and processes. Inference, as inductive research method provides and validate mathematical criteria shift from private to general. In the model, information circulates through exogenous or endogenous variables. Some may have a random character and intervention model that allows

this kind of variables is an econometric model, as is the case of explanatory models aimed to study various functional relationships between variables that express a certain type of economic behavior.

Relations defining explanatory models generally take the form of equations in which must be distinguished both a deterministic part, through which are expressed certain causal link between endogenous and exogenous variables and a nondeterministic part, summarized the error variable equation. These explanations emphasize the role of asymmetry of various economic variables in the explanatory model. This type of model must be specified (the key role returns to economic theory to provide logical consistency criteria), estimated (determination of its structure), factual validated (predictive power in acceptable tolerance limits) and can be effectively used (either in explanation purpose or predictive purpose).

2. The correlation analysis between economic indicators

Statistic links [1] can be classified by several criteria, namely:

a) by the number of independent characteristics studied:

- simple links, when studying the correlation of a dependent characteristic (y) and an independent one (x), for example the relationship between the number of sales (x) and the volume of sales of goods (y);

- multiple links when studying the correlation of a dependent characteristic (y) and two or more independent features (x_1, x_2, \dots, x_n) such dependence of the volume of sales of goods (y), the number of sales (x_1) and commercial area (x_2);

b) according the direction of the link:

- direct links, when both characteristics change accordingly;
- reverse links, when dependent feature change opposite the independent one;
- c) according the analytic relationship, they may be:
 - linear connections, which can be expressed by the function of grade 1;
 - nonlinear links (curved) which can be expressed using nonlinear functions (parabola, hyperbola, exponential function, etc.).

To illustrate the usefulness of the correlation method in studying the dependence between variables, I chose unifactorial regression between operating expenses and net income.

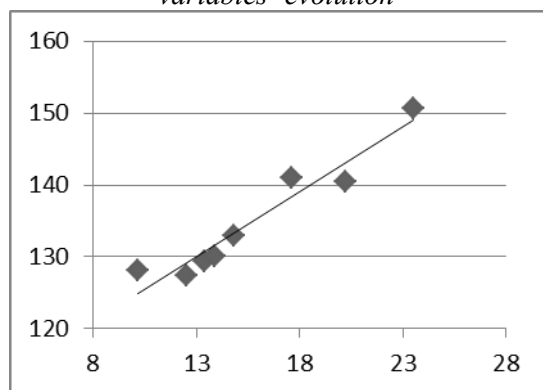
The independent variable is the Operating Expenses, which is defined as X and the dependent variable is the Net Profit denominated as Y. The data to be used in the econometric study are presented in the table below:

Table 1. The evolution of the Operating Expenses and the Net Profit at the firm „A”

Year	Operating Expenses	Net Profit
2005	12.5	127.4
2006	13.4	129.3
2007	10.2	128.2
2008	13.9	130.1
2009	14.8	133.0
2010	17.6	140.9
2011	20.2	140.5
2012	23.5	150.7
Total	126.1	1080.1

Source : the author

Fig.1. The Graphic representation of the variables' evolution



Source: the author

Noting that the data in the table (table 1) have similar values and almost constant evolution (fig.1) , we can assume in a first stage that the connection between the two variables follow the linear model.

Linear model adjustment equation is :

$$\hat{y}_i = a + b \cdot x_i \forall i = \overline{1, n}$$

The values of the parameters [2] are determined using the method of least squares, which will result in the normal equations system:

$$\begin{cases} n \cdot a + b \cdot \sum_{i=1}^n x_i = \sum_{i=1}^n y_i \\ a \cdot \sum_{i=1}^n x_i + b \cdot \sum_{i=1}^n x_i^2 = \sum_{i=1}^n x_i \cdot y_i \end{cases}$$

Table 2 .Processed data

Year	x_i^2	$x_i \cdot y_i$	\hat{y}_i
2005	156.25	1592.5	129.055
2006	179.56	1732.62	130.684
2007	104.04	1307.64	124.892
2008	193.21	1808.39	131.589
2009	219.04	1968.4	133.218
2010	309.76	2479.84	138.286
2011	408.04	2838.1	142.992
2012	552.25	3541.45	148.965
Total	2122.15	17268.94	1079.681

Source: the author

After solving the system using the Cramer Method, the regression equation becomes:

$$\hat{y}_i = 106.43 + 1.81 \cdot x_i \forall i = \overline{1, n}.$$

The values of the Correlation Report (R=0.96) and Coefficient of Determination (R²=0.92) indicate a direct, strong intensity relationship between the variables.

Next it is studied the correlation between Operating Expenses and Net Profit using association coefficient and contingency coefficient.

$$\bar{x} = \frac{126.1}{8} \Rightarrow \bar{x} = 15.76$$

$$\bar{y} = \frac{1080.1}{8} \Rightarrow \bar{y} = 135.01$$

Table 3. Association table

Y X	Under 135.01	Over 135.01	Total
Under 15.76	5	0	5
Over 15.76	0	3	3
Total	5	3	8

Source : the author

$$Q_a = \frac{5 \cdot 3 - 0.0}{5 \cdot 3 + 0 \cdot 0} \Rightarrow Q_a = 1$$

$$Q_c = \frac{5 \cdot 3 - 0.0}{\sqrt{5 \cdot 3 \cdot 5 \cdot 3}} \Rightarrow Q_c = 1$$

Coefficients of association and contingency emphasize that between the analyzed variables is a direct, very strong relationship.

The validity testing of the unifactorial linear regression model will be done by using the dispersion analysis also known as ANOVA method.

Table 4. ANOVA Method

Indicator	Regression	Residual	Total
df	1	6	7
SS	442.16	33.89	476.05
MS	442.16	5.65	
F	78.28		
Significance F	0.000116		

Source: the author

The hypotheses used to verify the validity of the linear model are :

H0: the linear model is not valid;

H1: the linear model is valid.

Using the data from table 4 it can be seen that the computed value of the F Test is $F_{\text{computed}}=78.28$ and the theoretical value is $F_{\text{theoretic}}=0.000116$, which is smaller than 0.05. Therefore the H_0 hypothesis is rejected and the H_1 hypotheses is accepted, which means that the linear model is valid.

The hypotheses for testing the correlation ratio are:

H_0 : $R=0$ (R is not significantly different from zero, so R is not statistically significant);

H_1 : $R \neq 0$ (R is significantly different from zero, so R is statistically significant).

The Fisher-Snedecor test will be applied.

The computed value of the test is:

$$F_c = \frac{R^2}{1 - R^2} \cdot (n - 2)$$

$$F_c = 69.$$

The theoretical value of the F Test at the significance level $\alpha=0.05$ is 5.99. The computed value of test is higher than the theoretical one, so results H_0 hypothesis is rejected and H_1 hypothesis is accepted. This proves that the correlation ratio is statistically significant.

Table 5. The variables' value synthesis

Coefficients	a=106.43	b=1.81
t stat	31.887	8.847
P-value	0.00000006	0.00011591
Lower 95%	98.2658	1.3116
Upper 95%	114.6003	2.3142

Source: the author

The hypotheses for testing the validity of "a" variable are:

H_0 : $a=0$ (variable "a" is significantly equal to zero, so "a" is not statistically significant);

H_1 : $a \neq 0$ (variable "a" is significantly different from zero, so "a" is statistically significant).

Studying the data from table 5 it is noticed that the computed value of t test (31.887) is higher than the theoretical value (0.00000006), which means that the H_0 hypothesis is rejected and the H_1 hypothesis is accepted. This proves that "a" variable is statistically significant. The confidence interval is : $98.2658 < a < 114.6003$.

The hypotheses for testing the validity of "b" variable are:

H_0 : $b = 0$ (variable "b" is significantly equal to zero, so "b" is not statistically significant);

H_1 : $b \neq 0$ (variable "b" is significantly different from zero, so "b" is statistically significant).

Studying the data from table 5 it is noticed that the computed value of t test (8.847) is higher than the theoretical value (0.00011591), which means that the H_0 hypothesis is rejected and the H_1 hypothesis is accepted. This proves that "b" variable is statistically significant. The confidence interval is $1.3116 < b < 2.3142$.

Dispersion analysis, also known as variance analysis - ANOVA, is one of the methods of statistical processing data of observation. The method was invented by Fisher at about 1920. Working just a few years he has developed a series of principles and methods, not only for the interpretation of results, but programming methodologies, conducting experiments and statistical interpretation of the results. Fisher's work results materialized in two reference works that consecrated him: "Statistical Methods for Research; Workers" in 1925 and "The Design of Experiments" in 1935.

In the application of the method [3], it is important to notify the factors that are involved in the realization the phenomenon and to be able to discern and separate those determined by other factors with little influence. Essentially dispersion analysis, derived from its textual elements, consists in studying the influence of the independent variable on the dependent variable. The degree of influence is represented by the deviation of actual values of the characteristic from the theoretical study, coupled with the result of measuring the

level of dependence of variations with grouping factors.

Variance analysis method, through its components enables determining the representativeness of a sample in the relation to the hypothesis that the average or dispersion does not differ significantly from one sample to another. Establishing the representativeness of the sample is actually the result of testing the significance of the difference between averages or dispersions of the groups and the general collectivity.

3. Conclusions

Statistical researches have shown that expression of any socio-economic phenomenon involves multiple issues. Profound evaluation of the studied phenomenon's hypostasis is possible only in condition of expansion and improvement of the commensurate methods. Studying a phenomenon may require description of each population analyzed, the comparison between two or more communities or even examining the factors involved. When studying dependences of economic indicators, we must consider that socio-economic phenomena are complex phenomena under the influence of numerous factors, some essential, others incidentally with different action and intensity.

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Modern Approach of a Company Strategy. Gazprom Strategic Challenges in Europe

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Abstract

During the past decade, competition has increased in almost all countries and the marketing of any product or service has its own characteristics. Today, no serious company can not operate without competition and without a well-defined strategy. Despite various forms and methods of competition, every company is trying to develop competitive strategy to achieve market success. This paper, monitors and evaluates the differences between the objectives and organization's performance, correct methods and techniques according with the strategy of the external environment changes, explores competitiveness term and modern approaches of Gazprom's strategy, one of the leading participants in the global energy markets.

Key words: strategy, competitiveness, strategic management, model, method

J.E.L. Classification: F21, F23, L21, L22, M16

1. Introduction

GAZPROM has a significant contribution to the stabilization of global energy security, which is a key component of its development strategy. This topic was chosen because most EU countries depend more or less of this company, which is ranked second by natural gas reserves and by production of natural gas. Regarding the production and processing of oil, GAZPROM is one of the five largest oil companies in Russia and among the top twenty global leaders of the oil business.

After recent years of cooperation between the Russian Federation and the European Union, Gazprom has become very influential both economically and politically, creating price discrimination between European countries, which will lead in the future to create new contracts to import natural gas and petroleum products with companies in other countries.

Aim of this paper is to study SA Gazprom, as an object of control, developing strategies and recommendations for improving the current structure of strategic management and competitiveness.

2. Modern approach of a company strategy

The first solid and independent approach of a strategy was defined by Alfred Chandler (1962) as *"the determination of long-term goals and objectives of an enterprise, the adoption of courses of action and allocation of resources necessary to achieve the objectives"*. [1]

I. Ansoff (1965) treats strategy as *"common shares spindle of organizations and products/markets that define the essential nature of economic activities that the organization made or plans to do so in the future."*[2]

O. Nicolescu (1999) believes that the strategy can be defined as *"all major objectives of the organization in the long term, the main ways of achieving with allocated resources to obtain competitive advantage according to the organization's mission."*[3]

In the methodological and specialized literature are presented a sufficient number of options to define strategic management, which focuses on different aspects of this

complex administrative process.[4] *"The main success factor in a market economy is competitiveness, which to a large extent depends on strategic management."* Competitiveness can be seen in products, company, industry, region or country[5].

The strategy will always define ways and means that will allow the company to progress towards key objectives in the best conditions, such as harmonious and close relationship with current and future environment.[6] A model is only a tool, it can not get answers to all the problems involved developing a business strategy. Interest of a method is to formulate sets of quantitative cause-effect relationships that constitute the principles of strategic behavior of the firm, while allowing to quantify the impact of various factors on firm profitability. Finally, aims to focus on strategic reflection in a rigorous framework, facilitating competitive analysis and allowing a selective choice in resource allocation.[7]

3. General presentation of GazProm

GazProm is the largest extractor of natural gas from the Russian Federation and one of the largest successfully companies in the world. Its main center is located in Russian Federation, Moscow City, while subsidiaries and businesses are scattered throughout Russia and foreign countries[8].

Company's main activities are the production, transportation, storage, processing and marketing of hydrocarbons, the sale of electricity and heat as well as other activities including inspection of pipelines, oil and gas wells, provision of equipment, research and development, processing and banking[9].

On 31 December 2012, the number of employees of the group GazProm was 404.400 people, including 25.900 persons working outside Russia.

Tabel 1. Personnel structure on 31.12.2012 (thousands)

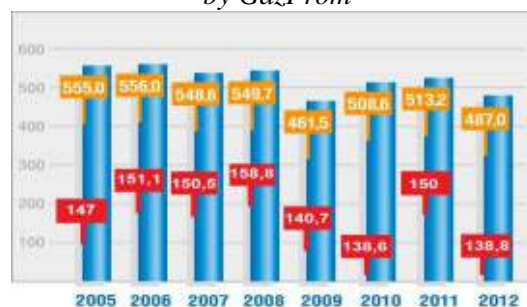
Workers 233	126		66	41
Specialists 103	5	16	82	
Directors 52	2	7	43	

Source: <http://www.gazprom.ru/careers/statistics/>

In the table above is presented the number of employees of GazProm Group, that estimates a percentage of 70% of managers and professionals with higher education, 43% of workers who have received training and 41% employees,highly educated.

In 2012 GazProm Group has extracted 487 billion cubic of natural gas and gas condensate by 24 subsidiaries, which accounted 75% of Russian resources being piped by 19 subsidiaries.

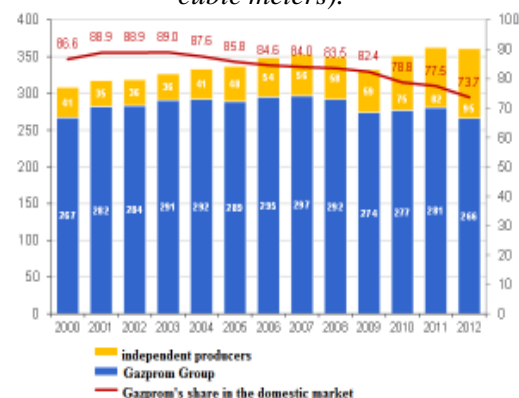
Graphic 1. Gas production by GazProm subsidiaries. Transportation of natural gas by GazProm



Source: own processing based on annual report 2012

GAZPROM domestic market share declined by 3.8% compared to 2011, this difference being influenced by the investments made in 2012, low consumer demand influenced by price increases and expenses incurred for the extraction of natural and condensate gas and oil.

Graphic 2. Gazprom share market (billion cubic meters).



Source: www.forbes.ru

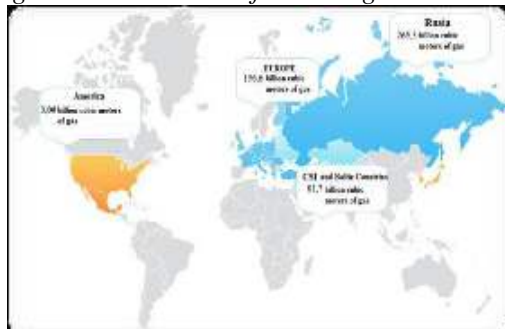
These changes have not affected so much Gazprom, the Group stuck to its position as a monopoly in Russia and as a company with the largest natural reserve in the world. Changes made are shown in the chart above. SWOT analysis provides a glimpse into the

overall management of the company from which decisions can be made to improve the activity. Among the strengths are: effective management (risks minimized, continuous production process); large reserves of natural gas and oil in Russia; diversified expanding and safe conveying gas to Europe; possibility of increased demand for its products each year; leader through European companies on increasing capitalize ratings; 95% of the technology used is compatible with the contemporary requirements. Weaknesses are: underinvestment for new projects to diversify the gas procedure; big difference between the rate of extraction of natural gas, condensate and oil with its sale both inside and abroad; low-priced sale of the company's shares, human resources better qualified. Some opportunities include: leader on European and Russian Federation market; geographic diversification; extended range of products ; control over all competitors in Russia; independent consumer choice; leader in gas field. As threats are include risc in products carrying; low income in Russia because of low prices; high competition between states that have a large reserve of petroleum products; increase political risk in areas with the same amount of resources.

4. GazProm strategic challenges in Europe

The **strategic objective** of the Group is to maintain its leading position among European energy companies by entering new markets, diversifying its activities and ensuring security of supply. The biggest advantage is that GazProm is a manufacturer and supplier of energy, with a strong resource base and the infrastructure for distribution of gas.

Figure 1. Total sales of natural gas in 2011



Source: Forbs.ru

Given the geographical position of

Russia, the company has the opportunity to become a "bridge" between the European and Asian markets, by providing gas and providing gas transit services to other manufacturers. In 2011, GazProm sold 503.6 billion cubic meters of gas by pipeline.

Export Strategy. Russian gas export is a critical element of energy security in Europe that results in more than 40 years of experience in supplying gas to Europe. On the basis of intergovernmental agreements, gas exports to Europe are primarily based on long-term contracts up to 25 years. Long-term contracts are the basis for the stability and security of supply. Only those contracts can provide a guarantee of returning multi-billion capital investment required for the implementation of gas export projects.

Figure 2. Gas export to European countries in 2012 (billion m³)



Source: own processing based on " Voice of Russia " from 20/01/2013

Romania is among the last countries importing natural gas from Russia, which means they have not been established strategic priorities, in the advantage of consumers and great producer.

Economic low attractiveness of natural gas to Europe was formed due to the following factors:

- rising gas prices on trading floors while reducing the price of coal;
- introducing new production capacity, renewable energy and preferential order of energy use;
- reducing the cost of permits for emissions of greenhouse gases, which minimized the environmental advantages of gas over coal;
- the big difference in price between gas and coal, coal's prices in 2012 decreased due to the introduction of new projects to increase coal exports from the United States.

Strategic and Financial Issues of

GazProm in Europe. GazProm is facing strategic and financial problems in Europe, the main ones are listed below:

- *Increased interdependence of markets.* Globalization era conducts to synchronize economies, and as a result, there is the possibility to convert decline or crisis from one country to another.

- *International regulatory affairs of industry.* Regulation of the energy industry is carried out in different directions. The most important areas are liberalization, customs and tax laws, environmental laws and energy security.

- *Greater competitiveness when new markets appears.* One example is the implementation of investment projects and output of GazProm from U.S. market, dominated by the high level of competition in a market with the same type of fuel suppliers and high gas price liberalization.

- *Changing exchange rates and inflation.* A significant part GazProm revenues are denominated in U.S. dollars or euros, while most of the costs are denominated in rubles. In this regard, a significant influence on the results of financial and economic activity is changing inflation rates and exchange rates.

Price Discrimination Policy. United Kingdom, which imports 10% of its gas from Russia, pays the lowest price - \$ 314 per thousand m³. Macedonia, dependent 100% on Russian gas, buy the most expensive gas, paying \$ 564. Romania ranks in the top nine, with the price of gas import of \$ 431.8 per thousand m³. Although we are at a close distance and cover 70% of domestic consumption, Romania pays a higher price than Turkey. In 2013 GazProm increased the size of gas supplies to Europe from 140.5 billion to 151.8 billion m³ and 209 billion in 2015. The company foresees natural gas prices will fall by 14%, but sales volumes will increase by 8%.

Forecasting performing activity. It was considered the company's budget for 2013 and investment program for 2014-2015. According to investigations made, Gazprom will increase its revenues in future years, although in 2012 its revenues decreased.

*Tabel 2. Forecasting Revenue for the year
2013-2015 GazProm (million euros)*

Indicators	2013 Planning	2014 Forecast	2015 Forecast
Revenues	100.014	112.470	124.638
Net profit	18.383	21.475	26.905
Investment Programs	20.150	25.595	30.525
deposition capital	19.574	22.514	27.716

*Source: own processing based on "InterFacs"
Magazine*

Commercial and political relations between Romania and GazProm. On 1 January 2012, more than 122 billion cubic meters of gas was delivered in Romania, in 2011 were delivered 2.81 bcm and in 2010 only 2.27 bcm. GazProm is the main exporter of gas in Romania, but through intermediaries, and not directly is a shareholder in gas trading houses in Romania and through NIS entered with exploitation operations in oil blocks perimeter leased by the National Agency for Mineral Resources.

Serbian NIS Group, controlled by GazProm reached the local market to a five stations gas being located in Oradea, Arad, Sibiu, Miercurea Sibiului and Vestem. GazProm was strategically placed in Constanta Harbour by purchasing bunkering operations (refueling vessels) owned by Unicom Holding through Marine Bunker Balkan Company, being the first international acquisition for Russians. Company bought by Russian operates in Constanta with two supply vessels, a container ship with a capacity of 4.000 tons, and two barges. After this acquisition, GazProm Neft will become one of the largest operators of bunkering in Constanta Harbour.

GazProm strategies set out in Romania

Purchase nuclear - energy equipment in Romania. Equipment factory and Nuclear Power Components in Bucharest, owned by Walter Tosto Italian group, runs a 1.8 million euro contract with Russian company Gazprom to supply equipment for the largest gas compression stations in the world;

Purchase Lukoil gas stations, which belong to a company run by Gerom Buzau;

Forming 50 filling stations by the end of the year. GAZPROM will open through NIS another 45 filling stations in addition to the

five already in operation , according to the latest official statements from the Group

Entry on the oil market in Romania ;

Renovation of oil deposits ,

Incorporate Romania in South Stream project. Romania will be a gateway to all member states of the European Union as a transit country in the supply of natural gas. Through this project, Romania will have a big advantage in negotiating lower prices for natural gas .

Figure 3. Design South Stream route in Europe



Source: www.gazpromquestions.ru

Is in Romania advantage to consider all projects that may lead to the energy security of both Romania and the European Union. Romania will become a political and international legal basis for the project "South Stream".

Purchase of 60 stations from OMV Petrom. Petrom is close to reaching an agreement with the NIS.

Purchase petrochemical plant Oltchim Ramnicu-Valcea.

According to these well-defined strategies, Russia has found in Romania a country with great potential. Some strategies will yield great benefits in Romania, such as the South Stream project, renovation petroleum deposits, gas stations, which will have a strategy of lower prices.

5. Conclusions

Gazprom is a company with tradition, competent management, whose vision is directed towards development and innovation. Holds a safe and forefront position, highlighted by the results that the company has made in its history of over 25

years. It is a company that is in continuous development, opening worldwide and managed to take with the values and its policy more and more customers.

Through business diversification and expansion of long-term contracts , Gazprom will expand the scope of industrial activity and composition of the final products, conquering new markets and developing logistics projects, increasing the volume of gas delivered.

One of the disadvantages of the 21 European countries towards GazProm, would be price discrimination policy, which was implemented after certain criteria. Following pressure from the European countries, GazProm was forced to revise some prices, and stated that in 2013 gas prices will decrease in favor of increasing sales volume.

Starting this year, GazProm came to Romania with a set of strategies. According to these well-defined strategies, greatest benefits will be brought to the Gazprom, which will be able to become, with Romania's help one of the largest production, processing and export of natural gas and petroleum products company in the world.

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Strategies Adopted by the Company Leadership in Different Situations in Time

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Abstract

The fundament of choosing this task was the demand of a profound analysis well-reasoned regarding the way the business is run and the way decisions are held in the company, in order to settle down and choose the different kinds of strategies that could be applied, according to the current legislation, but also considering the particularities of the company chosen to be studied.

Key words: management, strategy, administration,

Classification J.E.L.: M 10, M20 și M 21

1. Introduction

Decision is a fundamental element of the management and if we go by what numerous authors affirm, decision is also his most important expression tool. Ultimately, the quality level of the management is best demonstrated through its developed and applied decisions[1].

The accomplished analysis shows that the recession patch could be in favor of the business portfolio of the company, the changes of the market are being identified and therefore the company reacts to them. Willing to adapt its activities to the market's requirements, the company explored the business environment so that it was able to detect the weaknesses and also the opportunities of every single branch. One of the branches most affected by the crisis is the IMM's and that is a consequence of their lack of financial power.

But anyway, the company's analysis shows that this patch could be in favor of the companies that identifies and reacts instantly to the market's changes. In default of strategies and higher endorsements, within the company one could easier come to a

decision and therefore it may become more efficient.

In this manner, the company may react instantly by implementing solutions well adapted to the market's terms, it may identify new business markets and new solutions. For the company to be prepared for the innovations, the management should be aware of the company employee skills. Sometimes, new activities need new skills within the company, even though they are not up front.

2. Strategies adopted by the company leadership in certain situations

The analysis accomplished by the company shows plan is an excellent investment opportunity. The market still in the making, the excellent financial yields, the small number of competitors with a similar activity, the early accomplishment of national coverage as well as good opportunities, are just a few arguments from the SWOT analysis of the company.

Due to the risk generated by the competitors, relieved in every department of the SWOT analysis of the company, it is recommended a continuous monitoring of their activity and the periodical accomplishment of market studies for monitoring the perception of the target-clients.

Within the company, due to the actual financial risk, it is strictly necessary a thorough projection of the cash-flow and its adjustment in real-time, according to the constant evolutions. Due to the deficiency of human resources of the Romanian work-market it is recommended the company's collaboration with a consultancy-firm specialized in the fund allocation for professional trainings that could ensure the cohesion among the company's activities. The company's mission is the achievement of

a firm position on the market. By mixing up the offer of high quality products at competitive prices, with distinctive services performed by a polite and well-trained staff, the aim is to obtain a higher-degree of satisfaction and the clients' fidelity.

A company's targets for 2014-2015:

- increasing with 13% the whole sales of the company in 2014 and with 10% in the following years;

- increasing with 10% the company's profit in 2014 and maintaining this percentage in the following years;

- increasing the market-share with 10% in the following three years[2].

In order to achieve the agreed objectives, the company develops a strategic plan, who's stages implies: to consolidate the market emplacement of the company; offering lower reductions comparing to the ones in 2013; the update of the company's logistics, so that better results are achieved comparing to the competitors' and in the end, the expansion towards the county neighboring areas, where the company is activating.

As indicated in the prior paragraphs, a company activates on two levels: first, on the classic retail-market, by merchandizing in a classic shop, and second, on the virtual-market, by merchandizing in a virtual, online shop.

The two types of merchandizing are different through the commercialized goods and through their specific employees. Because the online commerce is still in the incipient phase, the management of a company aims to rapidly develop on this market because this is the knowledge and information era.

The account manager of the company takes into account to realize one of the most known and used socializing-sites: www.facebook.ro, through which the management wants to attract as many friends as possible (potential clients), and afterwards at every 1000 new friends, the company organizes a competition whose purpose is the increasing of the online commerce, with small steps, so that the company's strategy for the future is concerning the wide accreditation of its name on the market, followed by the increase of total sales and in the end, with its increasing interests.

The competitions organized on the socializing site, follows up the augmentation of the friend's number (friends that will be active clients in the future) as well as the free-products offer, conditioned as follows:

- 10 lei minimum purchase and get a product for free;

- 100 lei minimum purchase and get one identical product for free;

- 1000 lei minimum purchase and get free a product from the list.

We parenthesize that any purchase regardless the amount of money paid, participates to a raffle with all sorts of electronics. By these competitions, the management of a company attends to bring into notice his name, to increase the sales amount and finally, to increase the profit.

To avoid this strategy's failure, the company offers free-delivery only to the 1000 lei minimum purchase and every page of the online store a message that makes a connection to the official page of the company's site.

Currently the company communicates online with his clients, by e-mail and by line and mobile telephony, but the managerial board decided that by the end of this year to develop the communications through a call center available for starters 12 hours a day and the future 24 hours a day and through the costs are little bit high, the company shows a positive attitude and considers that all those extra costs will be defrayed by the sales growth, and also that the company's name will be brought into notice to a larger group of customers who whenever will demand information over a product, the order or the return, they will use trustfully the company's call center and their problem will be efficiently and rapidly solved.

Image 1 . The overview of the company's specific call center to be implemented at the end of this year

National Service Dispatcher

NON STOP:

Tel: 0XXX.441.287/0XXX.441.767;or

XXXXX.123.123 (only in Romtelecom network)

Source:www.romtelecom.ro

The image nr. 1 carries an overview on the specific call center of the company, strategy to be implemented at the end of this year[3].

Due to the fact that the company's online commerce activity is still at the beginning, the price chart of the online store is permanently changing, sometimes from week to week, to half of the products, and from month to month at all the products, and the reason why this is happening is that the sale – adviser permanently has an eye on the competitor's offers and their sale – strategies as well as on the supplier's acquisition price. At a later time he might change the prices (higher or lower) based on his analysis.

The sale – advisor's task concerning the implement of the new prices on the company's site is simple, because there is an informational automatic program that maintains the affixes prior established by the company. In time, the company's management pursues to update the prices, to attract as many customers as possible, to have the best offers daily in order to become the first competitor on the market and that is why lately by online commerce, the company's profits grew by cutting down the delivery costs (found in the final price of the product).

The company's management pursues that by the call center to establish meetings with the potential customers or purely to have the permission to send the offer by e-mail. So, if after viewing the offer the customer doesn't contact the sale – advisor, the sale – advisor may contact the customer by phone for a business meeting in order to present him the new products at no additional costs. By the strategy of travelling to the potential customer, the management is pursuing to meet other potential clients that do not have internet and they aren't into the online world; in conclusion through a simple phone – call at the company's call – center, they follow-up the promotion of the company's products, their quality and the promptness of the services, the locating of the new customers that prefers the classic commerce, as well as signing the contracts of sale. By the half of this year, the company intends to expand the consumer's group, by offering a new kind of pay-method, more exactly by selling by installments without interest.

Consequently, the company will post on its site and in its classic shops, the possibility to purchase the goods by installments with Card Avantaj of Credit Europe Bank. The benefits of this kind of service are that any

customer may enjoy a faster and more comfortable way of payment, in maximum six installments or even in full.

The most accepted cards are the ones under the logo:

- VISA (Classic and Electron);
- MASTERCARD (including Maestro).

The payment by card is free from additional charges, but for the safety of the dealings, the company pursues to use the GECAD ePAYMENT. An important matter is that Eltechim company doesn't pursues to require or to stock up information about the client. In the end, the delivery of products will be realized only after confirming the payment in the company's account.

Consequently, due to the economic crisis in the last few years, there is a increasing number of companies facing bankruptcy (in our country there are at least ten companies facing bankruptcy, daily) and that is why, in order to reduce the financial losses, the company adopts for 2013-2014 some strategies to avoid this obvious danger.

In conclusion, apart from the prices and the strategies of the competitors, the marketing expert of the company is observing the strategy implemented by the competitors as well as by the potential clients, strategy that implies the possibility to anticipate the way the competitors or the clients exit the market and, regardless the activity field, there is a business cycle in every business evolution. To be more exact, a responsible manager needs to be aware of every cycle in order to adapt its own strategy to the market's mainstream.

The marketing and sales expert of the company observes the first phase of its client's business (if they are in expansion on the market) and if the client was in the evolution phase and that did not corresponded with the market growth, he will inform the management about the evolution status of the business and may decide not to accept term payments, but only direct payments. But to prevent losing the new potential clients, the company has to sell the required goods by payments at maximum 7 or 30 days for small amounts of money (maximum 5000 RON).

But even if the exit strategy is analyzed, the management of the Eltechim company needs to also analyze

- the financial status of the client (if he has profit or losses);
- the bankruptcy status of the client;
- the procedures and pay-terms of taxes;
- the legislative status of the client, if he was put to trial for collection letters or bankruptcy;
- to check up the payments made by checks or payment orders.

All these variations offer information to the management of the company about the real status of its clients, and so the company decides over which strategy to adopt when contacting the client, more exactly over which payment term to allow: 7 days, 30 days, 45 days or 60 days or if the client demands to pay up in advance by payment order or refund at the delivery[4].

Another strategy, maybe one of the most important strategies of the company's management is the one by developing the own profit, profoundly analyzing the bankruptcy status of its most powerful competitors, facing losses in the last month, and by trying to find solutions to outgrow and avoid taking the same decisions implemented by the two competitors facing bankruptcy were the best ones, their effect was a negative one, which leads us to think that they were short – term solutions, unacceptable for the company's management which pursues applying only long – term strategies made with small and sure steps.

The company, still expanding, made a long – term commitment to their clients that along side with selling a high – quality products, also:

- wants to offer innovatory, exclusive services, corresponding to the most exigent consumer's needs.
- for any project, the company recommends professional montage fitters, authorized by I.S.C.I.R. and qualified to assist in developing the projects.
- all the products are permanently available and the company offers quick and efficient interventions but in the future it wants to develop a service – center net, located in the most important cities of the country, in order to assure a trustful relationship with its clients.
- all the products are permanently available and the company offers quick and efficient interventions but in the future it wants to develop a service – center net,

located in the most important cities of the country, in order to assure a trustful relationship with its clients.

- home delivery in maximum 24 h to the online orders.

A strategy for the future of the company implies reaching excellence, because excellence is the variable part of any business.

In order that the company to reach excellence in the market – share, there are a few principles to accomplish:

- the company manager has to completely devote and involve in the commerce activities;
- to grant more importance to the planning activity;
- to use methods and techniques for continuous improvements;
- to focus on the personnel's professional upgrading strategies;
- to support team – work;
- to be aware of the importance of changing one's attitude towards quality.

The decisions implemented within the company must use the marketing strategies because the financial issues started to change the rules of the competitive game in almost every economical branch and in most of the markets where the company runs his business[5].

3. Conclusions

Among the training solutions of the decisional part of the company's management, must always exist:

- the typical improvement of the decisions and the size amplification of the anticipation and prospection of the company's management;
- the judicial structuring of the authority on immediate superior levels, every manager having his duties, responsibilities and competences on which the company's decisions depends;
- the improvement of decision's quality for the purpose of fundamental upgrade of opportunity and their integration in the overview of economical decisions, specific to the companies;
- the computerization of the decisional processes by using the computer in different stages of the company's developing process, managing in this way the resolution of some extremely complex problems;

- the amplification of the managerial competency of the company by improving the level of professional knowledge and their correlation to their managerial skills and aptitudes;

- the use of some effective methods and techniques of adopting and applying the decisions, as well as the mathematical and creativity stimulating methods and techniques.

Regardless the decisional instrumentation used by the company it is also necessary to ensure the informational fund requested for underlying the decisional processes and quality of these information, vital elements for the quality of the decisions to be adopted[6].

The development strategy of the company embodies objectives that reflects the national economical needs, being well – bonded to the accomplishment of the EU objectives for 2020. So, for the future the company will continue to develop new projects of great importance for itself, but also for community, in order to ensure a continuous improvement its activity

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The Analysis of the Benchmarking Method Specific to the Romanian Quality Assurance of Higher Education

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Abstract

In the last few years we have witness a substantial increase of the public interest towards the educational issue. More and more articles, featured stories and public debates have the topics of education and professional training. The interest for this matter is due to the irreversible progress of the Romanian society towards a genuine democracy. The citizens, the tax-payers are starting to be aware that the public institutions have the obligation of protecting their interests.

Key words: quality, strategy, method

Classification.: M 10, M20 și M 21.

1. Introduction

In the educational system, the graduation or the admission exams represents a way of disposing the graduates or the candidates that do not follow the specifications, nationally or local established, regarding competences, knowledge or skills that one has to gain by the end of the educational cycle or for the admission in an educational institution.

A discussion over the standard concepts can be found in "Managerial and training standards" work.

Therefore, in almost every educational system, the accreditation and certification procedures are separated by the ones assuring quality[1].

The new vision over the quality also has an influence over related concepts, as there is the one of life quality, whose most important note is the personal satisfaction or non-satisfaction, regarding life conditions.

Therefore, a high-quality educational service means to be adequate to the major end points of the system (general and specific regulations framework, national curriculum,

qualifications received at graduation, evaluation system and all other elements that form the set of specifications) as well as to some real and well-known needs, of the present and also of the future, of every single educational member (individual or organisation).

Actually, this relative concept of the high quality education was imposed to the entire production of goods and services, including the educational services, because this is the meaning of a democratic society: the right to be educated is a constitutional right and every citizen should have a guaranteed access to a high-quality education[2].

2. The analysis of the Benchmarking method specific to the Romanian quality assurance of higher education

Taking into account the prior paragraphs, a proposal of modifying the institutional arrangement based on the characteristics identified in the higher educational sector, regarding the assuring of high-quality education, could be importantly structured on the database benchmarking method.

This method, as shown in the following paragraphs, has two properties:

a) It may allow the adaptation of the quality assuring institutions, to the specificity of every university, based on the strategic decisions of its management;

b) It may adjust the current external evaluation procedures of ARACIS, by operating them in a national performance Benchmarking system of database indicators, having the ability to guarantee enough decisional liberty to the universities, in order to well adapt the practices and procedures of ensuring high institutional quality having as a model a national system of performance indicators[3].

The two characteristics that the database benchmarking is able to integrate, may have

major implications on the universities institutional architecture on the assuring the high-quality perspective.

We are considering the guarantee a strategic university management of a decisional space, big enough as to permit adapting the practices and the procedures that assure the institutional quality.

Consequently, this can lead to an increasing degree of institutional diversification of the higher-education level.

Before we go on to presenting the way the database Benchmarking can be used at university level, in order to improve the quality of education and customizing the procedures and practices, we will present a few general theoretical information regarding the Benchmarking method.

Benchmarking represents a method which allows the establishment of the learning process that the organizations may pursue, in order to increase the internal activity performances. Any Benchmarking method includes, in general, at least four basic elements[4]:

- the data collection from the external organizational environment (the measurement of some variables, relevant for the organization in order to improve its performances);
- the comparison of its own data and the ones that belong to other organizations in this activity field;
- analyzing the way the better or the best performing organizations manage to attend higher performances than the ones of the reference organization;
- adopting the practices and the procedures distinctive to the better or the best performing organizations.

An important aspect that we want to emphasize in this context refers to the fact that the Benchmarking should not be confused with the ranking or classification activities.

The specific difference that individualizes the Benchmarking is that it allows the organizations to learn from one another and that they function in the same environmental field in order to improve its organizational performance.

Benchmarking is a generic term that refers to various methods.

So, in order to improve their own performances, the organizations may use different forms of Benchmarking:

- a) the public Benchmarking;
- b) the one-on-one Benchmarking;
- c) the evaluation Benchmarking;
- d) the sample Benchmarking;
- e) the investigation Benchmarking;
- f) the database Benchmarking.

Of all these Benchmarking methods we will consider only the database Benchmarking but the information of the other methods could be accessed by consulting the specialty literature[5].

For this process to be relevant and useful, the database Benchmarking implies a periodical process of empirical data collection. The frequency of data collection guarantees the existence of a rich database containing some important information

Through the ACADEMIS project implemented by ARACIS was developed between 2009/2010-2010/2011, the first Benchmarking type of exercise applied on database.

Practically, it is a measuring process at the higher Romanian education institutions level of a very wide set of variables regarding the three domains of quality: institutional capacity, educational efficiency and the quality management.

Starting with the variables used in the measuring process it was created a wide indicators range (for example, the ratio of the numerous articles published in journals and indexed in international database and the teachers number; the ratio of the attracted revenues by participating to national and international research programs and the teachers number; the ratio of number of the teachers participating to teaching and scientific research activities, in higher educational institutions from abroad, and the total number of teachers etc.).

In another words, these indicators were derived from the empirical data collected. Therefore, in the Benchmarking context, there is an extremely important distinction between variables and indicators. About the variables and indicators, there must be done another extremely important indication.

The values of a variable or an indicator aren't relevant by themselves, but through comparative exercises.

In addition, the interpretation of the comparative exercises must begin on one hand from a theoretical assumption series, and on the other hand, from institutional development intentions of the strategic university management.

Consequently, starting from the variables measured within the exercise, there can be made a lot of indicators.

But their relevance is different and determined by the theoretical quotes and by strategic interests of the university management[6].

3. Conclusions

The main strategic targets for the next period are:

1. to regain trust in the Romanian education based on the new concept of educational quality founded on the values of the educational system.

The strategic targets added to this strategic path are:

- continuous development of quality culture based on national and European values;

- common European framework deployment regarding educational quality and professional training (EQUAVET);

- continuous development of instruments for internal and external evaluation of educational quality;

- firm application of educational quality preventing the entry into the system of some educational suppliers that don't meet the minimum quality requirements and the periodic evaluation, until 2015, of all the schools in the national educational system;

- promoting good practice in assuring and improving the quality of education by highlighting the "added value" and the "created value";

- periodical publication of the "status reports" and of recommendations for quality improvements.

2. The development of institutional capacity of ARACIP will be achieved by the following strategic goals:

- developing and optimizing the logistic and communication of ARACIP bases;

- strengthen the capacity of communication with the education beneficiaries and with the other interested

parties, including promoting the own visual identification elements;

- to implement his own quality management system. For this purpose, will be requested national and international advice and expertise, regarding quality management systems, internationally recognized;

- making partnerships and participations to national and international projects on the educational quality field;

- flexible use of ARACIP personnel by outsourcing some services and by multiplying the types of contacting the personnel;

- diversifying the financing sources and the assurance of sufficient income for ARACIP function and development;

- periodical review of expert evaluation and accreditation of ARACIP Register.

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Dysfunctions in Organizational Communication

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Abstract

Today, more than ever, organizations observed the explosive growth of interest in communication issues and conflicts within them. This extension of the theory, but especially in the daily life, produced an impressive number of questions on the two phenomena, that of communication and conflict, so present in our everyday experience.

We live in a world of interdependence in which communication is synonymous with living. For human beings, information and communication are a vital necessity of existence. For being organizational, communication is the act who can trigger existence may facilitate expansion and may determine stagnation or even extinction.

Management processes, the communication means perception, interpretation, evaluation and selection. The number of participants is greater communication and objectives, level of culture and education, mentality, personality are various obstacles that arise in the communication path Sunrise more.

Key words: organizational communication, employees, strategies of communication

J.E.L.Clasification: A1, A14, D2, D22, L2

1. Introduction

We live in a world of interdependence, communication is synonymous with living. For human beings, information and communication is a vital necessity of existence. For being organizational, communication is the act who can trigger existence may facilitate expansion or stagnation may determine or even extinction.

With regard to organizational communication, this is a process usually

intentionally seeking exchanges of messages between individuals, groups and hierarchical levels in the organization, aiming achievement of individual goals, as well as collectively. Thus the quality of that communication depends on functioning of the entire organization, and organizational communication accompanying the good evolution of the organization. Changes occurring within it automatically drives the need for change notification.

Organizational communication quality is the determining factor in the formation of what we call organizational culture.

The deficiencies in internal and external communication caused mainly by the deficient training, within this field, of the public administration personnel, can generate real communication crises with larger implications than the organization itself. The aspects met are more sensitive and difficult to rectify, requiring a lot of time, professional sacrifice and laborious management, in order to settle all the conflicts engendered by such an attempt.

The efficient functioning of the communication process is often influenced by appearance and manifestation of the numerous blocks circumscribed to the disturbing factors. According to other authors, these blocks originate in the psychological traits of the emitter and receiver, in the means of communication, in their needs, purposes and motivations, as well as in the concrete traits of the situations of communication.

In other words, both external perturbations, related to the physical communication environment, distance, time, structure of communication networks etc., and to the internal perturbations connected to the human nature, the perception and assessment of messages, individual limits etc., should be identified, analyzed and diminished by measures adopted within the

organization, leading thus to the improvement of communication.

2. Dysfunction causes organizational communication

One of the difficulties met in the unfolding of this communication process in public institutions, which affect the performance of its activity, is generated by cognitive dissonance.

The term of cognitive dissonance refers to the psychological discomfort (contrariety, perplexity, misunderstanding etc.) caused by a piece of information, idea, pattern of behavior, contrary to one's expectations.

This involves selecting the sources of information in accordance with the beliefs of the entities involved in transmitting or receiving the message.

The phenomenon of cognitive dissonance is seldom used in public administration. Thus, when a group meets in order to discuss different problems, we find that the heads of departments, of ministries, from general directors to state secretaries etc., find the group where the others have the same perspective on the problems discussed. When the meeting begins and the group members present their personal opinions, they hear their own perspectives presented in different words and leave the meeting with their initial opinions strengthened, as they are similar to the others' opinions.

With all these, among public servants, there is also manifested a psychological mechanism which acts in the sense of rejecting and/or deforming the information and realities which are inconsistent with their own opinions.

Also, there can be identified the situations where civil servants are totally opaque, non-receptive to the facts presented to them by the process of citizen-public institution communication. There are frequently met those situations where the public servant gives the impression that he/she listens to the message although, in fact, he/she does not pay attention to it. He/she is only polite, remaining quiet until he/she has to talk, when he/she presents his/her arguments. The answer is, almost entirely, inappropriate and discordant with what the previous speaker has said, completely ignoring the viewpoints stated by the citizen. Thus, this evident

rejection entails a real communication problem and should be taken in consideration.

In order to diminish or even to remove the influence of written communication blocks, the information documents should be elaborated in accordance with the receiver.

Determinants of organizational communication interference phenomena are numerous and diverse, they are divided into two categories, namely: general causes identified in each element of the general scheme of communication (issuing receiver communication channel, message, etc.) and particular cases organizational (due mainly to a malfunction occurs in the various components and functions of the organization). We will focus on the general causes of disruption of communication in organizations. Meet the transmitter related phenomena on the one hand by some external conditions of the issue and on the other hand, his own terms, inner psychological subjective.

Thus, for example, specific features of the situation in which the communication may be one of the external factors transmitter. One is that the communication process take place in a small, involving two, three, and one, in a very broad an audience that could jam the transmission of information by noise, interruptions, etc.. Equally important are factors such as indoor own transmitter. It may establish a specific time frame of reference consists of norms, values, attitudes, concepts, and so on, which makes sense based on what he said.

Sometimes it may happen that such a frame of reference to be very different from the receiver, which will lead to communication blockade and unable to communicate, each remains in its own frame of reference, and making no effort to understanding mutual. For example, a problem of efficiency in a hospital can be seen differently by medical staff than nurses. Different levels of the organization will have different reference frames. In any case, people will choose some of their past experience that binds to the actual experience and it is helpful in formulating judgments and conclusions. But unfortunately, the inconsistency between the encoding and decoding turns into a barrier effective communication. "[1]

At the receptor level also play a number of causes that can disrupt communication. The simplest refers to the actual reception of the message or not, the conditions under which it is performed. There are times when reception is absent due to excessive jitter or poor responsiveness is due to either insufficient material conditions of well developed a phone that does not work well with many mistakes typing text, either purely psychological conditions.

Mucchielli Roger talks about the state of preparation of the receiver, ie. about the internal state, which is psychological receiver during message transmission. The receiver filter will select the overlapping information transmitted only those that matched his intellectual and emotional state, if the message is words whose meaning does not understand it, they are left aside[2].

Filtering is performed depending on the emotional state of the receiver. If he is in a pleasant affective state, refreshing, positive, will receive particular messages with positive meaning, if it is dominated by an unpleasant state, negative, then the messages will be retained predominantly negative significance. After Bernard Mailhiot, affective state can be an emotion so deep, intense joy that totally absorbs the individual or his anguish,"- that he is unable to perceive the message." [3].

Another cause may be purely subjective interpretation of the message and the receiver. As a result, there will be effects such as withholding a portion of it, sending another enriched or depleted reinterpretation and therefore subject to change original meaning. Most authors who have written about organizational communication have emphasized that one of the main factors hindering communication receiver is the inability to listen, overloading the receiver with a quantity of information that can not process. , The surplus of information that exceeds the processing capacity of the receiver becomes a source of noise as generating communication disruptions

On the relationship between transmitter and receiver there is a different category of causes that affect communication. If both partners are differentiated by age, sex, nationality, race, training, cultural background or relations between the two are forged from prejudice, the mentality, attitudes, opinions, standards, jam and

interference often occurs. For example, an old man with a young notify harder than one account; communications sometimes not be achieved, sometimes accompanied by filtering and distortion.

The relationship between transmitter and receiver, not just the prejudices and attitudes can cause interference phenomena, but also how the perception of one another is very important. In the relations between the transmitter and receiver are we interested in how their partners of their status relative to one another. If the other is perceived as inaccessible, incompatible, jam occurs, if it is perceived as unreliable, dishonest, untrustworthy, information filtering occurs. An individual with a high social status because it is not correct in relation to the status of others, behave in a strange way to the latter. For example, a foreman who does not give much importance to its function may be at the mercy of another member of the group that the plan informal, unofficial group leadership takes practice. Also at this relationship, an important role has the knowledge or the statutes and roles of those involved If the transmitter knows the receiver status, then communication will take a certain twist, than where it would not know.

Post the difficulties arising in connection with form and content. In terms of content, there are situations in which it is simple, understandable or rather tightly and ambiguous, which requires an effort of decoding and interpretation. If one of these operations is performed under normal conditions appear immediately filtering and distortion. As to the form in which the message is sent, an important role is its linguistic context and situational. One and the same idea can be transmitted through many words, sometimes the idea can be full of metaphors, allegories, epithets, sometimes it is dry, simple, which facilitates or hampers communication. Also, an idea of some kind can occur in different linguistic contexts.

One and the same semantic content is difficult to understand when presented in a negative light instead of a positive-negative in a passive rather than an active-positive. The message can take one form or another (student, academic, scientific), depending on the concrete particulars of the situation, a special role is played by the context / subtext

language you can, push "on the receiver to filter or distortion [5]

In the channel, and network communication structure, disturbing phenomena are due to peculiarities of means through which information flows (air, paper, phone or internet connection). A phone ringing interrupted by a text which typed incorrectly lead to disruption of communication. [6]

3. Conclusion

As shown there are many causes that affect communication within the group and even the entire organization. The question is disturbing phenomena prevent the appearance or disposal, if you have already installed. How can organizations improve communication functionality? Some of the ways to improve organizational communication are creating supportive environment, using active listening techniques-effective transposition facilitate empathic, use rumors. [7]

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Expatriate – a Challenge for Employers

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Abstract

Expatriate facts experienced an interesting development both in Romania, as well as from Romania to other countries. Relocating an employee in another country is a persona and stressful event for him/her, the more that his/her family is also concerned. Expatriate is not a certain employee and the human resources manager (HR) must be prepared in helping him/her to integrate himself/herself not only into the organization, but also into the new living environment. In recent years, the mobility of talent has become increasingly significant on the global market given that, in some industries human resources are extremely limited. In this article, we will analyze the social and economic issues involved by the expatriates, as well as an analysis of the dynamics of professions embraced by expatriates.

Key-words: expatriate, integration, relocation, human resources manager.

Clasificare J.E.L.: M 12.

1. Introduction

The conditions and procedures on local hiring of a foreign citizen can be found in the content of the Emergency Ordinance no. 56/2007 on employment and deployment of foreigners in Romania. This law is supplemented by the provisions of the Emergency Ordinance no. 194/2002 on the regime of aliens in Romania. Two legislations adopted in order to harmonize national legislation with the EU legislation, representing the regulatory framework for entry, work, stay and exit of aliens on or of the Romanian territory, their rights and obligations, as well as specific measures to control immigration in accordance with obligations assumed by Romania through international documents to which it is a party.

Two regulations that we often encounter on the desks of the HR managers when speaking of hiring an alien in Romania, two regulations which, in appearance, would clarify the local employer on all theoretical and practical matters of this particular procedure.

Economic environment in recent years has boosted the struggle for survival in the business environment, offering companies the opportunity to approach new developing markets. In this context of business globalization, the spotlight often falls on expatriates. Internal policy of an enterprise must be clear so that, in the relationship between the parent company and an expatriate communication errors may not appear. In other words, when the enterprise decides that it wants to relocate one of its employee, it must explain to the future expatriate what are the relocation professional benefits and the career impact. We thus get to motivators, items that an employer must identify in such a context- we are speaking about career, material gain and family. According to specialists [1], expatriate must fulfil two basic conditions: to be rigorous in terms of corporate rules and have the ability to act on a new ground. There are also cases in which the parent companies send, to other countries, executives following a specific career plan, thus hastening their career development.

The appointment of an expatriate is also a decision to be accompanied by a careful analysis of the costs and the motivators. Successful relocation of talents according to geographical areas is essential when a company wants to conduct its business in another region.

2. Relocation process

2.1. Specificity of relocation process

Mobility does no longer mean to introduce an expatriate in an ad-hoc business

situation, following a decision based on the intuition that it is suitable for a mission or to satisfy a general desire of international experience. Mobility specialists are increasingly thinking just like talent portfolio managers, generally: every euro paid to people must generate appropriate efficiency.

Relocation is a complex and complicated process for any person, whether we speak of a manager or someone who merely migrate – relocation is not effective only physically (presence in a certain geographical area), but also emotionally (people in such country are speaking a different language, they have a different lifestyle, their procedures and behaviours are different, friends are no more close geographically, etc.). Risks of working with an expat must be seen from the two sides, both as employer and as an expat. As an employer, you can not expect that, once arrived in the country, the expat will come to the job as he/she would be perfectly integrated. The integration strategy [2] is one of the most important human resource one, because, if skipped or missed, it can cause irreparable effects, unable to return on it, subsequently. An important role in the integration of expat lies on the HR or career advisor, as relocation requires a significant change in his life and, if he/she is accompanied by his/her family, then the HR needs to pay attention to its integration, as well. For any company hiring an expat, the main interest is that he/she should be productive, to be helped, as soon as possible, to integrate, both himself/herself and his/her family (if applicable) and to be traced a professional development plan consistent with his/her aspirations, availability and skills.

Starting conditions are negotiated from the very beginning, so that there is the opportunity that the employee may negotiate a larger package to be able to take the family with him/her or leave be himself/herself, in which case personal risks occur. In addition to the benefits of relocation – either we are speaking on career (experience gained and the idea that, when returning you will have more job opportunities) or material gain - such a professional move also involves two major risks. The highest risk assumed by an employee becoming an expat is the possibility of losing the initial position within the parent company. In other words, I don't

know if, at your return in the company you will be able to resume the same job. Obviously, in these cases there are certain severance packages provided in the contract.

In this case, however, you can be motivated by the idea that experience gained abroad will allow you to move to another company (whether contractual clauses allows it) after the mandate is completed. What does the second risk suppose? Relocation on a market that is not an essential point in the business strategy or in which you, as an expat, do not think you are compatible with the local environment. According to experts, most of the time, the mandate of an expat (when the parent company enters a new market) has a period of 2-3 years with the possibility of renewal.

2.2. Specific formalities in the integration of an expat

Beyond the country of origin and mandate validity, we must know if the expat comes to the company as being deployed by the parent-company or as a foreigner that the enterprise wants to hire, especially due to the fact that labor mobility is a plus for companies all around the world, being one of the solutions to overcome talent shortcoming. Therefore, it is perhaps one of the advantages of external recruitment, in the revival of a company business.

The first matter related to formality is whether or not such person is a citizen of a European Union country, so, there are three categories of expats:

- citizens whose countries are members of the European Community and of the European Economic Area (also including Norway and Switzerland) who do not require a visa;
- citizens whose countries are not members of the European community, but still do not require a visa (USA, Canada, Australia, etc.);
- citizens requiring a visa.

If the expat comes to our country, according to local law, the Romanian employer should arrange for a work permit. This means that we must submit to the Romanian Immigration Office or, where appropriate, to the foreign territorial service, a file containing both corporate documents

and personal documents of the prospective employee.

3. Dynamics of expats in the European Union

3.1. Foreign expats in Romania

If at the beginning of the crisis, the large companies changed their purchase department managers due to some saving needs and during 2008 – 2009, the CFOs changes were “popular”, in the past two years have been made several projects of recruiting top executives in the commercial departments. The highest paid executive recruited during this year is working in the IT & C field and is remunerated with a net salary of EUR 15,000 per month and the bonus, though on a scale on which we had not any access, may have led the pay package to EUR 20,000. The banking sector currently pays well, especially for expats positions, but banks will have to find an optimal method and a new business model to maintain their businesses profitable. In Romania, around 20000-30000 expats are currently working, according to the estimates of the relocation companies, but there are records, in the statistics of embassies, as foreign employees or diplomats, only for half of them, meaning about 15,000, because many of them are conducting their own businesses. Benefits packages are considerably higher among expats and they can be over 60% higher than those received by the Romanian executives for a top position. In terms of benefits, while for us, the part of private pension was just a dream, it was always a reality for expats, belonging to the children's education, others belonged to the benefits for spouses. Among the most extravagant claims of expats [3] who came to Romania in the years of economic growth, 2007 - 2008, were shopping cards for their wives, monthly allowances for expats' families, transport of exotic animals or certain types of gardens they wanted in their homes in Romania. Usually, expats who do not want to leave Romania after the completion of their first mandate on the local market also come from Central and Eastern Europe, because they are much closer to the Romanian culture and are attracted especially by our national geography. On the other hand, very many

Romanians have become expats on foreign markets in the recent years, because they are entered on the high-potential lists of the head-hunters. The most recent example in this respect is that of Lucian Marin, the 38-year old manager working in the position of Sales Manager within Coca-Cola, who was promoted as a Sales Manager at Coca-Cola Italy. Many Romanians are well regarded abroad, because they got an experience in a market that has grown tremendously. Compared with other countries, however, the Romanians are not too open as regards working abroad, due to the fact that they consider job stability as one of the most important three motivating factors. Often, it is related to a comfort area and that's why the Romanian managers are reluctant to international mandates", says Oana Ciornei. Moreover, Amrop has got a database containing CVs of over 100 Romanian managers who participated in international missions and who are among the first taken into account when new head-hunting projects come. However, a manager mandate for abroad comes with its own pluses and minuses. There are people working in the operational sector who will not ever be happy to perform a corporate job, because it is their satisfaction to be part of large teams, to lead operational teams, which is not possible on the corporate side, where it relies especially on the "Influencing" or "remote managing". The Romanians promoted abroad, who are promoted, who are “repatriated” subsequently are most interested in a higher challenge towards the position for which they "sacrificed" abroad and they want to have a growing career and an increasingly important role. Nearly 170 new executives have been promoted, during the last year, to leading positions, in the largest companies and financial institutions in areas such as banking, consumer goods and energy, which means that almost two out of ten executives are annually changed in Romania. Due to the economic development and expansion of multinationals, the fresh area of relocation services is emerging in our country. Romania has experienced an upward trend wave of expat wave since 2000 and this year, their number was 10 times higher than in the previous years, according to the relocation company Pirgroup. Expats have created a market of relocation services in Romania.

Most of the multinational companies who came in Romania preferred to bring their management, for a longer or shorter period of time, from the Western Europe or from other continents, but this process was based, in most cases, on training the Romanian employees, for the purpose of subsequently relieving the managerial duties to the domestic human capital, "said for Wall-Street, Elena Antoneac, business development manager of the relocation company Pirgroup. Relocation field includes services such as property finding and introducing culture and lifestyle of the expat, representing a gain of time and expenses both for the employer and for the employee. The international mobility process includes foreigners who have concluded contracts for periods exceeding three years, seasonal workers or business people who are established in Romania on an indefinite period of time. Companies offer various services ranging from finding housing to making training sessions available. Relocation companies offer services such as finding housing, contract assistance, medical records, change of driving license, obtaining work permit, public records, legalization, obtaining business visa, workshops and trainings. In the relocation process, there are two types of applications supporting the increase of demands at this moment. For the EU citizens, applications focuses mainly on classical relocation services, which means search of a housing, a school for children, Romanian language courses, shock culture training sessions and integration on the Romanian society, while assistance for getting documents, i.e. residence permit, driving license etc. is passed on the second place, because legislation regarding the immigration process for citizens of the European community is one that does not involve a lot of bureaucracy. For citizens coming from outside the European Union, the basic, as well as most burning requirements are focused around the process of obtaining a work permit, residence permit, family reunification, process which is highly dens, requiring a lot of time, patience and huge costs if the expatriate is not advised in due time on documents to be issued by the authorities from his/her country of origin. Therefore, foreign companies need local know-how to cope with bureaucratic

obstacles. For example, relocation services in Cluj or Timisoara can not be conducted from Bucharest. A team of local councilors is needed to make the impossible possible in the Romanian bureaucracy. On the local relocation market, cultural workshops represent a new trend, because very many companies have encountered obstacles in terms of communication between expatriated citizens and local staff. In most cases, companies have resorted to cultural workshops in order that expats should go through a process of learning and understanding of the Romanian culture and the way in which they have to connect to local employees. The communication process was thus simplified and the company has obtained long-term benefits. Bucharest is the main destination for expats. Although, in recent years, areas such as Cluj, Brasov, Timisoara experienced a considerable economic development, Bucharest remains the main destination of expatriates who come to conduct professional businesses in Romania. Although Ilfov county recorded a spectacular increase in the number of companies headquartered in this area, Pipera being one of the most requested destinations. Because of the traffic in Bucharest, expatriates prefer housing as closer from the location where they conduct their activity, as possible. Relocation services will continue to be in high demand in Romania, since the effects are beneficial for both the expatriate and the staff of the Human Resources Department, whose work extends late into the night, provided that the task of relocation for the foreign relocated person is not outsourced. This kind of services has seen an upward trend in Romania, and its evolution will be increasingly more consistent, the more companies will understand the benefits of outsourcing. Moreover, cultural trainings will experience a spectacular growth as major cities in Romania become real international economic centres [4].

3.2. Romanian expats from abroad

Multinationals have accustomed us, in the recent years, with the phenomenon of "expats" – foreign managers or specialists seconded for a certain period of time in Romania. More recently, the reverse phenomenon is also occurring: more and

more Romanians are deployed as expats in the subsidiaries from other countries of these international companies. In the last 5 years the number of Romanian employees seconded to EU countries has tripled. About 36,000 Romanians are seconded in other European countries by their employing multinational companies. Most of them hold specialist positions, some of them attend training sessions, but some of them hold even managing positions. Most seconded Romanians are working in Germany (19,800), France (5,000), Italy (4,000) and Belgium, more especially in the meat processing, construction and transport areas. Most seconded Romanians are holding positions as specialists or middle management and very rarely they are sent abroad for top management or regional positions. Upon accession to the EU, only 10,200 Romanians worked in the EU countries as seconded persons.

4. Conclusions

Expats phenomenon has had an interesting dynamic during the past years, especially since we are talking about an economic crisis deepening with each passing

year. Quality of life is meant to be a better one, while financial resources have decreased considerably. Thus, people are faced with finding subsistence solutions sometimes, or to live a life at a certain standard, at other times. If the country where they were born and live do no longer provide them the necessary conditions to develop or there is a better opportunity in another country, people opt for it, involving the risks described above. Interestingly, in Romania, expats are employed in corporate management top jobs in corporate management, while Romanian expats are contented even with middle-management jobs, but with a higher salary than the one earned in Romania.

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Romania's Country Brand as a Necessity

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Abstract

We live in a society increasingly based on consumption. People are keen on information, new products and services, attractiveness they are capable to provide. Very often image is being sold, meaning what is believed to be materially existing, a shape, while the content is taken less into account. It is desirable that what we perceive to be behind the image to be also reflected in the content, in the substance of the product or service purchased. Each country competes with the others in order to be more competitive in the international market just through its image and offerings. The decision to visit one country or another, to spend our holidays in a particular destination is formed on the image created by promoting the image of the chosen destination. The image of a country or country brand is important in what we expect to find after the initial perception.

Key-words: brand, country brand, tourism image, tourism brand, communication.

J.E.L. Classification: M31, M37.

1. Introduction

Even if, on the international level, the country marketing concept appeared in the 90s, discussions in this area are not new. Many countries have promoted their image over time to attract foreign tourists and many surveys have been conducted in the last 40 years to identify the effect of the country of origin on their products and services. Considering the definition [1] of branding as a way to differentiate a certain product in relation to its competitors, we can extrapolate and similarly assign to the country branding a strong impact on the country's ability to win in the international competition. Creating a country image was clarified by Nworah [2]

as the process by which a country is actively seeking to create a unique and competitive identity, in order to position itself, both internally and externally as an attractive destination for trade, tourism and investment. Therefore, creating a country image should consider several issues, as there are several types of audience to we want to approach.

2. Conceptual aspects of country brand

Several authors [3] have noted various dimensions of the country brand. All these dimensions of the country brand can be summarized in the hexagon of place branding prepared by Placebrands, including: tourism, export brands, domestic and foreign policies, investment and immigration, culture and history, as well as people. They play an important role in a country competitiveness on international level, representing the main issues that external customers come into contact with. Designing a program to create a country image requires an integrated effort of this dimension, as well as the ability to communicate and act in a coordinated and repetitive manner, on motivating subjects that can differentiate one country from others. Practical experience has led to the emergence of three types of place marketing: geographical nomenclature, product – place co-branding and branding as a place management. Geographical nomenclature occurs when a product is named according to the geographic location of production (e.g. sparkling wine, "Champagne"). In this case, it does not occur the place marketing process in the true sense of the word, but it is a brand name protected by copyright, which prevents the use of this word, but not the method of manufacturing the product. In the co-branding of products and places, there is a trial to associate a product with a place that has attributes beneficial to the product image. The most common example used in this case is that of "the Swiss watches ", where the

product is assigned characteristics of the Swiss people: trust, meticulousness, elegance, precision. Thus, the value of the product is increased. Other examples are: "German cars", "Italian leather clothes", "Rolex watches from Geneva", "Chanel perfume" from Paris. Finally, place marketing can be treated as a place management tool. Creating an easily recognizable identity of a place, rather than a variety of "civic consciousness" can be used as a way of attracting investments. Many countries have created a strong image as exporters: Netherlands, Belgium, Denmark, Sweden. Examples of places representing strong export brands include: Hamburg, Ile de France, Darmstadt, Greater London, Bremen, Oberbayern, Stuttgart, Lombardy or Luxembourg. Actors involved in the place marketing are divided into local, regional, national and international ones.

3. Country image and consumer behaviour

It is known that our choice behaviour in the purchase decision is influenced by various factors. We almost always buy something if we associate it with a particular taste, smell, memory. It usually starts from a pleasant memory generating us the desire to relive certain feelings. The image of the country is composed of various factors such as representative products for a certain country, national and political economic characteristics, history and tradition. This country image is fixed in the memory of consumers and is activated whenever a consumer decides to consume a product or not [4]. Based on these initial efforts of country image conceptualization which related the concept to the purchase decision, a number of relevant studies on the role and impact of this concept to the consumer level was carried out. Ahmed, d'Astous and Mathieu [5] demonstrated for the first time how important is the country of origin in the consumer decision. This study was followed by that of Papadopoulos and Heslop [6], who showed that the country image influences the evaluation and rejection of certain products on the market by consumers. On the other hand, several studies have indicated that consumers' perception on a country image should be adjusted according to the degree of knowledge of countries and products. Evaluation of products by companies or

individual consumers is based on a number of intrinsic (taste, design, performance) and extrinsic attributes of products (brand name, country of origin). The study showed that when facing difficulties in analyzing the intrinsic value of a product, consumers focus on its extrinsic value, knowing the country of origin radically influencing the consumer decision. On the market, consumers dispose of a range of information on products. Information on the country image is located in the consumer's mind as a summary statistics. Studies [7] have shown that it is much easier for the consumer to use the image of the country instead of processing the complex volume of information on the products they will consume. Similarly, found that information on the country of origin affects much more the analysis carried out by consumers on product quality than information relating to the price or the product brand. The country image, along with the product brand image are key factors in the consumer decision that must be carefully analyzed before entering a foreign market with products. Next, we shall present some countries and brands [8] related to them:

Belgium: Brussels, chocolate, Tintin, beer, European capital ;

Denmark: Vikings, Hans Christian Andersen, Copenhagen, Lego, football;

Germany: Beer, Berlin, high-ways, Goethe, seriousness ;

Spain: Barcelona, bullfighting, paella, Art, Juan Carlos;

France: Paris, wines, Gerard Depardieu, cuisine, fashion ;

Ireland: Green, Irish pub, James Joyce, Celtic design, U2;

Italy: Rome, pasta, Art, footwear, Pavarotti;

Luxembourg: Castels, banks, lower Courts of Justice, Echternach dance ;

Holland: Van Gogh, tulips, drugs, Amsterdam, payment;

Austria: Vienna, Klimt, Sissi, ski, Mozart;

Portugal: Porto Wine, rooster of Barcelos, Lisbon, explorers ;

Finland: Lapland, Santa Claus, forests, saunas, telecommunications;

Sweden: Fair-faced, cold, Nobel prize, Ingmar Bergman, Pippi Longstocking ;

Great Britain: Shakespeare, London, BBC, Royal Family, Beatles .

Regarding Romania, which is commonly associated with the image of our country would be: the myth of Dracula, Hagi, Nadia Comăneci, Ceaușescu. Normally, these brands should be properly preserved and promoted to attract tourists.

4. Romania's image in the international media

Need for a good image is equally important, both for the country and for an enterprise, a company: governments encounter problems of reputation, image and credibility, when competing for investments and sales. Each country has already created its own image, to which people react, both positively and negatively. Countries that have experienced massive political and economic changes require repositioning their country image to help them competing internationally. Romania is in the same situation and as a process of repositioning its image, it is based on the image existing at a certain time.

Image of a country is often linked to its products, behaviours and people. When talking about a specific country, we think of its defining issues, its values or non-values. Here comes the role of the media in subjectively promoting, to a certain extent, specific image-related issues.

If we make an analysis of the comments appeared in the European press as regards Romania (Le Monde, The Independent, Le Figaro, The Economist, El Pais, Die Welt, Financial Times, The Guardian), we'll find out that there is a diversity of views and comments. Thus, the key words found in the analyzed European publications are, in positive terms, the following: transformation, education, imminent adhesion, reformism, growth and negatively speaking, the following: restrictions, limitations, corruption, children suffering in poorly managed institutions, poverty. While in the British and German press, Romania's image is reflected more negatively, in the French and Spanish press, Romania's image is reflected in a neutral or even positive manner.

Analysis of the evolution over time of the Romania's image in the European press shows that a specific subject repeated and was brought forward: Romania's EU

accession, corruption, fear of the Romanians of migrating to the EU, while the majority of references to Romania have contextual origins related to cyclical events, not providing a consistent image over time.

Among the events that have brought an added value to the image of Romania and narrated by some of the cited publications, including: various sports competitions in which Romania took part (especially football and gymnastics), participation in the Olympic Games held at London in 2012, launching on the European market and not only, of Dacia Logan and Dacia Duster automotive models. These would be some of the successful products of our country in recent years. On the other hand, in the European media during the recent years, Romania has emerged as a negative connotation, especially because of Romany begging in Spain, France, Italy, UK, as well as the scandal relating to the horse meat imported from Romania.

5. Romania's new tourism image

One of the products creating a good image for Romania is tourism or rather say the special endowment of the country with a varied landscape and a spectacular beauty. Informational development of post-December years helped in promoting our country's beauties.

Romania's new tourism brand, with the slogan [9] "Explore the Carpathian Garden" is illustrated in bright colours, mostly green and also blue, yellow, orange, reminiscent of nature, sun and sea. In the center of the slogan it is written the word "Romania" in a round font, like handwriting, each letter being coloured in 2-3 shades of green.

Creating and promoting the tourism brand, financed from European funds are part of a project for promoting tourism potential of Romania, for which the amount of EUR 75 million are allocated by the end of 2013.

The overall objective of the tourism brand is to create a positive image of Romania by achieving and asserting the national tourism brand, by increasing Romania's attractiveness as a tourism destination abroad and business, indirectly. Today, cultural tourism is the best product possessed by Romania. Cultural tourism includes national values of all time, which values make up the heritage we are proud of and which attracts tourists in our

country. Among the brands that sell very well, in addition to Brancusi, Sibiu (which has been declared European capital in 2007), Bran (Dracula myth) Transfăgărășan (a test drive was performed by the Top Gear team, being considered one of the most spectacular routes in Europe, except the infrastructure), there is also the three centre people consisting of Nadia Comaneci, Hagi, Ilie Nastase, internationally recognized, bringing a considerable image plus to our country.

The subjects that were often maintained in the breaking news section of the European press about Romania refers to children in orphanages, the helpless elderly, the Romany who beg and commit crimes in countries like Italy, France, Spain, United Kingdom. A final topic negatively propagated through the media for our country was the scandal involved by the horse meat exported by Romania to Italy.

However, the best known brand for Romania is Ceausescu, despite all the controversy arisen by him, and the People's House (Casa Poporului) is a building visited by tourists, being the third building in the world, according to its size.

According to the Romanian travel specialists, the most successful model brand launching and promotion is that of Croatia. There are similarities between Romania and Croatia. The Croatians came with a very good country brand that was supported by a valuable product and a long term strategy. Croatia's tourism slogan is "Mediterranean As It Once Was".

Other successful models are, Turkey - "Turkey welcomes you", Cyprus - "Love Cyprus", India - "Incredible India", Spain - "Where people love passionately" or Central America - "So much diversity in so little space".

Therefore, the image of a country, beyond the inspired thought logo and slogan, must be based on actual values it wants to promote and provide attractiveness to the other countries.

6. Conclusions

The image of a country can greatly influence its economic, political and cultural destiny. One manner of looking at the image of a country is through what is reflected in the media, considering that the decision to

visit a country is made based on the image portrayed by the press. Romania has a difficult task to create a favourable image at the perception level and eliminate disparities between perception and reality. The role of specialists in communication, public relations, marketing, diplomacy becomes a major one in creating a strategy of promoting the country's image. The government also needs to understand how important it is that the above-mentioned specialists have an object of promotion.

It is very important for a country to ensure that the reputation of such country is balanced and that it is a reflection of its real values, skills and offers and not an obsolete image based on stereotypes, formed long ago or assumptions based on ignorance.

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Opinions Concerning the Regulation of the Banking System in Romania

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Abstract

Rigorous and effective regulation is one of the defining features of banking activity. Analyzed from a historical perspective, the fundamental requirement is recovered in the form of rules of action and behavior imposed bankers antiquity and the Middle Ages. Such rules were set in ancient Rome the classical roman jurists for the two types of operations that you perform the bankers, the formation of deposits of money, not bearing interest and receive loans for which the interest due the lender.

The nature and objectives of banking regulations have evolved subject to several factors whose dominant economic factor has always been.

In the current context, to international regulations in the banking system in Romania are produced according to certain requirements imposed by the context in which banking institutions runs his business.

Keywords: community acquis; infringement, systemic risk, provisioning, deregulation, bank bailout;

J.E.L. Clasification: G32; G21.

1. Introduction

Specificity of banking and complexity, dynamism, diversity of products, services and customers dispersed territorial network, exposure to numerous risks, managing large sums of money and other valuables belonging to others, etc., requires stringent regulations, complete and harmonized with the European directives. Most of these regulations, there are prudential character provided by National Bank of Romania

(BNR) the main regulator and supervisor of the Romanian banking system [1].

1. The objectives of banking regulation

The objectives of regulation in the banking sector are diverse and of great importance, they mainly targeting:

- Legal framework of the performance of the banking business, in terms of order and stability efficiency, fulfillment of current duties incumbent banks as financial intermediaries;
- Ensuring stability and solvency of credit institutions by developing rules on minimum capital requirements, liquidity, of nonperforming loans provisioning, monitoring modalities banking institutions, market discipline etc.;
- Developing risk management strategy by regulating, according to their profit, of measures to limit their effects, especially systemic risk;
- Harmonization of Romanian banking regulations with European secondary law formalized directives, regulations, decisions, recommendations and opinions;
- Prevention through prudential regulations, generating of the phenomena such damages bank fraud, theft, participation of banks in money laundering operations;
- Strengthening confidence in banks by creating the legal way, the appropriate framework for communication with clients and their protection, especially regarding unfair terms in credit contracts.

Contribution to achieving the goals targeted bank regulations become reality if the legislation is protected, among other things of two shortcomings: **excessive regulation** that generates confusion and ambiguity; **banking deregulation**, a way to

eliminate the restrictions set by the legal rules for the financial sector and bank.

Also, ***application and legal compliance*** is a requirement of major importance, given that most of the banks that have acted and behaved according to preset rules have failed earlier or later.

2. Positive aspects of banking regulation

Overall, Romania's banking system is well regulated both the Central Bank and the commercial banks. Appreciation are multiple motivations. In this regard it is grounding all activities relevant bank specific regulations developed either internal regulator or by specialized agencies of the European Union and adopted by the harmonization of domestic legislation.

Among the components of banking legislation first major sign of ***international norms*** adopted in the national banking system, of which: regulations Basel I and Basel II Agreements, as amended by the provisions transposing Basel III whose gradual Romanian banking legislation is based on Directive European 2006/48/EC (Directive consolidated) on access to credit institutions, International Financial Reporting standards (IFRS) aligned to financial system since January 1, 2012; numerous European Directives on credit institutions implemented in the pre-accession and post-accession; regulations on banking system stability inspired by international practice and targeting mainly systemic risk, such as: bank bridge (bridge experiment bank) transfer all or part of the assets and liabilities to one or more eligible banks etc. [2].

Some banking regulations are in draft form at the European institutions to be transposed into national law by the deadlines, for example: new rules for bank bailout (bail-in) to be implemented from 2018; Directive Solvency II, a draft European harmonization of standards for assessment of capital requirements and risk management in credit institutions and insurance companies.

Positive assessment in regulation plan, the Romanian banking system can be supported by the fact that all local credit institutions during the financial crisis crossed without shocks and instability phenomena, and without evidence of moral hazard which

requires state intervention to save distressed banks [3].

Positive is the attitude of the authorities in Brussels have started any infringement procedure against Romania's National Bank for failure to harmonize domestic banking legislation the *acquis communautaire*.

We believe also that the banking legislation in the system is positively influenced by regulation, European inspired, the Deposit Guarantee Fund in the Banking System (FGDB), whose possible gaps would cause sudden dismay of customers and request them to refund deposits.

3. Inefficient practices of banking activity

Regulation of the banking system in Romania has some inefficient whose serious underestimation may have significant consequences for credit institutions.

The harmful for banking regulations are not only deficient in some respects, but deficit (void) regulators. Also, banks may face adverse impact of breaching legal norms in the field of their misapplication by the absence of law enforcement related measures.

Therefore, the regulations without consequence, regulatory deficit, breaking the law as deficiencies in their implementation, major risks, especially in emerging countries such as Romania [4].

Worldwide, the risks and the most serious consequences are due to lack of regulation that, among others, made possible the rise over the past 30 years, the shadow banking system (banks parallel system).

Considerations summarized further legislation aimed at fleshing out some of the inadequacies bank in Romania, specifying anticipated that most of these gaps have a negative impact directly or indirectly on both the activity of the credit institutions, and the best customer service.

a. Regulation on lending population shows deficiencies content. This regulation is the subject of GEO. 50/2010 on loans to households, which provides that the transposed into national law Directive 2008/48/EC on credit agreements. By some misstatements and omissions of the European Directive, GEO. 50/2010 represented a modest contribution to the regulation of credit, be harmful in some ways.

The main legislative act inconsistent remembered, are the effect of provisions that contradict the spirit of the European standard being created confusion for some banks who profited from the credits and charging a range of fees unjustified enrollment of unfair terms in credit contracts.

In this context it came to collective processes instituted numerous banks by customers, a situation from which both sides suffered losses: banks by paying several billion euros in damages and attorney fees by paying customers.

Inadequate regulation of the economic realities of our country existed until recently and in lending in exotic currency (Swiss francs) and even the euro exposed credit in many Romanian currency risk, given that they receive revenues in local currency. With recent regulations restrict lending in euros, some banks fully giving this type of lending.

In our opinion banking regulations in the credit deficiencies are attributable to both the Central Bank to implement GEO. 50/2010 with some provisions outside the spirit of the European Directive, as well as some of the credit institutions that took advantage of legislative confusion and turbulences in the financial markets, to enter new or to increase fees unjustified much interest.

b. Romanian banking regulations do not provide a complete and coherent framework for risk management, issue capital of banking systems worldwide. In this regard it is worth mentioning the low number of risks to which express reference EGO no. 99/2006 (credit risk, market risk and operational risk), being left out of the settlement of certain significant risks and country risk, especially reputational risk and systemic risk, always present in the legislation of many European countries. It also requires regulation of financial derivatives because they involve systemic risk, as they proved in 2008, the fall of Lehman Brother ' and AIG crisis as well, and the use of financial derivatives by Greece to hide its debts.

c. A still unresolved question of banking legislation refers to ways of lowering the credit institutions' balance sheets of impaired assets fully provisioned. Impaired assets consist of nonperforming loans to the Central Bank, according to the recommendation of the European Commission, to be deducted from the

balance and found out it. It is a technique for the management of bad loans being provisioned can be transferred off balance sheet but for this operation banks still have no legal basis. Regulations prohibit making partial or full, the write-off operations although their can be achieved through improving the image of credit institutions.

Establish stringent legal regulations on sanitation solutions balances (assignment and cancellation of debts etc.) is determined by the increased volume of of nonperforming loans in the Romanian banking system, which at the end of October 2013 stood at 30 billion lei (6.7 billion euros) at the rate of 21%, exceeding the European Union, only Greece, with a performance rate of 22.5%.

d. The reticence of banking institutions from applying regulations on mediation, inspired legal practice in the field of European Union [5]. Mediation aims at solving, out-of disputes between banks and customers. Although the advantages of this procedure are demonstrated by European practice both banks of Romania and their clients did not perceive mediation as an effective way of litigation, resulting from the low number of cases resolved through mediation (200 cases in 2011 and 38 cases in 2012). Banks wary mediation procedure recorded losses from receivables outsourcing, the customer compensation and loss of image and credibility.

From 1 January 2013, with the entry into force of the new Code of Civil Procedure, the use became mandatory mediation procedure.

e. Incorrect application of legal rules favor the mechanism of banking fraud. Inadequate interpretation of legal norms and the lack of certain measures which involves the application of normative acts, especially security, creates conditions for committing bank fraud. Thus, some first-class banks, faced in 2012 the investigating fraud estimated at 85 million, and in 2013 occurred in conditions shrouded in mystery boxes devoid of values from two outlets.

The phenomenon of this nature demonstrates a specific vulnerability of the Romanian banking system. Their commitment was possible because, first, circumvention of internal procedures by some corrupt people within the system.

In our opinion, the remedies identification and eradication of bank fraud may be

different, depending on their nature and context of occurrence. The prudential supervision, strict control of banking, and "zero tolerance" of violating legal norms may be ways general applicability [6].

4. Conclusions

It is important to concluded that the regulation of the banking system in Romania will undergo significant changes imposed by many internal factors in the equation which create, in the near future, the banking union is the determining factor. It is natural that the new european institution to establish *a new bank resolution mechanism*, an integrated mechanism, to be implemented by the central banks of the Member States of the European Union.

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The Role of Entrepreneurship in the Economic Security of the State

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Abstract

The essence of entrepreneurship term economic security in terms of interpretation by different authors and schools. The description of economic security in terms of functional and structural aspect. Investigated the value of economic security for the operation of competitive business enterprise.

Key words: national security, economic security, entrepreneurship, economic policy, national interests, the social development.

J.E.L. classification: M12.

1. Introduction

The problem of economic security of Ukraine in a deep crisis, primarily in the context of its development, which updates the relevant research. The issue of economic security business, including various levels of management hierarchy economies analyzed in the works of such renowned research scientists, as Z.Varnaliy [2] T.Vasylytsiv [3], O.Vlasyuk [4] V.Heyets [8] Ya.Zhalilo [7] H.Pasternak-Taranushenko [9] and others. Despite many common research specific issues, including financial security [5, 6], International Security [4], strategies and mechanisms to strengthen the economic security [4], the problem remains unresolved role of entrepreneurship in economic security of the national security system. In our view, erroneously assume that the dominant centralized approach neglects the national security interests of the security of individual actors (entrepreneurs, population, area). The problem is further theoretical developments in the definition of economic security especially actualized due to lack of legally defined concept of economic security, which leads to errors in shaping economic development programs [1]. Out of weighted-looking statements about the inferiority

Business Security on security. Requires analysis systems creating the concept of economic security business and its role in social and economic system of the state.

Strengthening economic security business is particularly acute actualized in countries that are at the stage of market transformation of the economy, but the versatility of the problem requires further research in this area.

The paper put out to discover the essence of economic categories "economic security business" and to demonstrate its place in the national security system. Accordingly, the research solved the problem: to examine analytical approaches to the problem of economic security; review the state-centered, anthropocentric approaches and transitive conceptual foundations of economic security; to analyze the functional and structural aspects of economic security; organize economic security at the level of the enterprise.

2. Analytical approaches to the definition of economic security

Activities to ensure public safety is a multidisciplinary interconnected nature of a general theory of security occurs at the intersection of various sciences, new interdisciplinary research areas. As you know, all levels of society to some extent inherent stochasticity and entropiynist. Society as a complex social system develops under the influence of the large number of factors and is very difficult to make a real scenario of the events, it may be for the same initial conditions in different ways, which requires the development of new theories of applied research.

G. Pasternak-Taranushenko differentiates this science thesaurus for static timing and terms of the dynamics of the process [9]. Within the framework of the modern theory of national security were interpreted theory of conflict and disasters, threats and risks,

volatility, synergy. However, the category of economic security should be, primarily, to the economic theory. In our opinion, the theory of economic security has its object, but uses methods like social and exact sciences macro- and microeconomics, economics, management, psychology, sociology, law, mathematics, physics, logic, and others. You can see a close correlation between social and economic aspects of security, which means that its objective socio- economic nature. From this perspective, the specificity theory of security lies in the synthesis of different directions and involving representatives of various sciences to study it.

The interpretation of the concept of economic security has undergone a

significant evolution, the reason why was the transfer of emphasis centralized and bureaucratic levers to market. Given this, it is necessary to define the relationship categories "economic security" and "economic security of entrepreneurship".

In theory, there are several approaches to the treatment of substance categories of economic security. Some local researchers focusing exclusively on the economic security of the state, while the issue of economic security of entrepreneurship provided a lower value, such studies are conducted by specialists of the CIS countries. Are given in Table 1 summarize the basic conceptual foundations of economic security in terms of different authors.

Table 1. Some views on the essence of economic security

Organization	Interpretation of Economic Security
Ukrainian Centre for Economic and Political Studies named O. Razumkov	The availability of sufficient state capacity to ensure reproduction of productive capacity in industry, agriculture and in all areas of application of socially useful work... and to ensure the stability of the social order, state sovereignty [3]
National Institute of International Security Problems	Status of the national economy, which allows you to save the resistance to internal and external threats and can meet the needs of the individual, society and state [4]
Institute of Economic Forecasting of the National Academy of Sciences of Ukraine	The economy and institutions of governance, which provides guaranteed protection of national interests, social orientation policies, adequate defense capabilities even under adverse conditions of internal and external processes [8].

Source: authors' elaboration

Summarizing scientific opinion on the interpretation of the essence of economic security, we concluded that in terms of ideological, value levels is a state-centered, anthropocentric approaches and transitive.

World tradition leans more toward state-approach, considering the safety of persons on a secondary security. The authors define economic security as a set of conditions and factors that ensure the independence of the national economy, its stability and resilience, the capacity for continuous updating and improvement. During economic security generally understand their own state's ability to produce and perform their own economic policies, and identify and implement their own national interests, etc. [4].

Instead, the researchers followed the Western scientific school anthropocentric approach, which in the context of security issues generally considered socialization and

parameters of the states and businesses that affect it (eg, to guarantee a certain income level, education system, salaries, etc.).

The objective function of society is achieved through a high standard of living, a combination of economic security of regions, industries and enterprises with social security and economic security paradigm beyond the level of the individual is virtually nonexistent.

By anthropocentric system of economic security are not included financial, energy, investment, innovation, regional ingredients, making it smaller than the state - but allows a clearer focus on the objective function of society. The increasing role of public safety contributes to the development of democracy, striving to create a so-called civil society, in which the need for security of the individual becomes dominant. This is consistent with the classic motivational theory of Maslow,

where security needs are positioned as the second level of basic needs.

Accents and state-anthropocentric dimensions of economic security were so diametrically opposed that transitive formed approach to the problem. As noted H.Pasternak-Taranushenko to ensure the economic security of the state assumes the organizational and management functions to ensure the needs of society and the needs of the population and of each citizen. [9] In this approach, economic security is seen as a qualitative description of the economic system that determines its ability to sustain living conditions of the population, providing resources of the national economy and the consistent implementation of the public interest.

Given the wide range of issues to be considered within the concept of economic security, it seems appropriate to summarize the visions of different authors. The economic security is a system-concept which includes stability control of the national economy, protection of the economic transformation of the negative internal and external factors and the promotion of sustainable development to achieve the main goal - the social needs of the population. Thus, economic security can be defined as a complex multifactorial category that describes the ability of the national economy to expanded reproduction to meet a predetermined level needs populationand own state of confrontation destabilizing factors that threaten the normal development, the competitiveness of the national economy in the world system management.

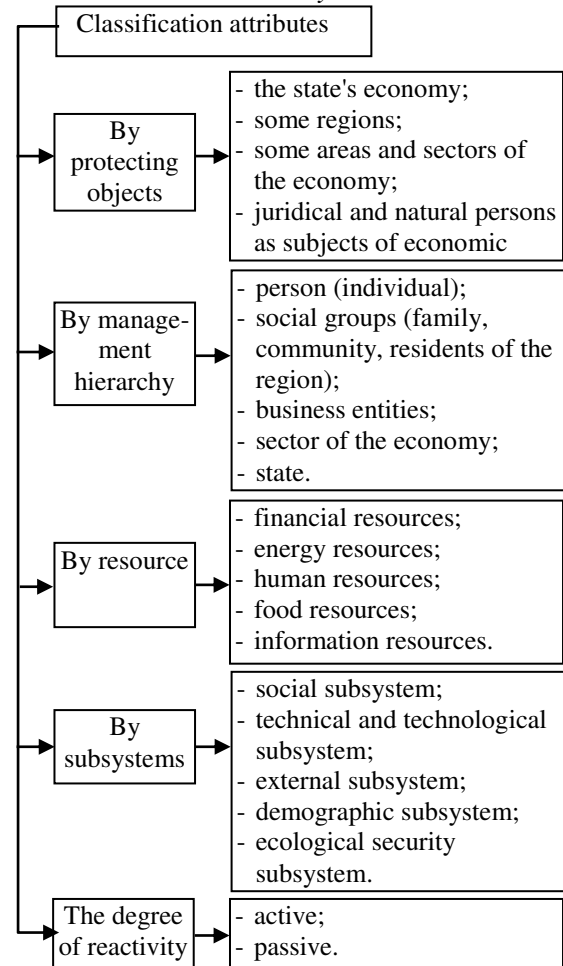
3. Functional and structural aspects of economic security

"Economic security" can be seen in the functional and structural aspects, ie as collection of interconnected security systems that reflect the functioning of individual components or spheres of economic system of the state, namely, it can be an investment, financial and external security, which have a particular impact the national security as a whole (Fig. 1).

Economic security, remaining at the same time the foundation of national security, is evident in other types of national security, getting them and interact with them

accumulates the effect. Object economic security varies in degree of social development. This means that the business is subject to economic security in the mainstream of strengthening the economic security of the country.

Figure. 1. Classification of Economic Security



Source: authors' design

As rightly emphasize academics in developed countries entrepreneurship is the integral component of socio-economic and political stability of society and regarded as one of the most important components of national security [5]. Especially important in ensuring economic security of the latter is business, which provides an appropriate level of financial stability and independence of enterprises. In addition, security business function to ensure that real economic growth, increase of the budgets of all levels, promotes financial and credit sphere, and hence stronger financial capacity of the economy in general.

Economic security is business relevant economic category, which can be viewed from a systems perspective as a set of properties of its subsystems, enabling achievement of the overall system to protect the interests not only entrepreneurs but also consumers and public institutions. The essence of economic security TH Vasylytsiv formulated [3] as a state of operation in which the company and its products are competitive in the market and at the same time guarantees: the most efficient use of resources, intellectual and human resource capacity, stability and progressive development, the ability to counteract the negative factors of the external and internal environment of its operation.

The system of economic security enterprise can provide the levels: the individual entrepreneur, the aggregate entities (such as SMEs), social and economic system of entrepreneurship.

Quite unusual feature is that an economic security business is both its object. As the object of security, entrepreneurship is part of the socio-economic system, which is characterized by a certain level of protection, but as a subject - improves the condition of their own security. The subject security is a guarantee of the safety of all participants in the reproductive process, including owners, managers and staff.

The economic meaning of "economic security business" OS Vlasyuk defined as a state of security of corporate resources and business opportunities that will neutralize internal and external threats of a business entity and create the necessary conditions to ensure its stable operation [4]. Among the current problems and significant threats to economic security business, inter alia, identified corruption aimed at distorting competition in the market, unfair competition in the absence of state mechanisms contain insecurity and effectively protect legitimate business in the legal field.

4. Conclusions

To conclude our study, we note that economic security is an important scientific and applied problems, prioritytetnym direction of national security. Like any young science, the science of economic security inherent significant methodological

differences regarding basic categories. Thus, the categories of economic security and, in particular, the economic security of entrepreneurship in the scientific literature are treated differently. Coordinating and guiding role in ensuring economic security of the country belongs to the state that the objective function due to the state as the guarantor of the national interests. There is a close relationship between the provision of free enterprise, enabling economic and legal sredovyscha business, social and economic growth of the state and the formation of the defining components of the security of the national economy.

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Operational Risk Management in Banking Industry

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Abstract

In current activity, banks facing with a large range of risks related to credit operations and commercial activity, which may generate profit mitigation or even losses. One of these risks is the operational risk, which are a major source of financial loss in the banking sector and which importance grows up in the same time with financial globalization and banking activity diversification.

The aim of this paper is to discuss the issues of operational risk management faced by Romanian credit institutions and try to offer them a set of solutions which can be applied in the future to reduce the losses.

The Basel II Agreement introduced the individual approach of operational risk, separately from the credit risk and the market risk and this kind of risk it will be presented in this paper

Keywords: operational risk management, Basel II Agreement, Advanced Measurement Approach, key risk indicators

JEL Classification: G21, G32

1. Introduction: Operational risk definition

Basel Committee defines operational risk like “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events” (BCBS). This definition includes legal risk, but excludes strategic and reputational risk. (Fig.1 - Structure of operational risk, according to Basel II Agreement)

Fig. 1 – Structure of operational risk, according to Basel II Agreement



Internal causes of operational risk in banks refers to inadequate development of some internal activities, staff unprepared, improper systems etc. But the banks take care not to draw attention to their own weaknesses and try to adopt measures to managing these risks and cover them by insurance contracts. In the same time, external causes have a clearly increased, both at a global level (such as WTC attacks on September 11, 2001) and on local scale in the case of floods, earthquakes, computer viruses etc. The economic situation, changes in the banking system or technological achievements is also external factors that could generate operational risk and losses.

Regarding the operational risk definition, in 2001, the PNC Financial Services Group defines operational risk like “the risk of the income direct loss, which result from internal events connected to inadequate personal, important errors or illegal behavior because of the errors or the systems and processes inadequacies, or from external events where risks are not covered by the credit market or interest rate risk”. This definition underlines the vulnerability of a financial institution at staff level, procedures level and technique level. Thus, a bank security study highlights vulnerabilities. In 2012, in US, more than two – thirds of banks have suffered at least one Distributed Denial of Service attack – DDoS (“Financial Times”, 2013). DDoS attacks typically target sites or services hosted on high – profile web servers and aim to make a machine or network resource unavailable to users by saturating the target machine with external communication

requests. In a study (conducted by the US-based Ponemon Institute), based on the responses of 650 IT and IT security professionals at 351 banks, including from some of the largest in the world, revealed that most bank cyber security professionals expect this type of attack to increase, and 78% of responses believed that DDoS attack will continue the increase in next year.

Basel II Accord required regulatory capital increasing, taking into account the operational risk. This accord has three pillars: Pillar I deals with a bank's core capital requirement – minimum capital requirement based on market, credit and operational risk to reduce risk of failure by cushioning against losses and provide continuing access to financial markets to meet liquidity needs and provide incentives for prudent risk management. Pillar II refers to qualitative supervision by regulators of internal bank risk control and capital assessment process, including ability to require banks to hold more capital than required under Pillar I.

Pillar III framework of Basel Capital Accord envisages, for the operational risk management, that a bank must disclose: its strategies and processes for managing operational risk; the structure and organization of the risk management function; the scope and nature of risk reporting and/or measurement systems; its policies for hedging and mitigating risk, strategies and processes for monitoring the continuing effectiveness of hedges and mitigates.

2. Operational risk – generating events

Regarding the categories of operational risk – generating events, Basel II Accord provides a list of events which generate operational risk and losses. [1]

- Internal fraud – losses due to acts of a type intended to defraud, misappropriate property of circumvent regulations, the law or company policy, excluding diversity / discrimination events, which involves at least one internal party.
- External fraud – losses due to acts of a type intended to defraud, misappropriate property of circumvent the law, by a third party.
- Employment practices and workplace safety – losses arising from acts inconsistent

with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events.

- Clients, products and business practices – losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients or from the nature or design of a product.
- Damage of physical assets – losses arising from loss or damage to physical assets from natural disaster or other events.
- Business disruption and system failures – losses arising from disruption of business or system failures.
- Execution, delivery and process management – losses from failed transaction processing or process management, from relations with trade counterparties and vendors.

3. Operational risk measurement

There are three different categories of approach to assessing regulatory capital for operational risk, defined in Basel Committee (2005b): Basic Indicator Approach, Standardized Approach and Advanced Measurement Approach. The exact approach for operational risk management chosen by an individual bank will depend on a range of factors, including size and sophistication and the nature and complexity of its activities.

Basic Indicator Approach (BIA) - basis the capital charge at 15 percent of average annual gross income over the previous three years and subjects of this approach are commercial banking and retail banking.

Operational risk capital (ORC) =

$$\frac{\sum_{n=1}^N GI_n \times \alpha}{N} \quad (1)$$

Where: GI = annual positive gross income over the previous 3 years (figures for any year in which annual gross income is negative or zero should be excluded from both the numerator and denominator)

n = number of the previous 3 years (N), for which gross income is positive

$\alpha = 15\%$ (which is set)

One of the Romanian commercial banks, which use BIA is Transilvania Bank. For exemplifying this method it used the positive gross income registered in the previous three years by Transilvania Bank.

Table 1: Operational risk capital (ORC)

Indicator	2009	2010	2011	2012
Gross income (mil. RON)	86,021	135,02	185,77	
ORC				20,34

Standardized Approach - is built on the Basic Indicator Approach and it is suited for
Source: Transilvania Bank Financial Report, 2010, 2011

Table 2: Business lines for Standardized Approach

Business Lines	Indicator	Beta factors (%)
Corporate finance	Gross income	18%
Trading and sales	Gross income	18%
Retail banking	Gross income	12%
Commercial banking	Gross income	15%
Payment and settlement	Gross income	18%
Agency services and custody	Gross income	15%
Asset management	Gross income	12%
Retail brokerage	Gross income	12%

Source: Sound Practices for Management and Supervision of Operational Risk, published by Basel Committee in 2003

The Risk Management Group of the Basel Committee on Banking Supervision proposed that gross income to be used as the indicator in all business lines for the sake of simplicity, comparability, reduction of arbitrage possibilities and a lack of evidence of greater risk sensitivity of other indicators. [2]

The formula used for total capital charge, by Standardized Approach is:

$$\text{Operational risk capital (ORC)} = \sum_{i=1}^8 (GI_i \times \beta_i) \quad (2)$$

Where:

GI_i = annual gross income over de previous 3 years, for each of the 8 business lines

β_i = the fixed percentage, set by the Committee, relating the level of required capital to the level of the gross income for each of the 8 business lines.

BCSB (2003) proposes seven qualifying criteria for the Standardized Approach. The criteria include four qualitative "effective risk management and control" standards and three quantitative "measurement and validation" standards.[3]

Effective risk management and control:

the banks which operate at international level. These banks have to comply with the formalities of Sound Practices for Management and Supervision of Operational Risk, published by Basel Committee in 2003, dividing banking activities in 8 business lines. The next table shows these business lines.

- The bank must have a well-documented, independent operational risk management and control process, which includes firm-level policies and procedures concerning operational risk and strategies for mitigation operational risk;

- There must be regular reporting of relevant operational risk data to business unit management, senior management and the board of directors;

- Internal auditors must regularly review the operational risk management process. This review should include both the activities of the business units and the operational risk management and control process.

Measurement and validation

- The bank must have both appropriate risk reporting systems to generate data used in the calculation of a capital charge and the ability to construct management reporting based on the results.

- The bank must begin to systematically track relevant operational risk data, including internal loss data, by business line.

- The bank must develop specific, documented criteria for mapping current business lines and activities into the standardized framework. The criteria must be

reviewed and adjusted for new or changing business activities and risk as appropriate.

Advanced Measurement Approach was proposed by the Basel Committee to calculate regulatory capital against operational risk. AMA is calculated on basis of internal operational risk management system approved by national regulator (central bank – ex: National Bank of Romania). Under Basel II Accord, operational risk has to be treated explicitly, and the banks should put an operational risk capital aside in line with the 99,9% confidence level over one year holding period.

An AMA for calculating operational risk capital charge of a bank requires the use of four data elements, which are:

- **internal loss data (ILD)**; The inputs to the AMA model are based on data that reflect the bank's business risk profile and risk management practices. ILD are used in the operational risk management framework to assist in the estimation of loss frequencies and to serve as an input into scenario analysis.

- **external loss data (ELD)**. ELD is, not only necessary, but also essential to risk management and best practice. The Basel Committee expects external loss data to be used in the estimation of loss severity as such data contains valuable information to inform the tail of the loss distribution.

- **scenario analysis (SA)** – are an important instrument complementing loss

databases that exclusively document past events. In contrast, scenario analyses emphasize future-oriented aspects of operational risk. The objectives of scenario analyses performed in the context of operational risk management have both quantitative and qualitative aspects. Quantitative aspects refers to data which are used for calculating operational risk of a bank, complementary to credit risk and market risk and qualitative aspects refers to early detection of risks, identification of bank's weaknesses and ideas for process optimization. Scenario analysis can follow a top-down approach, in which managers identify possible operational loss events that range from losses occurring every day to stress events, or a bottom-up approach, which may start with a detailed process analyses and assign probabilities and loss severity to possible individual events.

- **business environment and internal control factors (BEICFs)**.

Managing operational risk requires identifying appropriate indicators of performance and risk. A key risk indicator (KRI) is defined as an operational or financial variable that provides a reliable basis for estimating the likelihood and the severity of one or more operational risk events [4]

Key risk indicators can be classified as descriptive, performance and control indicators. [5]

Table3: Key risk indicators classification

Class	Description
Descriptive	Variables related to the expected impact of an operational risk event; they exhibit a low ability to predict its occurrence.
Performance	Variables related to the probability of an operational risk event happening; they exhibit a low ability to address the impact of an operational risk event.
Control	Variables related to managerial actions or decisions. Management can predict their evolution and can use them as indicators of how the control environment will be in the immediate future.

Source: Van Greuning, H., Brajovic Bratanovic S., 2009 "Analyzing Banking Risk. A Framework for Assessing Corporate Governance and Risk management"

For operational risk management, in 2007, 22 Romanian commercial banks used BIA, 9 entities used SA and just one bank used AMA.

4. Operational risk management

For operational risk management, every financial institution follows a framework that

is specific to its own internal operating environment. Accordingly MetricStream's Online.com portal [6], this framework is made up of the following core components:

- **Governance** – it is the process by which the Board of Directors defines key objectives for the bank and oversees progress towards achieving those objectives. It defines overall operational risk culture in organization, and sets the tone as to how a bank implements and executes its operational risk management strategy. A successfully executed risk strategy often results in risk being firmly embedded in the vision, strategies, tools and tactics of the organization. Governance sets the precedence for Strategy, Structure and Execution.

- **Strategy** – a bank's strategy for operational risk drives the other components within the management framework and provides clear guidance on risk appetite or tolerance, policies and processes for day-to-day risk management.

- **Appetite and Policy** – an ideal risk management process ensures that organizational behaviour is driven by its risk appetite. Adopting an operational risk strategy aligned to risk appetite, leads to informed business and investment decisions.

- **Clear definition and communication of policy** – an organization's top management must identify, assess, decide, implement, audit and supervise their strategic risks. There should be a strategic policy at the board level to focus on managing risk all levels and conscious efforts should be made to ensure that these policies are communicated at all levels and across entire value chain.

- **Periodic evaluation based on internal and external changes** – an ideal risk management process puts improvement of risk performance on a competitive level with other important mission concerns – periodically evaluating the ORM performance goals in the light of internal and external factors.

- **Structure** – When designing the operational risk management structure, the bank's overall risk scenario should serve as a guideline. This includes initiatives like laying down a hierarchical structure that leverages current risk process, developing risk measurement models to assess regulatory and

economic capital and allocating economic capital vis-à-vis the actual risk confronted. Centralized aggregation of operational risk operation collected via various self assessments across the organization, further, provides useful insight for the desired hierarchical structure. The implementation of these concepts allows risk to be handled consistently throughout the organization.

- **Execution** – once operational risk management structure have been established by an organization adequate procedures should be designed and implemented to ensure execution of an compliance with these policies at business line level. The first step includes identification and assessment of operational risk inherent in day-to-day processes of the bank. After assessment of inherent risk, target tolerance limit of risk should be established. This is commonly accomplished by calculating the probability/likelihood of materialization of risk, by considering the drivers or causes of the risk together with the assessment of its impact. The results of the risk assessment and quantification process enables management to compare the risks with its operational risk strategy and policies identify those risk exposures that are unacceptable to the institution or are outside the institution's risk appetite and select and prioritise appropriate mechanism for mitigation.

5. Operational Risk Management Solutions

In order to reduce exposure to operational risk, the operational risk framework aims to efficiently manage the operational risk and uses a number of techniques to identify asses and mitigate operational risk. The applied techniques are:

- The continuous collection of operational risk loss events is a prerequisite for operational risk management, including detailed analyses, definition of mitigating

- Actions and timely information to senior management.

- Systematic risk analyses, including a description of the business environment in which the loss occurred, including previous events, near misses and specific Key Risk Indicators (KRI).

- Root cause analyses.

- Identification of control improvements and other actions to prevent or mitigate recurrence.
- Assessment of the residual operational risk.

6. Conclusion

The main objectives of the banking management are the maximization of profitability and the risk exposure minimization. All the financial institutions have to improve the understanding and the practice of the operational risk management, using different instruments, like: the evaluation and identification of risk, the risk plan or the target increase. The implementation of an advanced measurement approach for operational risk is a very big project that involves all business areas in a group. Many benefits can be associated with such a project, but in the same time, the importance and value of advance measurement approach cannot be overestimated.

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Corporate China Is Going Global

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Abstract

China's economic miracle represents a highly debated topic in the literature in the past decades and its emergence as a prosperous modern economic superpower has been largely recognized in the world. China is getting richer and stronger as its market liberalization and enterprise reforms have led to an impressive economic growth. More and more Chinese companies, either state-owned or private, are expanding globally. The aim of our paper is to highlight the major role played by corporate China in today's business world at a global scale. After corporate China has developed, some of the largest Chinese companies have become key actors in the business world and have obtained huge revenues and profits on the global stage.

Keywords: China, corporation, revenue, profit

JEL Classification: F20, M16, O53

1. Introduction

China's economic miracle represents a highly debated topic in the literature in the past decades and its emergence as a prosperous modern economic superpower has been largely recognized in the world. China (*Zhōngguó* in Chinese) is currently "the world's largest manufacturer, merchandise exporter, and holder of foreign exchange reserves" [1, p. 1]. Especially in the period 1978-2006, the People's Republic of China has made a tremendous economic progress sustained by an average annual growth of more than 9 % in real GDP [2] due to the fact that it contains an entire array of manufacturing enterprises, from sophisticated

Western-owned factories to tiny local workshops. It is important to stress that "the only way in which China's economic development has been unprecedented is that such growth has never happened before in a country as large in population and geography" [3, p. 55].

China is getting richer and stronger as its market liberalization and enterprise reforms have led to this impressive economic growth. In this respect, four main elements have contributed to these reforms as follows:

- the 'modern enterprise system' consisting of the clarification of property rights, the clarification of rights and responsibilities, the separation of bureaucracy and business, and the scientific management;
- corporatization;
- supervisory system reform;
- reform of large scale state-owned enterprises [4].

Based on the transformation of its economic structure, China has increasingly become more capitalist and privately owned than before. In other words, "China has begun to experiment with corporate enterprise" [5, p. 149].

It is obvious that "China is rising within the global liberal economic order, choosing participation over the austere autarky of the Mao Zedong era" [6, p. 36]. That is why "China's largest state-owned institutions, no longer content to remain tied to the home market, are making their initial forays into global ones" [7, p. 3]. More and more Chinese companies, either state-owned or private, are expanding globally for a range of reasons, such as "tapping new growth markets, securing natural resources, and acquiring advanced technologies and management skills" [8, p. 4].

The aim of our paper is to highlight the major role played by corporate China in today's business world at a global scale.

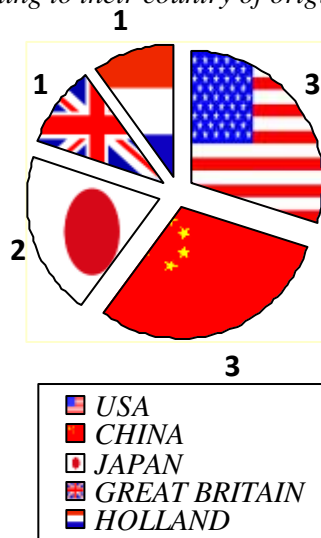
2. Corporate China in the global business world

As China's business landscape has changed rapidly, corporate China has become an important player on the global stage. In the last years, Chinese companies have recorded impressive revenues and profits.

For 2010, the top regarding the distribution of the 10 largest corporations by revenue in the world according to their country of origin (Fig. 1) was dominated by two economic superpowers: the United States and China, each holding 3 corporations. The rest of the top was completed by Japan (2 corporations), Great Britain and Holland.

China was represented by Sinopec Group with revenue of 273,421 billion dollars, China National Petroleum with 240,192 billion dollars and State Grid with 226,294 billion dollars. Besides State Grid (the world's largest electric utility company), the other two companies activate in the oil industry. Sinopec has the largest refining capacity in China. In fact, Sinopec and the other two national oil companies, China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) (CNOOC), grew out of government ministries [9].

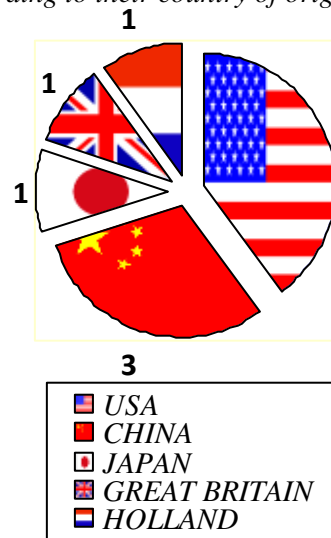
Fig.1. The distribution of the 10 largest corporations by revenue in the world, according to their country of origin in 2010



Source: [12]

In 2011, the top regarding the distribution of the 10 largest corporations by revenue in the world according to their country of origin (Fig. 2) put China as the runner up, after the US. The rest of the countries were Japan, Great Britain and Holland, each with one company. China was represented again (and in the same order as in 2010) by Sinopec Group with revenue of 375,214 billion dollars, China National Petroleum with 352,338 billion dollars and State Grid with 259,141 billion dollars.

Fig.2. The distribution of the 10 largest corporations by revenue in the world, according to their country of origin in 2011.

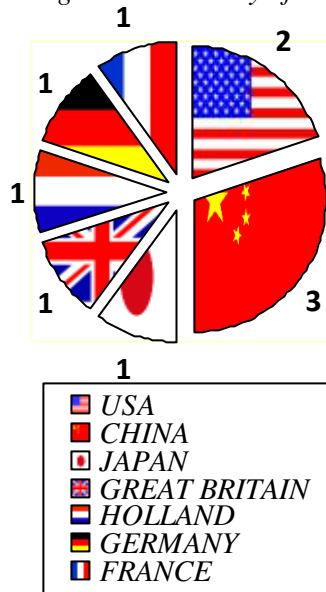


Source: [11]

Regarding the situation of the 10 largest corporations by revenue in the world according to their country of origin (Fig. 3) in 2012, we may state that the US and China still held the leading positions, as they did for the last two years of analysis. This time though, China entered the spotlight, taking the first place with the same 3 companies who flourished both in 2010 and 2011: Sinopec (revenue of 428,17 billion dollars), China National Petroleum (revenue of 408,63 billion dollars) and State Grid (298,45).

Even though China held 3 important companies in this top, neither in 2010, 2011 nor in 2012 had any of them managed to place first within the most important companies in the world

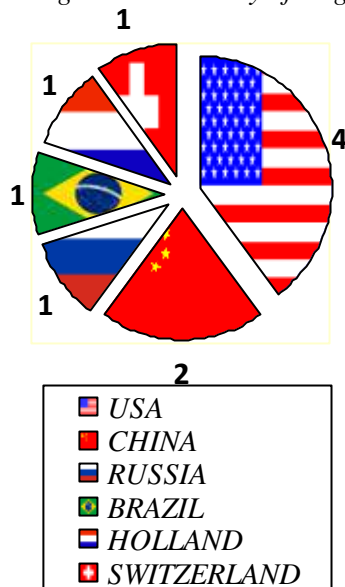
Fig.3. The distribution of the 10 largest corporations by revenue in the world, according to their country of origin in 2012



Source: [10]

When analyzing the distribution of the 10 largest corporations by profit in the world according to their country of origin in 2010, we can distinguish the fact that the United States dominate with 4 big companies. China holds the second place, through Industrial & Commercial Bank of China (4th place – 24,398 profit of billion dollars) and China Construction Bank (6th place – profit of 19,920 billion dollars), both activating in the banking sector. The other spots are occupied with corporations from Holland, Brazil, Russia and Switzerland.

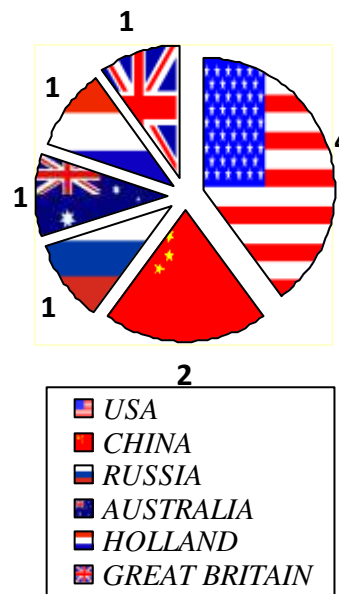
Fig.4. The distribution of the 10 largest corporations by profit in the world, according to their country of origin in 2010



Source: [12]

Looking at the distribution of the 10 largest corporations by profit in the world according to their country of origin in 2011, we can see that the situation is similar to the previous year for first two countries which rule the top: the United States (4 corporations) of America and China (2 companies), even though the companies differ from one year to the other. China, like the year before, is represented by Industrial & Commercial Bank of China (profit of 32,214 billion dollars – 3rd place) and China Construction Bank (profit of 26,180 billion dollars – 6th place). Other countries that are represented though only one corporation each are Australia, Holland, Great Britain, Russia managing to get first place with Gazprom.

Fig.5. The distribution of the 10 largest corporations by profit in the world, according to their country of origin in 2011

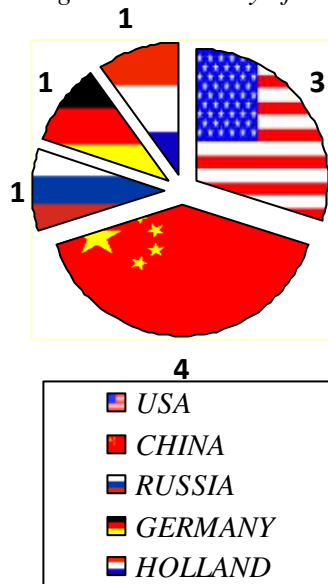


Source: [11]

The distribution of the 10 largest corporations by profit in the world, according to their country of origin in 2012 finally shows China dominating with a total of 4 corporations, after being for two years in a row the runner-up. China is represented by the Industrial & Commercial Bank of China (profit of 37,806 billion dollars – 4th place), the China Construction Bank (profit of 30,518 billion dollars – 5th place), the Agricultural Bank of China (profit of 22,996 billion dollars – 9th place) and the Bank of China (profit of 22,099 billion dollars – 10th place).

place). The United States placed second (3 corporations, Exxon Mobil placing first among the companies), Russia, Holland and Germany completing the top with only one corporation each.

Fig.6. The distribution of the 10 largest corporations by profit in the world, according to their country of origin in 2012



Source: [10]

3. Conclusions

China's rapid transformation into the second-largest economy in the world has not been surprising. As a result of the implementation of a series of fundamental reforms in the 1980s, China has achieved the status of an economic superpower in the third millennium. After corporate China has developed, some of the largest Chinese companies have become key actors in the business world and have obtained huge revenues and profits on the global stage.

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The Principles and Conditions Necessary to the Development of the Romanian Tourism

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Abstract

To increase efficiency of Romanian tourism is a process that needs involvement of local and national authorities both in supporting the tourism market settlement and, its promotion by public bodies, using subventions and fiscal stimulants. Efficiency of the Romanian tourism management includes creation of necessary conditions for a more efficient interaction of the touristic market with EU organizations (first of all by using organizational and economic forms, and also investments in tourism industry). Thus, it is necessary to improve structural organizational relations in tourism, capable to evaluate and implement software of designing and development of the Romanian tourism and effective activities for the development of the business tourism by stressing the optimal use of touristic resources.

Keywords: touristic strategy, touristic scenarios, natural touristic potential, prognosis.

JEL Classification: M31

1. Introduction

Tourism represents for Romania the economic sector having a valuable potential of development, still enough unexploited and could become an attraction source for investors and tourists, also (both for Romanian and foreigners). This thing is somehow aggravated by the strong competition from the neighborhood countries (Hungary, Bulgaria, and Croatia) and also by the problems related to the Romanian tourism competitiveness.

2. Tourism development strategies

For the development of the tourism in Romania the great advantage is offered by the natural and cultural resources location having a large and harmonious diversity all over the country. In this view, it is possible to practice certain large forms of tourism. In a such competition existing nowadays, the strategy in tourism have to help to create a favorable specific environment; tourism is a "pluridisciplinary company" needing a courageous strategy, with own rules, established with the support of the responsible persons at the organizational level, able to offer a vision, a model capable to orientate production and thus to trade touristic products.[1]

The strategy of development for tourism must establish necessary conditions to improve the competition placing, having into view the following activities:

- to develop the tourist products, thus to insure an improvement of the existent factorial conditions and its quality raising;
- to stimulate demands, having into view the conditions of the development and to adapt touristic offer at a development program and to promote the touristic product;
- to develop education and touristic research so necessary to insure quality and diversify touristic offer and to identify the trends of the market, and thus to take proper decision in time for internal market;
- to modernize and develop the infrastructure, as a basic condition of internal market existence and to penetrate in the competition market;
- to insure communication with market and dissipation, referring to the touristic offer and its conditions;
- to improve the general economic climate;

- to monitor improvement and conservation of the environment elements, as basic components of the present and future tourism offer.

3. Romanian Tourism Development Scenarios

The starting point to establish strategy to improve competition position improvement of the destination is represented by determinant elements of the competition, like factorial conditions (natural and cultural resources, capital resources and infrastructure, human resources), quality of touristic products, structure of the bidder (natural quality – conditions of the environment; material quality - hotelier equipments, to serve the meals, transport, trade, cultural, sports activities, shows; immaterial quality ("software") - services, management / administration, organization, and information s.o.).

The economic and social implications are enough reasons to modernize, launch and develop Romanian tourism, taking into consideration the following elements:[2]

- the natural touristic potential of a high complexity;
- the cultural – historian heritage;
- the technical – economic potential;
- the geo-touristic localization (three natural components: Carpathian Mountains, Danube river and Black Sea);
- the communication ways allowing the access in all important touristic areas of the country;
- the legal valid regulations is permanently changed.

In future the main brands that need to be developed in future to indicate Romania as touristic destination, also inside and outside the country are: business, health, cultural, adventure tourism. Romania has to move from tourism promotion to an adequate marketing policy implementing, creating events and also to participate at the tourism international exhibitions.[3]

World Tourism Organization (WTO) representatives, together with Romanian specialists, elaborated a Master Plan of the Romanian tourism. This is a program that identifies the lacks of the system and proposes some solutions, concentrating to exploit touristic areas such Bucharest,

Transylvania, Black Sea, Bucovina, Maramureş and Danube Delta. To implement the Master Plan it is demonstrated as necessary a period of 20 years. [4]

The Objective of the Master Plan is to transform Romania in a quality touristic destination, based on its natural and cultural heritage, and to comply with European Union standards concerning products and services supplying, and also to achieve a sustainable development from the environment point of view.

As principal directions, Master Plan includes the following directions: market research, functional and institutional structures insuring, a marketing strategy concerning markets with potential, and finally training of the employees.[6]

Evaluation and stressing out the ways to improve the efficiency of the tourism management reveal the following facts:

- the internal tourism - is influenced by an unstable entrepreneurial environment;
- many touristic facilities are in a very poor situation; thus it is necessary to start certain programs to rehabilitate them, restore, and finally to achieve investments;
- the management of the tourism in Romania needs a major restructuration, in accordance with EU standards;
- the investment attractively of the touristic areas and target - markets of the touristic services will allow to take optimal decisions to create an efficient touristic potential and to raise Romanian tourism ranking;
- the elaboration of the methodic tool useful to the tourism ranking is based on the calculation of the indicators integrated and tourism potential, also.

Personally, I consider that regarding the Romanian tourism initiation could be the main following directions of action:

- The harmonization with valid regulations of European Union countries, concerning the quality, technical, training standards, etc;
- The touristic centers development and modernization;
- Insuring of a challenging and stable financial - fiscal environment;
- The legal valid regulations simplification;
- The national touristic potential promoting;

- The rural tourism development in touristic and agro-touristic pensions;
- Development of the tourism education and research.

Permanently, tourism companies have to decrease costs and increase the number of the tourists. A veridical prognosis over tourism development takes into consideration tourism development on analytical ways and modern methods to simulate the scenarios.

Scenarios regarding the tourism evolution in the seaside area are obtained taking into consideration a number of hypothesis provided over the development in the next period of Romania, and other activities directly involved on the tourism development (infrastructure, constructions, and agro-alimentary industry). A number of three scenarios were obtained, described hereinafter:

- the pessimist scenario – entire situation of the tourism is unfavorable;
- the medium scenario – industry of the tourism is developing in relation with other branches of industry;
- the optimistic scenario – the development of the tourism industry has an huge character in comparison with other branches of economy.

The technique of the scenarios is used for the long time prognosis or when are certain influences and uncontrollable factors that disturb that branch development.

The scenarios are elaborated taking into consideration predictable exogenous factors that could influence tourism activities, but also endogen factors resulting following running this system, in collaboration with other systems.

To determine the social and economic conditions that will host the scenarios over the tourism evolution, it is necessary to take into consideration evolution factors of the GIP, infrastructure development, constructions, and agro – alimentary development up to a date chosen as referring date.[7]

These data will become initial values of the dynamic model system and will be applied for the seaside tourism subsystem, and will be correlated also with scenarios concerning European tourism resulted from the prognosis elaborated by the WTO forecasts.[8]

Methodology is based on producing scenarios and economical projections and includes the following steps:

- Analysis of trend based on a detailed study of current and historical data;
- Scenarios planning to develop future demand and tourism bid;
- Impact of the model over the variables from the scenario;
- Most plausible scenario variant choosing, to describe future trend of the tourism;
- Future scenarios regulating, monitoring, evaluating and implementing.

Finally, to achieve a projection or other it depends by many internal and external conditions, at the larger and smaller scale of economy.

In the terms of a change, restructuration and transforming process, meaning the appearance of unexpected factors to influence the tourism system to achieve a scenario or other from the proposed ones, it is an unsafe measure.

Their elaboration allows us to take the measures that would support or not to take a variant or one of these variants. The analysis of the scenarios regarding the tourism development allows us a clear and accurate limit, defining both limits superior and inferior of the domain, which will include evolution trajectory of the system.

Although in theory we have multiple opportunities to revive tourism, statistics in recent years show an increase of accommodation, but also a decrease of interest of the potential Romanian tourists towards the existing areas, and tourist resorts, a trend followed also by foreign tourists.[9]

Table 1. The dynamic of neat use of places of tourist accommodation in Constanța county between the years 2008-2012 (%)

Month/ Year	2 008	2 009	2 010	2 011	2 012
January	1 1,5	1 1,8	1 2,0	1 0,5	9 ,5
Februar y	1 4,8	1 6,9	1 2,5	1 3,7	1 4,2
March	2 0,8	1 5,7	1 3,6	1 5,1	1 5,1
April	2 9,5	2 2,3	1 5,9	1 8,3	1 9,0
May	2 1,0	3 2,8	2 1,1	1 9,1	1 5,5

June	3 8,1	3 9,3	3 2,8	2 7,5	2 2,2
July	5 8,5	5 7,2	4 6,8	3 8,6	3 0,5
August	5 9,7	6 3,7	5 6,0	4 7,3	5 0,4
September	3 8,7	3 7,6	3 3,3	2 3,6	2 1,2
October	2 5,6	2 3,6	1 7,3	2 1,8	2 1,7
November	2 1,7	1 9,6	1 4,8	1 7,6	2 3,2
December	1 7,2	1 2,0	8 ,6	1 1,5	1 3,9
Average (%)	2 9,6	2 9,4	2 3,7	2 2,0	2 1,4

Source: Author's calculations based on data from INS.

Support for the development of tourism entrepreneurship emerges from creating favorable conditions for the establishment and operation of SMEs (Small and Medium Enterprises). Thus, the formation of a methodological approach to assess the development of the region as a tourist area must take into account all the advantages and disadvantages mentioned above. Therefore, it is possible to determine the basic requirements for a future procedure: representativity (coverage of the entire tourism resources in the region);

4. Conditions of human resource management in tourism

In the author's opinion the mechanism of developing the management of tourism activities should be determined by the following conditions:

~ Legal regulation of tourism development does not fully meet the needs of modern tourism market . Lack of support programs prevents creating incentive tourism management and an investing climate in tourism activity;

~ The issue of human resources in tourism is in the author's opinion complex and diverse and includes aspects such as: recruitment, training and development of the distribution of workers across sectors and the improvement of the distribution of workers in different sectors according to priority, the implications of seasonality on tourism activity, international cooperation on the issue of workforce etc. We note, however, the training and development of staff, the

level of training and specialization of each tourism worker. This fact has two major directions of action: raising the degree of professional training and changing the awareness of the tourist worker, a lengthy process and not without complexity.

In the field of training there is a growing need to insist on education; it's an example of developing educational resources to provide staff with tourism entrepreneurial spirit, ability to solve problems and conflicts, social competence and knowledge of foreign languages and new job profiles in the field, eg., the management of destinations or leisure organization, without neglecting basic training in the provision of tourism services.[10]

Analysis of workforce training in the tourism sector reveals significant changes both in term of processes and system modernization, a better connection to European values and putting more value on local traditions but also many bottlenecks, uncertainties and less positive trends.

The quality of labor force used is a key factor in determining the overall quality of the tourism product. The human element through which the touristic product is marketed and consumed has a major role in tourism sector development policy so that any tourism development can not be conceived without involving the development of a suitable workforce. [11]

The using and the new valuation of the abundant human capital may be a strategy to shift from price competition to quality competition.

The policy and the development strategy of Romanian tourism should establish principles and conditions for improving competitive position through the:

- tourism product development to ensure a higher recovery factor of existing conditions and raising its quality;
- stimulate demand with the development and adaptation of the tourism offer in a program for the development and promotion of touristic product;
- development of tourism education and research necessary to ensure the quality and diversity of tourist offer and early detection of market trends in order to adapt the internal market on the fly;
- modernization and infrastructure development as a prerequisite to the

existence of the internal market and its penetration of the market competition; transports, in their role of circulatory system should facilitate easy reach of tourists anywhere in the country. Currently our road network does not meet the requirements and expectations of European motorists. The same assessment can be made for the passenger traffic on railroad. Neither air passenger transport can be considered as satisfactory.

- public order. The police needs to protect tourists against any acts of aggression, which, unfortunately, have increased in recent years and which is an important element deterring tourists from visiting Romania.

- customs and border control authorities should allow a rapid flow of travel into and out of the country as border agglomerations constitute disincentives to travel.

Local government should give more importance to good management of resorts, towns and spots of tourist interest. In recent years the state in which the seaside resorts presented themselves, the care and protection of the beach areas has been totally unsatisfactory.

5. Conclusions

Currently, the Romanian tourism contribution to the national economy is insignificant in relation to the achievements of other competing -including Central and Eastern Europe- countries. To regain lost ground, tourism must become for the policy makers in Romania an important goal of economic policy, the more so as this becoming the priority branch of the Romanian economy would entail some remarkably positive effect on:

- geographical transfer of resources;
- balance of payments;
- creating new jobs;
- spatial and physical planning;
- faster integration of Romania, through tourism, into the European Union structures.

But the Romanian tourism development is viable only when recognizing its role in social and economic activity in our country and take firm measures to relaunch the sector to become a priority in the national economy.

Estimates of the UNWTO (United Nations World Tourism Organization) on tourism trends worldwide in the years 2010-2020 constitute an argument in this regard.[12]

In the process of modernization and development of the Romanian touristic product, it must be stressed out on cultural and natural component (inside its improvement). In addition, it will be monitored the quality and activity of the tourism facilities by using European standards concerning the quality of the touristic services taking into consideration its correlation with prices and values practiced by owners, especially related to the tourist offer competitiveness.

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The Profile of the Maritime Leader

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Abstract

Regardless the current economic situation and the difficult work conditions offshore, a challenge for maritime leaders in the twenty-first century is not just to attract and retain the best seafarers and onshore employees but especially to motivate them to work with passion, energy and enthusiasm. Although there are very few people with intelligence, skill, charisma and initiative, continuing challenges of the real world is to help the less talented to overcome their limitations.

Keywords: Leadership, management, master, crew, shipping, human resources

J.E.L. Classification: M5; M53; M59; N7; O15

1. Introduction

Leadership competence is a key factor to organizational success and the sustenance development of a business is contingent upon the leader and vision for future development to realize the goals [1].

We can define Maritime Leadership as a process of guiding a group of people through non-coercive means, in a direction that matches their long-term interests, without wasting the group's forces and resources and without exploiting the negative human side. It is considered that there is some common ground between effective leadership at a lower hierarchical level and senior management of a maritime company. This is achieved through vision, taking into account the interests of all persons involved. The

vision is materialized through strategy, by integrating the forces from the organization's environment with internal factors that will influence objectives' achievement. In such case, the group of people involved is highly motivated, and within the positions they hold in the maritime company they can transform vision into reality.

In the specialized literature there are distinguished three types of leadership approaches: through the characteristic features of leaders, through the leadership behavior and through contextual approach.

Krajewski, Marti and Walden acknowledged three kinds of skills for a leader: technical skills, interpersonal skills, and conceptual skills [2]. Sergioivanni further extended the conceptual skills into the essential skills for an effective leader, including cultivation skills, representational skills, educational professionalism, interpersonal skills, and technical skills [3].

On board ship leaders must fulfill solving tasks and problems, as well as the social function of maintaining the group cohesion. Though problems on board ship are very diverse and demanding, the social function of the leader is even more challenging, taking into account that seafaring is an activity developed with a heterogenous team and in a distinct international environment.

2. Leader's Profile in Shipping

On board ship, the functional leader is the master (captain) which bears responsibility for the entire crew, ship and transport process. The master is seconded by the chief engineer who is responsible for all the activities from the machinery department.

The master manages the activity on board ship both from the operational and managerial point of view. For protecting the goods and the interests of the persons employed on board, the master has not only the duty but also the right, as given by law, to be a representative of the public authority. The master has the following responsibilities: officer of civil state, public notary, organ of the fact-finding of the crimes committed at board. The master bears the disciplinary authority and maintains order on board related to respecting the laws or the maritime regulations. He/she can take measures on board against the crewmembers or the passengers. When the ship is in a foreign land, the master can ask for help for the consular offices or the diplomatic missions of the country's flag.

The hierarchic relations regarding the master are established in the following way:

- the master is directly subordinated to the general director of the company;
- the master is also subordinated to the ship exploitation department;
- the master is subordinated to the flag state authorities, as well as to the coast and harbour states where his ship enters.
- the master directly operates officers and the other crew members as well as any other person on board ship.

Master's relations of collaboration are with the economic responsible of the company, the freighters, the responsible of human resources department, the ship's agents in the foreign harbours as well as with the third parties, in the limit of the competences.

The achievement of the master's responsibilities and tasks are in the limit of the competences as the master is entitled for collaboration with other authorities, national or international companies in matters of voyage planning, chartering, maritime rescue, protection of the marine environment, safety of navigation etc.

Though the master is from a technical perspective the leader of the ship's crew and his/her authority is globally recognized, we cannot say that the master is, by definition, both the technical and the social leader of the crew.

The Leadership is a process of orientation a group of people using non coercive means. This definition refers to the act of orientate

people into a direction which correspond not to only one person's interest, but to the interest of all the crew, on long term, without wasting the group's forces and resources and especially without exploring the machiavellic part of the human side. The term machiavellism reffers to a set of cynical convictions about human nature, morality and legitimacy of using every tactic in order to achieve ones personal objective [4].

It is considered that there are some common points between an efficient technical leadership of a group situated to an inferior hierarchical level and the superior leading of a company. This can be made through vision, which takes into account the legitimated interests of all involved people and through the strategy with which vision is materialized. Also we can take into account the integration of the organisational environment's forces and the internal factors that influence the vision and the accomplishment of the leadership objectives. Also, it should be taken into account the special group of the are very motivated involved people, who can support the transformation of the vision into reality through the positions they manage in the company [5].

A leader who meets both the technical and the social component of the leadership status is a complete leader with a powerful leadership style. This reflects the best and most effective maritime leadership profile.

On the other hand, the effective leadership is influenced by the following variables: the personality of leaders, past experience and their outlook, outlook and behavior of superiors, leaders generally seeking to model after their superiors and even seeking for power sharing rewards, accomplished tasks, maritime company's counterparts, the ship and the voyage, behavior of subordinates and the organizational culture aboard ship.

There are situations when the profile of the maritime leader is met on board not in the case of the master, but in the case of another employee, officer or rating. In particular, in some cases of Asian crews, the perception of leadership was not reflected only by the professional status but it was massively influenced by the geographic origin of the person perceived as a leader.

Leadership qualities on board ship are very important for solving difficult situations

that occur offshore or in port, for crew cohesion and for its uniform action.

While taking command of a ship, a master has two options regarding the leadership attitude: to do nothing remarkable and to avoid risk or to dare and to put things in motion in order to obtain the exceptional performance of the crew. The second case is the outcome of a genuine profile of self-confident maritime leader.

A maritime genuine leader has a positive influence on board of high impact on improving the crew members' behaviour, the work environment which is often multinational and the crew cohesion, which is essential for a safe journey.

The genuine maritime leader perceives the entire crew, not followers only, as valuable resources with continuous, ever-lasting growing potential of evolution. The entire crew is perceived by the leader as unique and irreplaceable, though seafarers work in long shifts. The leader has the ability to exploit the creative potential of the crew. The adoption of certain leadership decisions can affect individuals' health, their career, professional development and even their life. This justifies the fact that the maritime leader's decisions are responsible (towards society), un-discriminating and flexible (towards individuals). They should not lead to social conflicts, misinterpretation or reading between lines but should be adapted to the personality of the applicants and to their educational and professional background.

The maritime leader takes into account the fact that the crew is heterogeneous and is made of distinct personalities, with individual targets, hopes and objectives but somehow successfully succeeds in coordinating all the distinct personalities as one.

The leader has general knowledge regarding individuals' psychology and regarding the fact that people are conservative, and opposing change and has tactic knowledge on making crew easily adapt to changes.

Seafarers' labour market is extremely vast and varied. There is a huge number of competing navigation companies and seafarers have the possibility to choose the company that best suits them. This aspect requires a special attention to be paid to seafarers retaining strategies. The working conditions in seafaring generally differ from

one voyage to another according to other crew members, type of vessel, navigation area and condition and duration of the contract. A genuine maritime leader on board will overcome the attractiveness of other maritime companies offers, as seafarers want stability and will prefer working with the same company and crew once the cohesion is established by the leader.

Referring to mentalities, customs, individual and group behaviour, people are relatively conservative; economic and social values are differently perceived by different individuals. Leaders need to have the capability to positively direct individuals and to underline their own values.

Also, people are autonomous and free and they will realise sooner or later any manipulative management methods used onshore or on board. Leader's decisions are adopted taking into account the human dignity. People want to be treated decently and fairly and this approach is the only one that can contribute to individuals' positive motivation to participate together with the leader in fulfilling strategic objectives of the maritime company [6].

Also, leaders should encourage and reward crew to express their ideas and to realize how and when they can delegate responsibility.

In business is a general saying that the decision of the manager should not be discussed or questioned. A leader should make the effort to convince the crew to discuss and make decisions, even by questioning the decisions of the superiors. This approach is difficult to be made in a rigid hierarchy of seafaring but there is always the need to give people the opportunity to try new things. Maritime organizations should reward people who take risks, even if they sometimes have small failures. Promotions and glory belong to innovators and pioneers, not those who act as standard models and fear of controversy and avoid trying to improve something.

It is essential for a maritime leader to be respected, to be reliable and effective in order to receive the crew's trust and to actually lead. Also, the leader's efforts are focused on encouraging people not only in finding better ways to do the job, but also in making them motivated to work in a multinational team.

When mistakes of crew members occur,

the leader should not abandon its people and should not send them on shore until all possibilities to train and help them grow. are exhausted.

A maritime leader knows that, paradoxically, freedom creates discipline. Therefore, the leader encourages crew members or anyone else to discuss the actions of the master or of the crew. When members of the crew see the master open to criticism, they open themselves and contribute to significant improvements on board. Such style of leadership does not create anarchy, but actually helps in improving discipline. Approach of command and control is far from being the most effective way to capture the intelligence and skills of people [7].

3. Conclusions

This paper pointed out some of the traits of a maritime leader of the XXI century. In shipping on each ship there should be a master having a leader profile in order to stimulate crew cohesion and to motivate individual initiative of each crew member. The master should have general knowledge regarding individuals' psychology and specific knowledge on leadership techniques for developing and exploring the exceptional performance of the crew.

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Section II
Business Economy and Administration

Subsection 3
Finance and Accounting

Accounting and Tax Regulations: The Impact on Economic Activity

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Abstract

This paper examines the implications of tax and accounting regulations on the activities of economic entities in Romania and upon the financial-accounting reports.

There are presented the interdependencies that arise between tax information and data provided by accounting, as well as the specific methods of tax intervention in accounting.

Keywords: accounting rules, tax regulations, International Accounting Standards.

J.E.L. Classification.: M41

1. Introduction

Conducting in good condition, but especially in terms of the legality of the activity of an economic entity requires not only knowledge and compliance of the accounting but also of the tax. Tax regulations often influence the activity of economic entities.

While accounting aims at setting the bases for calculation of taxes, taxation has the burden to establish rules to adapt better accounting functions.

In Europe one can see disconnection between accounting and taxation (UK example) or an alignment of the tax accounting rules (in Germany, France). Relationships between tax and accounting are aligned relationship because providing tax incentives is facilitated by their accounting. When tax laws are absent accounting rules are applied.

In terms of the regulations, in Romania, accounting is separate from taxation. Accounting is governed by Order no. 3055/2009 and taxation is regulated by the Tax Code, Law no. 571/2003. In practice there are cases of disagreement between

accounting and tax rules. Situations may arise in which the managers of the entities must make a choice between the obligation to submit financial statements (the principle true image) and the desire to optimize the tax cost of their activities. In this case, the application of accounting rules can lead to errors in terms of tax penalties that may lead to penalties.

Because through the tax rules can be introduced certain provisions that are required to comply with in accounting, this can lead to some distortion of accounting information (tax depreciation, treatment of expenses and income, etc.).

2. Putting in the mirror tax and accounting regulations

In the following there is performed a comparative analysis of national accounting regulations (Order no. 3055/2009 accounting regulations compliant with European Directives) with International Standards (IAS/IFRS) and tax (Law no. 571/2003 regarding the Fiscal Code). The analysis takes into account the treatment of assets, discounts granted by suppliers to customers, treatment of liabilities, equity (legal reserves, revaluation reserves and financial results), income and expenses.

Assets

Fixed assets

Assets are treated differently in national regulations in comparison to the international ones.

The intangible assets that have the nature of expenses can be a part of the profit and loss (according to International Accounting Standard IAS 38 "Intangible Assets") or may be capitalized and depreciated over a period not exceeding five years (according to Order no. 3055/2009 accounting regulations compliant with European directives). If national regulations do not allow a

revaluation of intangible assets, international accounting standards allow their revaluation, where there is an active market for those assets.

According to the Fiscal Code, Law no. 571/2003 (applicable to taxpayers who apply accounting regulations consistent with International Financial Reporting Standards) in the tax value of intangible assets include revaluations performed.

Tangible assets, according to national accounting rules comprise a much larger class of elements to their structure according to international standards (IAS 16 "Intangible assets").

According to international standards, biological assets (IAS 41 "Agriculture") and those real estate owned to earn rentals rather than for use in the production of goods, services or administrative purposes (IAS 40 Investment Property) are listed separately in the balance sheet under non-current assets category. IFRS 5 requires separate presentation in the balance sheet (in the category of current assets) of fixed assets whose value will be recovered through sale and not through the use in production (assets held for sale are recorded with the account 311 "Fixed assets held for sale "). In the case of these assets assessment is made at the lowest value of carrying amount and fair value less costs to sell.

Depreciation

Depreciation of property, plant and equipment is recorded according to national accounting rules in the next month of commissioning and until full recovery of their input, it is computed using the respective asset's cost, the concept of residual value not being used.

Depreciation of an asset, according to international standards, begins when the asset is available for use when it is in the location and condition necessary for the operation in driving targeted manner. If the residual value exceeds the carrying amount depreciation is no longer calculated. To calculate depreciation is used the depreciable amount by deducting the cost of the asset's residual value.

According to the Fiscal Code an economic entity should distinguish between accounting depreciation (tax deductible expense is) and tax depreciation. For an

economic good to be tax depreciable the following conditions must be met:

a) it is owned and used in the production, delivery date of goods or services, for rental to others or for administrative purposes;

b) it has an input value greater than the limit set by law (value as of July 2013 is 2.500 lei);

c) the normal use lasts longer than one year.

Accounting depreciation is not always equal to the tax depreciation, crossing over to the expenditures from the accounting point of view may differ in time, from switching to the deductible expenses for tax purposes. Depreciation expenses are deductible within depreciation limits calculated according to the Fiscal Code. In terms of profit tax are deductible the expenditures related to tax depreciation and accounting depreciation expenses are deductible expenses.

On the financial statements, specifically on profitability of the entity acts the accounting depreciation to downward the exploitation result and indirectly of the net result and tax depreciation, in diminishing the income tax payment.

The depreciation method chosen may also impact when determining income tax because may lead to a reduction in income tax payment (using accelerated or declining balance method of depreciation may lead to an increase in tax-deductible expenses and a reduction of income tax payment).

Stocks

Financial and trade discounts will be deducted from the cost of inventories under IAS 2 "Inventories". National rules permit evaluation at the exit of inventories using methods like FIFO inventory, LIFO and CMP. International Standard IAS 2 prohibits the LIFO valuation method. FIFO valuation method is approved by IAS 2, but has the disadvantage that during rapid changes of prices, profits can be overstated compared to current costs, because the outputs are valued at historical cost and sales revenue are evaluated at current costs. LIFO valuation method is preferred by economic entities in Romania in periods of rising prices, because this method of evaluation leads to increased consumption and decreased value of the closing stock value and therefore reduced profits.

Price reduction

According to OMPF no. 3055/2009, financial discounts are deducted from the acquisition cost and recognized as financial income (767 "Income from discounts received") or financial expenses when they are granted (667 "Expenses on discounts"). Trade discounts that are granted before the invoice is issued are operating income that adjust the turnover (709 "Granted trade discounts") and trade discounts received after billing adjust the operating expenses (609 "Received trade discounts"). According to international accounting standards all discounts are deducted from the acquisition cost.

Liquidity

As of January 01, 2013 entered into force a new system on the payment of VAT system that took effect in particular on small entities. VAT will not be collected at issuing the invoice but in its cashing, but no later than the 90th calendar day of the invoice. This system can have a positive impact on the treasury as VAT is deferred until the collection of receivables from customers (entities can experience a relaxing flow's cash-short term due to the system). Both the payment of income tax but also the payroll taxes can affect the liquidity of an economic entity may create a temporary surplus liquidity between the end of the last month of the quarter for which it is calculated and the 25th of the month following the quarter.

Debts

Current income tax/deferred income tax

The differences between the accounting and tax result are delimited in permanent differences and temporary differences. The relationship between the accounting result before tax and tax result can be defined as:

Tax accounting result = Result before tax \pm Permanent differences \pm temporary differences.

International Standard IAS 12 "Income Taxes" operates with outstanding tax structures and deferred tax. According to the same standard, current and deferred tax should be recognized as income or an expense. Deferred taxes are calculated based on temporary differences, which are determined for assets and liabilities as the difference between the carrying amount and the amount allocated for tax purposes.

Provisions

Regarding provisions, national regulations have taken much of the provisions of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Deductibility of provisions, however, is subject to conditions set out by the Fiscal Code. Provisions deductible for tax purposes can be handy tools for managers to reduce the taxable income and thus income tax, but on the other hand a reduction of taxable income can have a negative impact on opportunities for accessing funding sources.

Owner's equity

Legal reserves

According to national accounting rules, legal reserves are constituted annual from the entity's, profit in the quotas and limits set by law. According to the Fiscal Code the legal reserve is deductible in the limit of 5% on accounting profit before the determination of the income tax, minus the non taxable income plus expenses related to these, until it reaches a fifth part of the capital subscribed and paid. If the legal reserve is used to cover losses distributed in any form, to restore it, deductibility is no longer granted.

Revaluation reserves

To conduct the reviews of tangible and intangible assets should be considered the rules from OMFP no. 3055/2009 or the provisions of IAS 38 and IAS 16. The pluses or the minuses of resulted from the reevaluation are reflected in the equity accounts. Decrease in revaluation reserve may be made only within the existing credit balance.

Under the Fiscal Code, the revaluation reserves of fixed assets, including land, made after January 1, 2004, which are deducted from taxable income through depreciation or expenditure on assets sold and / disposed of, is taxed together with the deduction of the tax depreciation meaning, at the time of fixed asset disposal. The amounts recorded in the accounts of legal reserves and reserves accounting for tax incentives can be used to increase capital or to cover losses.

Taxable profit/accounting profit

The result of an economic activity is treated from two points of view: the accounting result and the tax result. Accounting result (gross result of the exercise or the result before tax) is calculated taking into account the requirements and the principle of accrual-based accounting. The

tax result (taxable profit or tax loss) is defined as the result of exercise, determined in accordance with rules established by the tax authority and which serves to calculate the of the income tax payable recoverable.

Under the Fiscal Code taxable income is determined as the difference between income from any source, and costs incurred to achieve them, in a tax year, plus non-deductible expenses income decrease.

In order to determine the income of the exercise are taken into account all the gains from any source, including those from financial investments. Certain expenses are deducted by the usual rules for the calculation of result, but cannot be deducted for calculation of the tax result.

In calculating the taxable income expenses are considered deductible only if they belong to the taxable income.

3. Conclusions

Taxation puts its mark to some extent over the financial reporting and the results of the activity of economic entities.

Tax implications are generated by the depreciation system chosen by the economic entity, by the output evaluation method of inventories, trade and financial discounts granted by suppliers to customers, the tax debt settlement time, the nature of the provisions set etc.

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Analysis and Assessment of an Organization's Risks in the Context of Economic Instability

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Abstract

The economic mechanism created in Romania, oriented towards market relations, all forms of property development and the implementation of new methods of management involves the forming of different types of risks. As a result, any economic activity takes place under conditions of risk, which in turn may be more or less serious, more or less known, easier or harder to avoid. Insufficient knowledge of these risks, their assessment unsatisfactory lack adequate protection against these directly affect the outcome of activities. In such conditions, the need for analysis and comprehensive evaluation of enterprise's risk increases significantly, particularly the risk of economic and financial, being a component of its risk management system.

Keywords: net actualized value, current value, sensitivity analysis, leverage by out, cyclic principle.

J.E.L. Classification: G32

1. Introduction

The incertitude and risk represent only two coordinates of the economic environment where the economic agents are developing their activity. Their quantification and determination of influences that induce economic phenomena is a constant issue for policy makers, the business activities of enterprises.

For a trader, the main condition of survival is the approach of a general strategy available, capable of adapting and challenging task [1].

Such a strategy cannot be based only on a dynamic analysis of the current situation and future by introducing elements of risk and uncertainty in making forecasts.

A dynamic analysis is in determining the expected value a company from its real present value. In the current economic equity investors and investment managers must choose an efficient financing. Financial policy is therefore the frame of all decisions based options for the most efficient allocation of capital. The most important fact in finance (based on its implications) is the investment decision. As the financial market is not the perfect investment the decision must be substantiated with financing decision. The choice between own resources and / or borrowed capital is in turn dependent on the decision (policy) dividend.

The choice of the investment means can be based on an objective criterion, the maximization of net present value.

The logical and coherent economic decision is based on the first and most important working hypothesis, that rational behaviour of economic agents [2]. This hypothesis considers, first, that economic agents seek to maximize their utility function of consumption, in other words, they want to go better than worse. Utility maximizing consumption (present and future) is possible only through effective capital investment to increase capital value (VAN max).

2. VAN Rule (of a net actualized value)

Business valuation based on present value and not for the future value is a subjective and technical choice. It is more common now updated when future income and comparison on this basis, the various investment options than their capitalization at some future to make the same comparisons of investment options [3].

VAN measurement is therefore the current purchasing power of the currency in which, moreover, is measured and effort investment. For comparability of future cash flows (cash-flows CF1, CF2, CF3) with

current investment expenditures (I1, I2, I3) is usually the first to be updated, risk-free interest rate, RON purchasing power today:

$$VAN = \sum_{t=1}^n \frac{CF_t}{(1+k)^t} - I_0$$

The same reasoning can be done by expressing quantities comparable (investments and future cash-flows) in lei, at purchasing power at the end of life of the investment. Under these conditions, cash flows, which compares their size is expressed in capitalization resulting from future risk-free interest rate. The future value is the capitalization of the present value on the life of the investment.

The current value is obtained by determining the present value of a future income CF_t with the average interest rate market k [4].

The comparison criteria will therefore be net future value (VVN), which is nothing but capitalization VAN, during the life of the investment (n):

$$VVN = n \sum_{t=1}^n CF_t (1+k)^{n-t} - I_0 (1+k)^n$$

$$VVN = VAN(1+k)^n$$

Given the uncertainty which is typical in a context of economic crisis, when the company has to face several risks, it is essential to achieve a sensitivity analysis of the company, this method of analysis being recommended in conditions of economic instability, the same conditions in which the national economy is, and not only, in the present.

3. Sensitivity analysis of the company

Sensitivity analysis aims to test how sensitive are the financial results generated by the manifestation investment risks. It involves the phases of following the steps:

- Identification of risk factors;
- Estimation of the probability of each risk event;
- Testing each risk event impact on the financial results generated by the investment.

Regarding the identification of risk factors usually are cautioned that this number

is very high, so we cannot propose drawing up a comprehensive list.

We therefore try to predict high probability factors of variation, but also factors whose modification unit would generate substantial variation in investment feasibility analysis indicators.

The estimation of the probability value adjustment factor is often difficult, which is why this step is very often ignored. Where there are no information can be used frequencies event risk in the past.

The risk event impact on the financial results generated by investment sensitivity is measured by assessing feasibility indicators to change the size of the risk factor [5].

The aim is assessing the relative change of level indicators to changes in the relative feasibility of a risk factor. Usually it refers to a 1% change in the size factor, the investment considering the acceptable limits of sensitivity relative to that factor since the feasibility indicators (primarily VAN) does not change more than 4%.

Changing the size of any of the factors presented can be caused by various factors. For example, the quantity sold can be altered by changes in demand or production capacity.

Sensitivity analysis is done on VAN multiple determinations of the same project investments that have simulated possible changes on the main factors determining the future cash-flows. Only remain constant are the initial investment costs and the discount rate k. Remaining components of the VAN may vary.

In sensitivity analysis we will focus only on the most important variable VAN, respectively cash flow available from operating years of the investment.

Analysis will be done in five phases:

- The elaboration of CFD model
- The identification determinants of the size of CFD
- The establishment of the limits of variation of the determinants
- The simulation of various possible future size of each factor, keeping unchanged the other factors and determining VAN for each possible situation
- The identification of factors with the greatest impact on VAN

Sensitivity analysis is to develop and analyze strategies, scenarios or options

account, which is determined by the minimum and maximum boundaries between which one or more factors of influence or elements of profit can vary, so profitability of operating or return an object of research, production and investment to maintain boundaries between previously established or will not fall below a certain limit [6]. Here, we recommend the Monte Carlo simulation.

4. Monte Carlo Simulation

Monte Carlo simulation is a thorough sensitivity analysis. It takes into account many possible combinations of key parameters (such as turnover, variable costs, working capital requirements change, the initial cost of investment, and so on), which are assigned probability distributions. For each combination of values is calculated net present value, which is associated with a frequency of occurrence [7].

Monte Carlo simulation involves the following steps:

- define key parameters;
- define the criteria for evaluating investment (usually VAN or RIR);
- assigning probability distributions (binomial, normal, gamma, etc.), since each parameter can take multiple values, which are given more probability of realization;
- launch simulation by generating enough combinations of parameter values, using the computer, resulting in different net present value or internal rate of return;

Then, based on the results we can calculate the net present value or global average, according to the following relationship:

$$VAN_g = \sum_{t=1}^n (VAN_t * f_t), \text{ where:}$$

VAN_t – net present value generated by simulating t ;

f_t – frequency of VAN_t

Regarding the *application itself of the chosen methods for the risk assessment*, it is necessary to have regard to the fact that, in the process of the risk analysis, a lot of possible variants of resolving problems are seen, and not only one variant, because the risk is generated by the conditions' uncertainty in which the adaptation and

development of the managerial decisions take place.

5. Conclusions

Overall strategy of an enterprise requires the achievements of objectives (economic, social, financial, research, investments), for which it is necessary to mobilize resources (human, material, financial, informational) and their orientation to ensure business viability. Also, what is essential about an efficient management of a business is to identify the risk specific to the organization depending on the field of activity, the factors causing the risk and the ways of stopping it through a series of levers which consider the models shown in this work.

It is important how efficiently is a business management by carrying out tools and financial models that can follow the course of an investment. By a careful analysis of the risks which a business may be exposed to and through the realistic evaluation of risk already produced, a series of negative aspects can be avoided and even the business' bankruptcy. Many times a risk is equal to bankruptcy, when the financial strategy of the organization does not provide for a financial lever, which is designed as a way in which a business can fulfill its potential for growth [8].

American Corporations are known to be the promoters of the aggressive debt policies, which allowed them to attract solid financial resources. In fact, conceptually, "leverage by out" has become a key term in this economy which is now trying to survive under conditions of crisis and instability.

In the end, *the final evaluation of the results of the risk management* allows to determine both the general efficiency of the entire process, and also its vulnerable points to consolidate them and, what is very important, if it is necessary, to return to the aims' formulation. Therefore, the use of the same *cyclic* principle is taking place. As a basic criterion of success, an index may be chosen to deviate the result obtained from the one planned.

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VLCC Ships Prices and their Influence on Maritime Insurance Market

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Abstract

The global economic and financial crisis has repressed the boom of the shipping industry, generating a high volatility of vessels' prices. With the global expansion of the maritime sector, marine insurance is on the forefront nowadays, more than ever before. As the marine insurance premiums vary according to the value of insured assets and their number, the marine insurance market can be analyzed through the forecast of vessels' prices within the turbulent business environment.

Key words: vessels price, marine insurance, ARIMA models, forecasting

J.E.L. classification: C22, G22

1. Introduction

Tanker shipping transportation represents an economical and convenient way to transport liquid bulk for international seaborne trade. The basic types of tankers comprise crude tanker which transports crude oil from extraction locations to refineries and product tankers which transports refined products to consuming markets. Product tankers are generally smaller and compact as compared to the crude tankers which are bulkier and huger. The bulk and the hugeness of a crude tanker help to carry more containers and barrels of crude oil. Oil tankers are extremely important in the shipping industry for they help to transport huge quantities of crude oil across the oceans and seas.

When compared to other methods of moving oil, oil tankers represent the most efficient method aside from pipelines because of the amount of oil they can move

at any given time. Very Large Crude Carriers (VLCC) are large oil tankers that are known as supertankers. VLCC have a size ranging between 180 000 to 320 000 DWT. They are capable of passing through the Suez Canal in Egypt, and as a result are used extensively around the North Sea, Mediterranean and West Africa. VLCC are very large shipping vessels with dimensions of up to 470 m in length, beam of up to 60 m and draught of up to 20 m. But the standard dimensions of these ships range between 300 to 330 meters in length, 58 meters breadth and 31 meters in depth. They are known for their flexibility in using terminals and can operate in ports with some depth limitations. The cost of a VLCC ranges between \$100 million to \$120 million depending on its age. Despite their efficiency in moving oil to destinations around the world, oil tankers are often criticized because of the possibility pollution, accidents and oil spills.

Oil tankers, especially Very Large Crude Carriers (VLCC) are some of the largest and most expensive ships in the world. Thus, oil tankers require different mechanisms of insurance: hull insurance, cargo insurance, liability coverage and war risk insurance. Oil tanker insurance rates depend on tangible factors such as deadweight tonnage, the overall value of the ships, characteristics of a particular voyage, as well as on intangible factors such as the dynamics of ships price.

While the tangible aspects of oil tanker insurance are relatively homogenous across ships of equal size and tonnage, other types of coverage such as liability and war risk factors, are more variable and dynamic due to the changes imposed by the geographical location or route of the ship.

Lloyd's of London which is the world's specialist insurance market facilitates the meeting between ship charterers and

insurance underwriters. By preference, some groups of ship owners unite together to self-insure through Protection & Indemnity Clubs because these clubs pool their insurance risks and avoid fees. Nowadays, most tankers are insured through P&I Clubs.

Usually, war risks are excluded from hull & machinery and P&I policies and have to be purchased in addition to liability coverage. As a consequence, if a tanker's hull or machinery were damaged in an "additional premium area" (areas designated for additional war risk rates), a war risk policy rather than the standard P&I coverage would pay the claim. War risk insurance provides coverage for any intentional damage to hull, cargo or persons. Generally, every policy includes certain nominal war risk coverage, based on trading routes and patterns. When the risk profile of a ship is extremely low, the premium can be as low as 0.001 percent of the market value of the ship. War risk premiums highly increase when ships enter designated conflict areas which are assessed each year by insurance underwriters. Charter companies have to notify insurance underwriters in advance of the ship movement into a conflict area, receiving war risk insurance for an additional charge and for a finite interval of time. The level of the additional premiums depends on the level of risk subscribed by the insurance underwriter. Occasionally, these additional premiums can reach upwards of ten percent of the market value of the ship.

2. Literature review

The autoregressive integrated moving average (ARIMA) models are applied in many areas of science and their real applications include: electricity load by Di Caprio, Genesio, Pozzi and Vicino (1983)[1], automobile insurance by Cummins and Griepentrog (1985)[2], federal funds rate by Hein and Spudeck (1988)[3], macroeconomic data by Dhrymes and Peristiani (1988)[4], department store sales by Geurts and Kelly (1986,1990)[5][6], Pack (1990)[7], demand for telephone services by Grambsch and Stahel (1990)[8], total population by Pflaumer (1992)[9], tourism demand by Du Preez and Witt (2003)[10] and so on. Despite this fact, the existing researches on the use of ARIMA models in shipping industry are

scarce.

Container trade is of vital importance to liner shipping, waterfront activities and container port development. As container trade drives over fifty per cent by value of Australia's seaborne trade, Amoako (2002) carried out an analysis that provides an overview of container trade at national level and its future trends. The author generated forecasts of future levels of container quantities by using two different methods: dynamic econometric modeling and multivariate autoregressive modeling. The research was conceived with data that exclude double handling, because figures that include double handling or trans-shipment may invalidate growth forecasts. According to the final results, the proportion of goods traded internationally in containers is expected to increase. Nevertheless, the ARIMA model is a good predictor in the short term[11].

Khan et al. (2004) analyzed the application of the autoregressive moving average method and the artificial neural network methods for the prediction of ship motion. An algorithm capable of predicting the motion of a ship is required for the successful deployment of a ship system currently used on ships that operate in open sea environments. The authors show that the artificial neural network is superior to autoregressive moving average techniques and is able to predict the ship motion satisfactorily for up to 10 seconds. They also try to combine multiple time series prediction techniques in order to obtain better overall results than the ones generated by individual techniques[12].

Zhenghong (2004) examines the nature and forecasting model of Baltic Freight Index. The author demonstrates that the power function model matches the long term fluctuation of the Baltic Freight Index. After removing the long-term tendency and the seasonal fluctuation of the index, he creates an ARMA forecasting model. According to the final results, the ARMA forecasting model provides a good forecasting of the index, especially in the case of one-step forecasting[13].

Coto-Millán et al. (2010) analyze the possible cycles of the ship building industry through univariate autoregressive integrated moving average time series models, with data

from the world's fleets during 1924–1994. The adjusted model seems to confirm the coexistence of long and short cycles in the maritime transport of 4 and 12.7 years. The results of the research seem to confirm the Cobweb theorem in the case of short-run cycles and long-run stock cycles[14].

Dashan and Apaydin (2012) investigated the waste amount from ships in Istanbul. The authors succeeded to forecast the amount of different waste collected from transit ships for next two years based on the data recorded between September 2005 and January 2010 by applying ARMA forecasting model. According to their results, the collected amount of waste oil, bilge water, sludge and garbage will increase, while those for ballast and slop will decrease. Overall, the current data remain between the upper and the lower limit values of forecasting data[15].

3. Data and methodology

In this study, the ARIMA models were applied in order to capture and examine the dynamics of the ship prices, and further to illustrate the influence of ship prices dynamics on the insurance market. For the empirical study, the daily data series of VLCC ships price for the time interval 16.09.2003 – 11.11.2013 were used, with a total of 517 observations. Data were collected from Baltic Exchange database and the ARIMA models were built with EViews 7.

The ARIMA model is a generalization of the autoregressive and the moving average models. The autoregressive (AR) model uses past values of the dependent variable to explain the current value whereas, the moving average (MA) model uses lagged values of the error term to explain the current value of the explanatory variable.

An autoregressive model of order p (denoted AR(p)) states that y_i is the linear function of the previous " p " values of the series plus an error term:

$$y_i = \varphi_0 + \varphi_1 y_{i-1} + \varphi_2 y_{i-2} + \dots + \varphi_p y_{i-p} + \varepsilon_i$$

where $\varphi_1, \varphi_2, \dots, \varphi_p$ are weights that we have to define or determine, and ε_i are normally distributed with zero mean and variance σ_2 .

The general ARIMA model is called an ARIMA(p, d, q), with " p " being the number of

lags of the dependent variable (the AR terms), " d " being the number of differences required to take in order to make the series stationary, and " q " being the number of lagged terms of the error term (the MA terms). An ARIMA(p, d, q) (AutoRegressive Integrated Moving Average with orders p, d, q) model is a discrete time linear equations with noise, of the form:

$$\left(1 - \sum_{k=1}^p \alpha_k L^k\right) (1-L)^d X_t = \left(1 + \sum_{k=1}^q \beta_k L^k\right) \varepsilon_t$$

4. Empirical analysis

Firstly, the ADF test (Augmented Dickey-Fuller) was applied in order to verify the stationarity of time series. A time series is said to be stationary if its mean, variance and its covariances remain constant over time. From an economic point of view, shocks to a stationary time series are temporary and, over time, the effects of the shocks will dissipate. The existence of a unit root was estimated for the original data and the absence of a unit root for the first-difference data (Table 1). Therefore, the variables are integrated of order 1 and denoted by $I(1)$.

Table 1. The ADF test for first-difference data

Null Hypothesis: D(VLCC) has a unit root		
Exogenous: Constant		
Lag Length: 1 (Automatic - based on SIC, maxlag=18)		
	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-7.043071	0.0000
Test critical values:		
1% level	-3.442845	
5% level	-2.866943	
10% level	-2.569709	

*MacKinnon (1996) one-sided p-values.

Source: own estimations

































If the probability is lower than the 1% significance level, the null hypothesis is rejected. It can be observed that the first-difference data is stationary.

Box and Jenkins first introduced ARIMA models in 1976, the term deriving from AR – autoregressive, I – integrated and MA – moving average. Box and Jenkins designed a three-stage method which can be applied in order to estimate and select an appropriate ARIMA model.

In the identification stage, the form of the

model has to be discovered, because any model may be given more than one different representations. Once the time series stationarity is achieved, the next step is to identify the "p" and "q" orders of the ARIMA model. Therefore, the time plot of the series autocorrelation function (ACF) and partial correlation function (PACF) will be visually examined, because they offer access to useful information concerning outliers, missing values and structural breaks in the data (Table 2).

Table 2. Autocorrelation function and partial correlation function

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
		1	0.654	0.654	221.95	0.000
		2	0.588	0.279	401.46	0.000
		3	0.493	0.064	528.19	0.000
		4	0.408	-0.007	615.05	0.000
		5	0.346	0.005	677.73	0.000
		6	0.273	-0.032	716.73	0.000
		7	0.264	0.068	753.31	0.000
		8	0.272	0.103	792.22	0.000
		9	0.206	-0.066	814.69	0.000
		10	0.171	-0.049	830.18	0.000
		11	0.161	0.028	843.94	0.000
		12	0.125	-0.017	852.24	0.000
		13	0.093	-0.027	856.79	0.000
		14	0.062	-0.015	858.86	0.000
		15	0.047	-0.011	860.03	0.000
		16	0.019	-0.041	860.22	0.000

Source: own estimations

Both the autocorrelation function which starts from a high value, gradually decreasing and the partial autocorrelation function which decreases sharply, indicate that this series is mainly an AR process. According to the table above, there are two significant spikes on the time plot of the series partial autocorrelation function (PACF). This suggests that the models might have up to AR(2) specifications. Thus, the possible models are the AR(1) and AR(2) models.

According to Box and Jenkins, a valid model should be stationary and invertible. Thus, the modulus of each AR coefficient has to be lower than 1, the sum of AR coefficients has to be lower than 1 and the modulus of each root has to be lower than 1. These requirements are fulfilled by both models identified in the previous stage.

In the estimation stage, each of the possible models is estimated and various coefficients are analyzed. The estimated models are compared using the Akaike information criterion (AIC), the Schwartz Bayesian criterion (SBC) and Adjusted R-squared (Table 3). The model that minimizes

AIC and SBC and has the highest Adjusted R-squared will be chosen.

Table 3. Summary results of possible AR models

Model	AR(1)	AR(2)
AIC	2.752450	2.676202
SBC	2.768932	2.700962
Adjusted R-squared	0.426743	0.470727

Source: own estimations

According to Table 3, the AR(2) model minimizes AIC and SBC and has the highest Adjusted R-squared. It can be noticed that the model is stationary and invertible.

Table 4. Estimation of AR(2) model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.010395	0.163024	-0.063786	0.9492
AR(1)	0.471320	0.042460	11.10037	0.0000
AR(2)	0.279852	0.042472	6.589142	0.0000
R-squared	0.472791	Mean dependent var	-0.012646	
Adjusted R-squared	0.470727	S.D. dependent var	1.264123	
S.E. of regression	0.919564	Akaike info criterion	2.675202	
Sum squared resid	432.1943	Schwarz criterion	2.700962	
Log likelihood	-684.7840	Hannan-Quinn criter.	2.685906	
F-statistic	229.1273	Durbin-Watson stat	2.035413	
Prob(F-statistic)	0.000000			
Inverted AR Roots	.91	-.34		

Source: own estimations

Table 5. AR(2) structure

AR Root(s)	Modulus	Cycle
0.814787	0.814787	
-0.343467	0.343467	

No root lies outside the unit circle.
ARMA model is stationary.

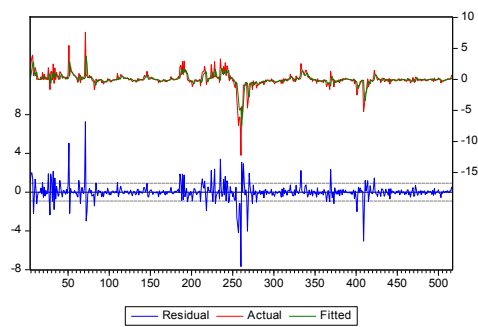
Source: own estimations

The last stage requires the examination of the goodness of fit of the model. Therefore, the statistical significance of model's coefficients and the autocorrelation of residuals will be tested.

As it can be noticed from Table 4, all the coefficients are statistically significant (the probabilities are lower than the significance level of 1%).

Regarding the quality of residuals, the best view to look at first is Actual, Fitted, Residual Graph (Figure 1). It can be noticed that the fit is quite good and the fitted values nearly cover up the actual values. The estimated model fits better in the later part than in the earlier years due to the fact that the residuals become smaller in absolute value.

Figure 1. Actual, Fitted, Residual Graph



Source: own estimations

According to the correlogram of residuals (Table 6), there is no serial correlation of error terms (the null hypothesis is accepted because the probabilities of Q-stat are higher than the 1% significance level).

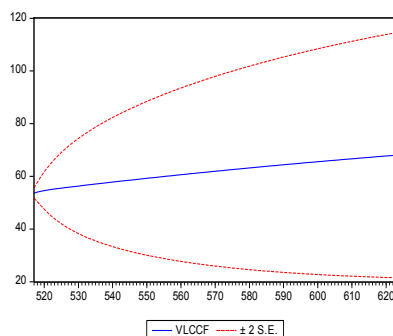
Table 6. Correlogram of residuals

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob
1	-0.019	-0.019	0.1867		
2	-0.038	-0.039	0.9420		
3	0.043	0.041	1.8954	0.169	
4	0.008	0.008	1.9264	0.382	
5	0.016	0.020	2.0660	0.559	
6	-0.080	-0.081	5.4323	0.246	
7	0.006	0.004	5.4490	0.364	
8	0.132	0.126	14.610	0.024	
9	-0.000	0.012	14.610	0.041	
10	-0.025	-0.016	14.930	0.061	

Source: own estimations

Taking in consideration the results of the tests applied to the estimated model, it can be concluded that AR(2) model is appropriate. By using this model, VLCC ships price will be forecasted for the period December 2013 – December 2015. Figure 3 illustrates the dynamic forecast of VLCC ships price and its error margins.

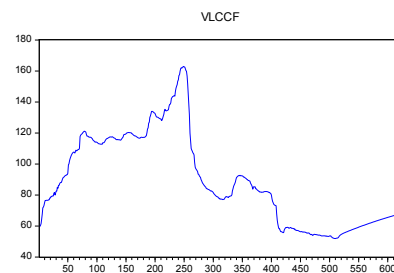
Figure 3. Dynamic forecast of VLCC ships price



Source: own estimations

Figure 4 illustrates the fluctuation of VLCC ships price during September 2003 – December 2015.

Figure 4. The evolution of VLCC ships price



Source: own estimations

5. Conclusions

In 2012 the oil tanker market suffered from a combination of low freight rates and high idle capacity. Figure 3 illustrates that the VLCC ships price will record a continuously slight increase during December 2013 – December 2015. Today's ship prices for VLCC vessels are at their historic minimum and once the gap between supply and demand will be reduced, prices will start moving up. One other aspect that has to be taken into consideration when looking at this graph is related to the fact data used in this study refer to prices for 5 years old ships which had a very unusual movement during 2007 and 2008 when they were over 30% higher than prices for new buildings. While this can be easily explained by the fact that five years old ships were able to trade immediately in an extraordinary high market, while new ships were expected to be delivered in at least 24 months when nobody could have predicted the market level.

As the marine insurance premiums vary according to the value of insured assets and their number, their evolution during December 2013 – December 2015 can be examined through the forecast of ships price. As the value of the ships will start increasing again, it can be expected the exposure to loss of a single ship to increase. The oversupply of ships will probably drive out of the market old ships and sometime substandard ships, which is expected to have a positive influence on the insurance market profitability.

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Modeling the Risk in Agreement with the Solvency II Regulations and Possible Implications on the Romanian Insurance Market

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Abstract

In the process of capital adequacy, an insurance or re-insurance company is faced with the problem of shaping the risks to which all its entire activity is exposed to. Solvency II Directive 2009/138/EC brings under regulation the evaluation of the technical reserves and the capital requirements allowing the insurance and re-insurance companies to determine the respective sizes using a standard formula of modeling the risks or through the development and implementation of an internal model. In this work, a synthesis of the Solvency II regulations is proposed of modeling risks, and also an analysis on the way in which the respective regulations could influence the activity of insurance companies operating in Romania.

Key words: risk modeling, solvency II, standard formula.

JEL classification: G18, G22

1. Introduction

More than a decade has passed since the European Union initiated the project of reforming of the solvency system. Although the Directive Solvency II was adopted by the Council of the European Union in November 2009, however, the directive's entry into force has been delayed on several occasions. The last continuance was in October 2013, and the new expected date of entry into force will be 1 January 2016.

The new project, Solvency I's substitute, decided to solve a series of problems identified in the old system, but at the same time to acquire the ability to be prospective. Its structure is mostly inspired from the structure of the solvency system in the banking sector Basel II.

For the development and implementation of the reformation project Solvency II a Lamfalussy type process has been chosen. This demarche has been argued ([1], p.1) by the European Commission, by the fact that a more flexible reformation approach would allow, on the one hand, a more rapid adoption of decisions of harmonization in the entire Union, and on the other hand, it would grow the convergence degree of supervision.

At the level 2 of working the process (the Lamfalussy process is an approach composed of four levels) some methodologies of application have been developed whose content is very technical specific to the domain of applied mathematics by using present models for the calculation of technical reserves and of the capital requirements.

Bellow, I have summarized the regulations which refer to the allocation of capital requirements by an insurance and re-insurance company, and using them, I have analyzed the possible implications for the Romanian insurance companies.

2. Solvency II regulations regarding risk modeling

Keeping to the regulations of the new solvency system, an insurance company, during the process of capital adequacy needs to determine the following sizes:

- Best estimate of technical provisions (TP) with risk margin (RM);
- Minimum capital requirement (MCR);
- Solvency Capital Requirement (SCR).

The technical reserves' value is the necessary sum, evaluated at the market price which an insurance or re-insurance company has to pay to another insurance or re-insurance company if it immediately transfers its obligations under the contract to this company (See [2], Articles 76; No. 2.). To evaluate the technical reserves we may use both deterministic and stochastic

methods [3]. The technical reserves' calculation is achieved through the sum of the best estimate of reserves, developed by Blum and Otto [4], to which a margin of risk is added (See [2], Articles 77; No. 1.).

The minimum capital requirement of solvency (MCR), as set in the Directive Solvency II, corresponds with a value of own basic funds eligible under which policies holders and beneficiaries would be exposed to an unacceptable level of risk (See [2], Articles 129; No. 1.b.). The calculation formula for MCR is "clear and simple" that involves linear aggregation of the components. The components entering the formula's aggregation come from the two big areas of the insurance activity, general insurance and life insurance. Besides the mere aggregation of the components, the European Commission brings some regulations that keep to the calibration of the value to the risk of own capitals, and they set absolute thresholds for the minimum capital, respectively the range limits relative to the value SCR (See [2], Articles 129).

The determination of SCR represents, unlike the assessment of the technical reserves, a more complex problem. Solvency II suggests for the calculation of the solvency capital requirements, either a standard formula, generally valid for all the insurance companies that fall under the regulation of the Directive Solvency II, or the development and implementation at the company level of an internal model. Internal modeling can be partial, being applied in parallel with the use of the standard formula, or it can be total, in which case, based on the created model, it determines itself all the sizes that enter the process of capital adequacy (See [2], Articles 112; No. 1.).

The solvency capital requirement is calibrated in such a way as to guarantee taking into account of all quantifiable risks to which an insurance or re-insurance company is exposed to. The SCR size corresponds with the value at risk (VaR) of the basic own capital of an insurance or re-insurance company, with a confidence level of 99.5% for a horizon of one year.

The general profile of risk considered in the determination of the SCR size takes into account the exposure of the insurance or re-insurance company to at least one the following risks (See [2], Articles 101):

- underwriting risk
- market risk;
- credit risk;
- operational risk.

Risk modeling based on the *standard formula*

The insurance companies have the obligation to calculate the SCR at least once a year, and to communicate the results to the supervisory authorities. Also, companies will ensure that they have own capital adequate to the last value of SCR reported to the supervisory authorities. The value of the eligible own capitals must be constantly monitored by the re-insurance companies. In the case in which there is a change in the risk profile because of the way the last reported capital requirement was calculated, the companies have the obligation to recalculate that requirement and to communicate it to the authorities. The supervisory authority may require to a re-insurance company to recalculate the capital requirement whenever it considers that there is evidence to suggest that the risk profile of the re-insurance company, in question, has changed (See [2], Articles 102).

Standard formula that is used by the insurance companies to determine the solvency capital requirement has, considering the technical specifications of the fifth impact study (QIS5), a modular structure as shown in figure below.

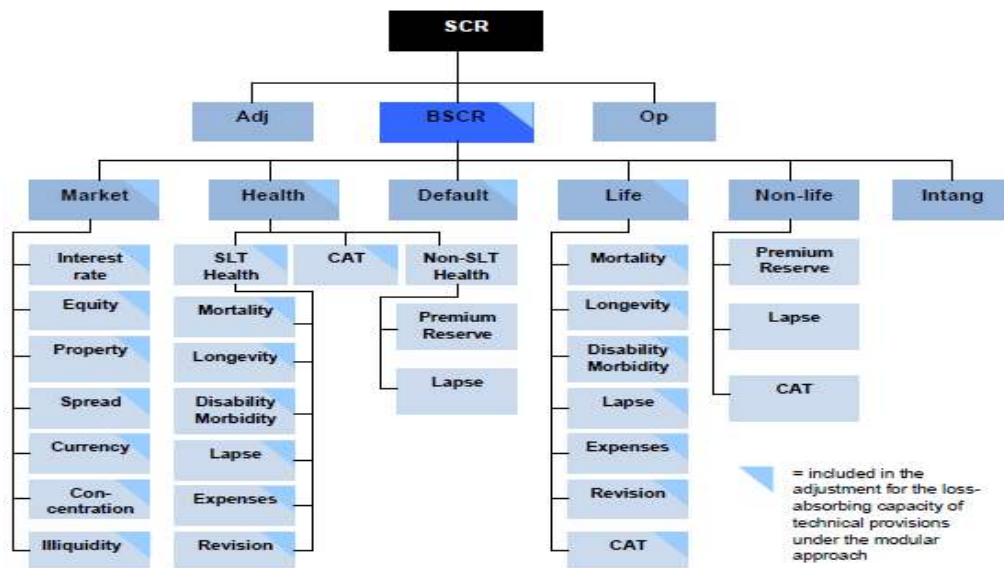
To the first level, the SCR value results from the aggregation of the capital requirements obtained for three components: the basic SCR component ($BSCR$), the component corresponding with the operational risk ($OP - SCR_{op}$), and the adjusting component ($Ajust$), (See [2], Articles 103) i.e.:

$$SCR = BSCR + Ajust + SCR_{op} \quad (1)$$

The basic solvency capital requirement ($BSCR$) is formed from the aggregation of the following individual modules of risk:

- a) Market risk (SCR_{mkt});
- b) Health underwriting risk (SCR_{health});
- c) Counterparty default risk (SCR_{def});
- d) Life underwriting risk (SCR_{life});
- e) Non-life underwriting risk (SCR_{nl});
- f) Intangible assets risk ($SCR_{intangibles}$).

Figure 1. The modular structure of the standard formula



Source: [5], p.90

The aggregation of components at this second level of risk is not made linearly, but it is made using an approach as the American solvency system type Risk Based Capital. The aggregation formula is written in the following way:

$$BSCR = \sqrt{\sum_{ij} CorrSCR_{ij} \times SCR_i \times SCR_j} + SCR_{intangibles}, \quad (2)$$

where $CorrSCR_{ij}$ is the correlation matrix of the five SCR components, i.e. $i, j \in \{mkt, health, def, life, nl\}$. Under the radical the sum is made after all the possible combinations of "i" and "j". The correlation matrix in the standard model is predefined ([6], p128).

The allocation of the capital margin for the risk of intangible assets should be determined by the following relation:

$$SCR_{intangibles} = 0,8 \cdot IA, \quad (3)$$

where IA is the value of the intangible assets, in which the value of the commercial fund at acquisition enters, which are defined and measured in accordance with IFRS4, IAS38 ([5], pp 10-11)

Internal risks modeling

Partial internal models will be used to calculate one or more components of the

standard SCR formula as described above. For the approval of the regulatory authority, of the right to use an internal model, partial or total, the insurance and re-insurance companies must prove that the internal model meets the following requirements:

- Demonstration of the model's usage
- Static quality standards
- Calibration standards
- Assigning profits and losses
- Validation standards
- Standards concerning the documentation

The construction of an internal model begins by describing each post of balance sheet (technical provisions, other liabilities, assets, possibly an interaction between assets and liabilities). After the model's parameters are estimated, we will be able to obtain an estimation of the results' law of probability. After obtaining this law we are able to calculate the size of the wanted capital requirement.

The practical application of such a model involves an accurate calibration of the model with the company's risk profile which needs assuming a set of procedural risks such as: the model risk, assessment risk, simulation risk.

3. Implications on the Romanian insurance market

"Transposition and implementation of the Directive 2009/138/EC Solvency II" ([7], p.274), at the level of the Romanian insurance industry, will have a very important impact, because, on the one hand, Romania is maintained in the group of countries with an undeveloped insurance industry, and on the other hand, the changes brought in by the new solvency system are very complex.

One problem discussed intensively in the Solvency II project has been linked to the implications of the new prudential regime on the insurance and re-insurance companies. Within the five quantitative studies of impact, Solvency II has also taken into account this problem. In the European report for the fourth quantitative survey of impact, they specify that Solvency II, according to the analysis on samples of companies who joined in the exercise QIS4, will not have a significant impact according to the size of the companies.

The Romanian insurance industry has entered the studies of impact starting with QIS4. It is well-known that the evaluation methods of the technical reserves, regardless of the fact that they are deterministic or stochastic, are more efficient when they are carried out for the run-off triangles of development of the claims for more than five years. This is explained by the fact that it is hard to foresee the future cash-flow starting from a small database. Reported to the situation of the Romanian market of general insurance, it will be difficult for them to obtain accuracy in the application of the stochastic methods because a triangle with five years of development, for example, it is at the minimum border of the applicability of the Mack, T. method, [8], [9], which is the most commonly used stochastic method.

Generally a small company, such as those operating on the Romanian insurance market, will not have a development program for claims for a period of more than five years old, thus because, on the one hand, the volume of its activity is too small to need this, and on the other hand, an increase in the development program for claims for a larger number of years might affect its market share. For this purpose, the use of the stochastic methods by simulating results, as the Bootstrap Chain Ladder type may be more appropriate for the run-off triangles

with fewer years of development, but here, the insurance company will be faced with all the three types of procedural risks: model risk, assessment risk and simulation risk.

Solvency II proposed to encourage the companies' management for a better administration from the perspective of the internal management of the risk, which also implies a disciplinary of the development program of claims. The deterministic methods have the weakness not to capture correctly the dynamic of the claim development from one to another, which can also be influenced by the managerial decisions. This means that an insurance company which would use only deterministic methods of estimating technical reserves could not reflect very well the improvement of the managerial process at the company's level.

In the same direction of improving internal management process of the risks, Solvency II enables companies that want to develop internal models to benefit of certain incentive conditions which lead to the diminution of the necessary allocated capital and therefore to an increase in the capital surplus. As most Romanian companies are small, they will not be able to develop and integrate the internal modeling, in which case they will not be able to benefit of the incentive conditions offered by the Solvency II system, being forced to run, sometimes, with a bigger level of capital allocation leading, as it was shown in report on the country QIS4, to a diminution of the capital surplus.

4. Conclusions

Even if the overall risk profile which an insurance company is exposed took into account the most important risks which a company is exposed generally ([10], pp. 88-106), however the method they are model still leaves many discussions. Solvency II is certainly a big step forward for achieving a sustainable stability of the financial markets.

The Romanian insurance market, I think, will be affected considerably. Having regard to the six standards of regulations, very demanding, which should be met by an insurance company to receive the right to use an internal model of allocating the capital, it is unlikely that an insurance company smaller

or medium could develop such a model. Implementation requires large material resources and not least human resources well qualified in the actuarial field.

From this point of view, most of the Romanian insurance companies will be disadvantaged relative to bigger companies.

You could say that Solvency II is not interested in a market too crumbled. Perhaps that a general solution for Romanian insurance the Romanian insurance companies will be a coagulation trial, with the idea of increasing the size by merger or absorption, phenomenon which is not strange to the Romanian insurance market in the past few years.

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Internal Audit, Internal Control and Organizational Culture – Active Ingredients in Conquering the Crisis

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Abstract

The global financial crisis has determined significant changes among financial regulators and market's participants all over the world. While the main priority was to repair the image of firms involved in financial scandals, we have begun to foresee companies' preoccupation for changing their culture. Internal audit becomes a crucial factor in organizational changing process. The present paper highlights new internal audit functions, which operate in a close coordination with internal control. Both internal audit and internal control represent active ingredients for effective corporate governance. Our research findings demonstrate that the effective corporate governance and organizational culture are inextricably interrelated.

Key words: internal audit, internal control, organizational culture, change, economic crisis

J.E.L. Classification: M10, M14, M40, M42

1. Introduction

The current economic crisis has had a major negative impact on the ability of businesses and governments all over the world to provide financial support for investment projects. Companies continue to face a number of difficulties and challenges in order to survive on the market. In today's changing environment, we are assisting at an increase of the importance and role of audit, in general. External audit, as well as the

internal one, is seen as effective sources of information for various receptors, and they should be performed adequately for ensuring those receptors that financial statements respond to the requirements of the International Standards of Auditing. At this point, auditors should improve the effectiveness of internal control within entities and identify any tentative of fraud.

Under such circumstances, internal auditors should reconsider their position within the organization. They could "play a role in determining whether the living will plans developed by the organization are reasonable and supported by appropriate documentation, that the right people are involved and that the risks and controls are identified and addressed" [1].

This paper reflects some of the first results of an extensive research performed with the aim to build a doctoral thesis. Internal audit does represent a constant ingredient within the research work. The motivation for this paper reflects our intention to investigate the way by which internal audit, internal control and organizational culture could become key premises for conquering the economic crisis' bad consequences.

During our research work, we have presented the concepts of internal audit, internal control and organizational culture, by means of a literature review. Then we have highlighted the connections established between those three concepts in the context of corporate governance. In current changing circumstances, these three elements arrive to reinforce each other, and they could become a real force supporting companies in their

actions for survival. In the end of our research work, we have formulated some conclusions and suggested further areas for research.

2. Internal audit and its new functions

In the current business environment, internal audit has become a key factor for all companies all over the world. Financial statements must be audited periodically in order to ensure that those reports are fairly presented. Nowadays, internal auditors' activity is associated with internal control and a high quality of financial reporting [2].

At this point, we believe that it is very important to give some definitions of internal audit in order to approach its contribution to the modern business landscape.

According to the Institute of Internal Auditors' definition, internal auditing is "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes" [3].

Internal audit is also seen as "a systemic, independent and documented process for obtaining evidence and evaluating its objectivity to determine the extent to which audit criteria are fulfilled" [4]. From our research work, we have found out that audit results are always compared with the planned objectives of a company. However, the achievement of these objectives is directly linked to corporate processes and resources [5].

We remark that internal auditing literature is quite extensive. Due to the social and economic overall evolution, internal audit has constantly developed [6]. However, our purpose is to synthesize the literature in the field in order to guide further researches on the future internal audit functions, which will be able to increase audit's effectiveness.

There are authors that have been interested in understanding internal audit new functions. According to them, internal audit involves besides internal control, fraud investigation, assurance and advice, even the identification of company's risks in the context of the organizational culture.

From a general point of view, the main functions of internal audit consist in:

- providing reasonable assurance that risk management, control and governance systems are functioning effectively;
- providing recommendations to management in order to improve the company's operations;
- maintaining a direct and open communication with management and the audit committee;
- providing support to all anti-fraud programs;
- determining whether company's plans are reasonable and supported by appropriate documentation;
- testing the operating effectiveness of internal controls;
- ensuring senior management that all risks are identified and assessed;
- monitoring the constant changes within the organization;
- permanently adjust the audit plans, budgets and resources whenever it is the case;
- interacting with external auditors in order to increase the effectiveness of audit's processes;

At present, internal audit is supposed to provide independent overview of a number of other functions such as: risk, finance, credit and compliance. Internal auditors' role consists in ensuring management that all these functions are well performed within the organization so they will safeguard entities' image and reputation.

In the context of the slow economic recovery, internal auditors seem to be in a favorable position, being able to add value to their companies. As a conclusion at this part of our research work, we state that, for internal audit in general, this is the perfect moment to do all the best in order to seize the opportunities for increasing corporate governance's effectiveness.

3. Internal control overview

Nowadays, internal audit functions have aligned themselves with stakeholders' expectations. Therefore, we believe that internal audit is required "to adopt a strategic mindset that is responsive to risks and helps ready organizations for new threats and opportunities" [7].

In such circumstances, internal control also needs adapted perspectives. In fact, internal control represents a process developed by entities' boards of directors and management, whose purpose consists in providing reasonable assurance regarding the achievement of objectives.

We have studied a number of definitions of internal control. However, we consider necessary to point out that COSO's definition involves all the factors intervening in internal control: the organizational structure, work and authority flows, people and management information systems. As internal audit, internal control plays also a key role in detecting and preventing fraud. The objectives of internal control are related to the reliability of financial reporting and to compliance with laws and regulations.

Moreover, COSO defines internal control as having five components:

- Control environment;
- Risk assessment;
- Information and communication systems;
- Control activities;
- Monitoring processes.

According to the COSO Framework, each major entity within the corporate governance has a particular role in internal control, i.e. management, board of directors, internal and external auditors, audit committee and even the operating staff.

Our findings state that internal control can help an organization achieve its objectives linked to profitability and imposed targets. Besides the assurance of reliable financial reporting and compliance with regulations, internal control can also avoid negative consequences for companies and pitfalls.

However, there are some limitations at the level of internal control. It cannot avoid shifts in government policies and regulations, nor bad economic conditions and crisis that do have their direct impact on companies' survival on market. One limitation refers to the situation when internal control faces the collusion of two or more people. At this point, management proves able to override the system. We sustain that internal control cannot be seen as a "panacea" for companies' survival or success.

As a conclusion of this section, we suggest that the major responsibility of the board consists in reviewing the effectiveness of internal control. Meanwhile, management

becomes accountable to the board for operating and monitoring system of internal control. At this point, we should add that internal audit is required to provide the board with much of assurance regarding the effectiveness of the internal control system.

4. Change in organizational culture – a premise for the future success of internal audit and internal control

In the context of the economic downfall, organizational culture seems to become one of the most powerful forces of entities at all levels. Our research work has given us the possibility to notice the link between organizational culture and entities' effectiveness. Some authors paid attention to the strategic importance of organizational culture in general [8].

Organizational culture involves corporate values, visions, norms and principles, beliefs and customs. According to Ravasi and Schultz (2006), organizational culture is also "a set of shared mental assumptions that guide interpretation and action in organizations by defining appropriate behavior for various situations" [9]. The cited authors have shown that ideas about identity-culture interrelations have been based on illustrative evidence only.

Other authors defined organizational culture in terms of ten characteristics of the organization:

- Attitude to individual initiative;
- Risk taking;
- Direction or objectives;
- Integration within the organization;
- Management support;
- Control;
- Identity;
- Reward system;
- Conflict tolerance;
- Communications patterns [10].

Culture is also seen across the research work as an internal variable of an entity [11]. In the current economic context, organizations are expected to develop effective management strategies that fit with their culture profile [12]. Therefore, we arrive to believe that organizations with "strong" cultures are those proving well-coordinated and well-integrated functions.

In order to carry out effectively all its responsibilities and tasks, internal auditors

should be able to adapt to the culture of their companies. Our research findings prove that, given this expanded role, the connection between internal audit and the cultural model of organizations has not been sufficiently considered yet. Therefore, our research results suggest that internal audit and internal control should "match" with the organizational culture in order to maximize the company's profits. Thus, organizational culture could be seen as the cornerstone of a sound internal audit and control.

5. Conclusion

The present paper gave us the opportunity to forecast that the ancient and current internal control failures are based on the fundamental organizational culture. There is a series of examples of fraud incidents and poor business practices all over the world. In such circumstances, boards of directors, managers and auditors are expected to implement robust business practices and to create a new vision and culture.

In order to support companies achieve their objectives and create value, internal audit needs to focus on aligning its own strategy to that of internal control and organizational culture. At this point, internal audit's strategy should refer to:

- developing a strategic vision taking into account stakeholders' expectations;
- identifying key strategic initiatives;
- designing appropriate key performance indicators;
- developing an operating strategy with detailed activities [13].

Organizations intending to become successful in the future will be those understanding the important place of culture. Especially in a post-crisis era, companies should dare to change their organizational culture. It is imperative for them to look at the current culture for identifying its weaknesses and threats and formulating a clear strategic vision for future development. However, organizational culture can be a powerful enabler or an uncontrollable behavior to implementing the change.

The present conclusions are meant to set up some guidelines for supporting future researches on organizational culture change and its implications. We have brought

together a few steps which need to be taken into account when creating a new culture:

- Organizations, in general, should understand the urgent need for changing their culture;
- Managers and auditors need to be the primary architects of corporate cultural change;
- Change efforts require a concerted contribution of all members within the organization;
- Creating a new culture profile supposes a broader commitment of boards, managers and auditors;
- Organizational culture could help companies' members make new sense of what the development perspectives mean.

As a main conclusion of our research, we state that the creation of an empowering organizational culture would support internal auditors and managers to overcome the negative crisis' effects and build effective development future projects. We also encourage future studies referring to the measures that should be taken by organizations in order to avoid other failures of internal control and internal audit, fraud incidents and poor business practices.

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The Total Asset Efficiency Analysis Based on the Economic Rate of Return

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Abstract

Asset utilization efficiency is one of the main objectives of the firm's managers who manage the company's assets and it reflects the value volume obtained in the form of profit from financial investments made in the company's assets.

The economic rate of return is one of the most important indicators reflecting the economic efficiency of a company; it has the advantage that it is independent of the financial structure of the firm.

The paper aims to highlight the expressing way of the economic efficiency through the economic rate of return, which decomposed into components, namely: the gross profit at 1 leu turnover and the turnover at 1 leu total assets, on the one hand and the total asset effectiveness and the efficiency of the use of current assets, on the other hand, helps to make the most effective measures to maximize the return on assets.

Key words: the economic rate of return, total asset, gross profit, turnover, efficiency

J.E.L. Classification: D2, D6

1. Introduction

The usage of the total asset represents the degree to which an asset is involved in a profitable activity.

The rate of return represents a relationship between an indicator of results (profit or loss) and an indicator reflecting a workflow (net turnover, resources consumed) or a stock (equity, total assets). [1]

The economic rate of return assumes a simple calculation method available to all, being easy to use the data from the annual

financial situations of the company. Once the computation is made it is obtained a percentage that shows how much the company earned after the initial financial effort invested.

Based on the ratio gross profit / total assets, we can say that the economic rate of return expresses the efficiency of assets usage, i.e. their contribution to the results. We can also say that it characterizes the efficiency of the resources used in production irrespective of their purchase method. The main growth routes of this rate are the increasing of the number of revolutions of the asset and the profit growth rate. The economic rate of return should allow the company to renew its assets in a short period of time.

2. The literature

In the literature there are many opinions about the effectiveness of the total asset of the company, this representing one of the main concerns of the company's management in making its activity efficient in the future.

The rate of return seen as an indicator of performance can be expressed in different ways depending on the reporting way of an indicator of outcome (e.g. earnings) to another output indicator (e.g. turnover) or to economic means used to obtain the profit.

Here are some key definitions of the economic rate of return of some Romanian authors:

Spătaru Liviu: „by definition, the economic rate of return reflects the ratio between an economic result and the economic means employed to achieve it.”[2]

Siminică Marian: „in a first form of calculation, this rate is presented as the ratio

between the year result before tax (gross profit) and total asset (consisting of the fixed and current assets). In another version, the economic profitability can be calculated by using the net profit (Return non Assets)". [3]

Buglea Alexandru: „ The economic rate of return measures the performance of the total asset of the company, irrespective of the acquisition method of capital (own and borrowed) allocated for setting the asset. [4]

Buşe Lucian: „ The economic rate of return measures the overall performance of a business activity, regardless of the funding form or the tax system.” [5]

The literature shows various way of computation: [6]

$$Re = \frac{\text{The result of the exploitation}}{\text{Operating assets}} \cdot 100 \quad (1)$$

$$Re = \frac{\text{Gross operating surplus}}{\text{Total assets}} \cdot 100 \quad (2)$$

$$Re = \frac{\text{Gross profit}}{\text{Total assets}} \cdot 100 \quad (3)$$

Building the rate based on a certain result determines a vision specific to the result significance: [7]

- the sage of the operating result will determine a rate independent of the fiscal policy and the capital structure (the funding policy) and of the extraordinary flows;
- if the economic rate of return will be built on the operating exploitation surplus, it will be independent of the technical capital depreciation policy, in addition to the elements presented above;
- the gross profit use, a less commonly used method, is useful to the enterprise managers and will result in a higher rate, provided that the other two activities (financial and extraordinary) return a profit.

The economic rate of return is known in the international practice and theory as the “return on assets (ROA)” and can be determined as follows:

$$ROA = \frac{EBIT}{TA} \quad (4)$$

where:

EBIT- earnings before interest and taxes;

Ta - total asset.

In conducting an analysis, choosing a model always depends on the analyst's interest to emphasize one or more aspects offered by the economic rate of return computation.

3. Case Study at C. DELTA ALUMINIU S.R.L., Slatina, Olt

In our study we attempted to illustrate and to detail the total asset efficiency through the economic rate of return, taking as an example a company which has as object of activity the aluminium metallurgy.

For further analysis of the case study we considered two detailed analysis models that highlight the following indicators: the gross profit at 1 leu turnover, the turnover at 1 leu total asset, the total asset effectiveness and the efficiency of the use of current assets.

$$1. RRE = \frac{PB}{AT} \cdot 100 \quad (5)$$

$$2. RRE = \frac{PB}{AT} \cdot 100 = \left(\frac{PB}{CA} \cdot \frac{CA}{AT} \right) \cdot 100 \quad (6)$$

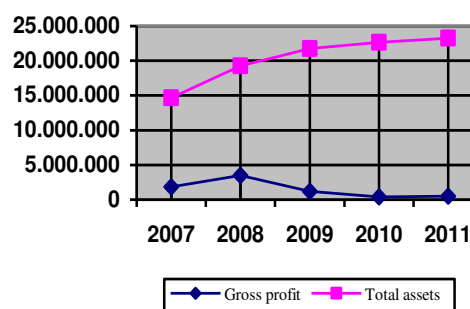
$$3. RRE = \frac{PB}{AT} \cdot 100 = \frac{PB}{Ai + Ac} \cdot 100 = \frac{\frac{PB}{CA}}{\frac{1}{CA} + \frac{1}{Ac}} \cdot 100 \quad (7)$$

Table no.1

Nr. crt.	INDICATORI	Simbol / Formula	2007	2008	2009	2010	2011
1.	Turnover	CA	24.378.017	20.238.678	21.799.425	30.604.590	35.370.469
2.	Fixed assets	Ai	7.518.455	8.747.408	9.269.214	11.158.539	10.104.704
3.	Current assets	Ac	6.787.958	10.526.466	12.473.081	11.514.343	12.927.086
4.	Circulating assets yield	$\eta_{CA} = \frac{CA}{Ac}$	3,607	2,778	1,748	2,686	2,736
5.	TOTAL ASSET	AT=Ai+Ac	14.676.413	19.273.874	21.742.295	22.673.382	23.231.790
6.	GROSS PROFIT	PB	1.856.085	3.490.541	1.180.307	422.954	503.401
7.	ECONOMIC RATE OF RETURN ^(5/4 x 100)	$RRE = \frac{PB}{AT} \cdot 100$	12,65	18,11	5,43	1,87	2,17

Source: www.mfinante.ro,
www.doingbusiness.ro

The evolution of the two main components of the economic rate of return, namely the gross profit and the total asset are as follows:



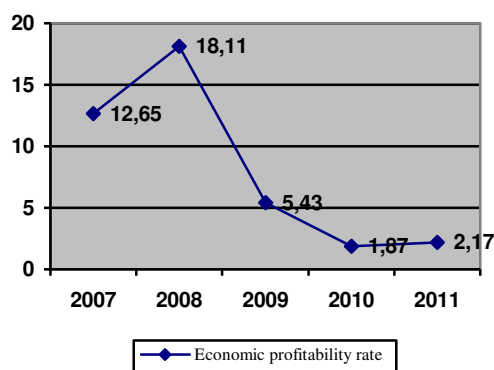
Graph no.1

The evolution of the gross profit and total asset of
S.C. DELTA ALUMINIU S.R.L.
during 2007-2011

Source: own contribution

It can be seen that the two elements, in the first two years, have increased in a similar way while in the next three years these indicators have totally opposite trajectories, the total asset having an increasing trend until 2011, while gross profit decreased in that period.

Based on the processed data in the table above, the economic rate of return evolution by reflecting the efficiency of the total asset in 2007-2011 is as follows:



Graph no.2

The economic rate of return evolution at
S.C. DELTA ALUMINIU S.R.L.
during 2007-2011

Source: own contribution

From the above figure we can notice that the rate of return recorded the highest value in 2008, in the following two years decreasing up to 1,87% and in 2011 recording a small increase.

The evolution and the level of the economic rate of return calculated by the ratio between gross profit and total asset indicates the efficiency with which the total assets were used during a financial year. The low values of the economic rate of return on the last three years highlight the idea that the company submitted to the analysis did not use efficiently its assets. The main causes leading to the lower economic rate of return of S.C. DELTA ALUMINIU S.R.L. were: the decrease in the operating assets turnover, the increase in the length and ongoing investment costs, the drastically decrease in the gross profit, etc.

For a detailed analysis of the economic rate of return we use the factorial diagnosis analysis for the years 2011 and 2010.

Starting from the model $Re = \frac{Pb}{At} \cdot 100$ the

factorial explanation of the economic rate of return is as follows:

I. The deviation of the economic rate of return:

$$\begin{aligned} \Delta Re &= Re_1 - Re_0 = \left(\frac{Pb_1}{At_1} - \frac{Pb_0}{At_0} \right) \cdot 100 = \\ &= \left(\frac{503.401}{23.231.790} - \frac{422.954}{22.673.382} \right) \cdot 100 = \quad (8) \\ &= 2,17 - 1,87 = +0,3\% \end{aligned}$$

II. The measurement of the factor's influence:

1. The influence of the total asset:

$$\begin{aligned} \Delta Re_{At} &= \left(\frac{Pb_0}{At_1} - \frac{Pb_0}{At_0} \right) \cdot 100 = \\ &= \left(\frac{422.954}{23.231.790} - \frac{422.954}{22.673.382} \right) \cdot 100 = \quad (9) \\ &= 1,82 - 1,87 = -0,05\% \end{aligned}$$

2. The influence of the gross profit :

$$\begin{aligned} \Delta Re_{Pb} &= \left(\frac{Pb_1}{At_1} - \frac{Pb_0}{At_1} \right) \cdot 100 = \\ &= \left(\frac{503.401}{23.231.790} - \frac{422.954}{23.231.790} \right) \cdot 100 = \quad (10) \\ &= 2,17 - 1,82 = +0,35\% \end{aligned}$$

III. To verify we use the relation:

$$\Delta Re = \Delta Re_{At} + \Delta Re_{Pb} \quad (11)$$

Starting from the model

$$RRE = \frac{PB}{AT} \cdot 100 = \left(\frac{PB}{CA} \cdot \frac{CA}{AT} \right) \cdot 100 \quad \text{the factorial}$$

explanation of the economic rate of return is:

I. The deviation of the economic rate of return:

$$\begin{aligned} \Delta RRE &= \left[\left(\frac{PB_{2011}}{CA_{2011}} \cdot \frac{CA_{2011}}{AT_{2011}} \right) - \left(\frac{PB_{2010}}{CA_{2010}} \cdot \frac{CA_{2010}}{AT_{2010}} \right) \right] \cdot 100 = \\ &= \left[\left(\frac{503.401}{35.370.409} \cdot \frac{35.370.409}{23.231.790} \right) - \left(\frac{422.954}{30.694.560} \cdot \frac{30.694.560}{22.673.382} \right) \right] \cdot 100 = \quad (12) \\ &= (0,021669 - 0,018654) \cdot 100 = +0,30\% \end{aligned}$$

II. The influence of the elements:

1. The influence of the gross profit at 1 leu turnover:

$$\begin{aligned} \Delta RRE_{\frac{PB}{CA}} &= \left[\left(\frac{PB_{2011}}{CA_{2011}} - \frac{PB_{2010}}{CA_{2010}} \right) \cdot \frac{CA_{2010}}{AT_{2010}} \right] \cdot 100 = \\ &= \left[\left(\frac{503.401}{35.370.409} - \frac{422.954}{30.694.560} \right) \cdot \frac{30.694.560}{22.673.382} \right] \cdot 100 = \quad (13) \\ &= (0,000453 \cdot 1,353771) \cdot 100 = +0,06\% \end{aligned}$$

2.The influence of the turnover at 1 leu total asset:

$$\Delta_{\frac{RRE}{CA}}^{\frac{RRE}{AT}} = \left[\frac{PB_{2011}}{CA_{2011}} \cdot \left(\frac{CA_{2011}}{AT_{2011}} - \frac{CA_{2010}}{AT_{2010}} \right) \right] \cdot 100 =$$

$$= \left[\frac{503.401}{35.370.409} \cdot \left(\frac{35.370.409}{23.231.790} - \frac{30.694.560}{22.673.382} \right) \right] \cdot 100 = (14)$$

$$= (0,014232 - 0,16873) \cdot 100 = +0,24\%$$

III.To verify we use the relation:

$$\Delta RRE = \Delta_{\frac{RRE}{PB}}^{\frac{RRE}{CA}} + \Delta_{\frac{RRE}{CA}}^{\frac{RRE}{AT}} \quad (15)$$

In order to highlight the fixed and current assets efficiency we use the following analysis model:

$$RRE = \frac{PB}{AT} \cdot 100 = \frac{PB}{Ai + Ac} \cdot 100 = \frac{\frac{PB}{CA}}{\frac{CA}{Ai} + \frac{CA}{Ac}} \cdot 100 \quad (16)$$

I.The deviation of the economic rate of return:

$$\Delta RRE = \left(\frac{\frac{PB_{2011}}{CA_{2011}}}{\frac{1}{CA_{2011}} + \frac{1}{CA_{2011}}} - \frac{\frac{PB_{2010}}{CA_{2010}}}{\frac{1}{CA_{2010}} + \frac{1}{CA_{2010}}} \right) \cdot 100 =$$

$$= \left(\frac{\frac{503.401}{35.370.409}}{\frac{1}{35.370.409} + \frac{1}{35.370.409}} - \frac{\frac{422.954}{30.694.560}}{\frac{1}{30.694.560} + \frac{1}{30.694.560}} \right) \cdot 100 =$$

$$= \left(\frac{0,014232}{\frac{1}{3.432.453} + \frac{1}{2.736.147}} - \frac{0,013779}{\frac{1}{2.750.769} + \frac{1}{2.665.652}} \right) \cdot 100 =$$

$$= (0,021668 - 0,018654) \cdot 100 = +0,30\% \quad (17)$$

II. The influence of the components:

1.The influence of the total asset efficiency:

$$\Delta_{\frac{RRE}{AT}}^{\frac{RRE}{CA}} = \left(\frac{\frac{PB_{2010}}{CA_{2010}}}{\frac{1}{CA_{2011}} - \frac{CA_{2010}}{AT_{2010}}} - \frac{\frac{422.954}{30.694.560}}{\frac{1}{35.370.409} - \frac{30.694.560}{23.231.790}} \right) \cdot 100 = (18)$$

$$= \left(\frac{0,013779}{\frac{1}{1.5225} - 1,353771} \right) \cdot 100 = +0,23\%$$

1.1.The influence of the usage of fixed assets efficiency :

$$\Delta_{\frac{RRE}{Ai}}^{\frac{RRE}{CA}} = \left(\frac{\frac{PB_{2010}}{CA_{2010}}}{\frac{1}{CA_{2011}} + \frac{1}{CA_{2010}}} - \frac{\frac{PB_{2010}}{CA_{2010}}}{\frac{1}{CA_{2010}} + \frac{1}{CA_{2010}}} \right) \cdot 100 =$$

$$= \left(\frac{\frac{422.954}{30.694.560}}{\frac{1}{35.370.409} + \frac{1}{30.694.560}} - \frac{\frac{422.954}{30.694.560}}{\frac{1}{30.694.560} + \frac{1}{30.694.560}} \right) \cdot 100 =$$

$$= \left(\frac{0,013779}{\frac{1}{3.432.453} + \frac{1}{2.665.652}} - \frac{0,013779}{\frac{1}{2.750.769} + \frac{1}{2.665.652}} \right) \cdot 100 =$$

$$= \left(\frac{0,013779}{0,66648} - \frac{0,013779}{0,738678} \right) \cdot 100 = 0,20\% \quad (19)$$

1.2.The influence of the efficiency or the return of the usage of current assets:

$$\Delta_{\frac{RRE}{Ac}}^{\frac{RRE}{CA}} = \left(\frac{\frac{PB_{2010}}{CA_{2010}}}{\frac{1}{CA_{2011}} + \frac{1}{CA_{2010}}} - \frac{\frac{PB_{2010}}{CA_{2010}}}{\frac{1}{CA_{2010}} + \frac{1}{CA_{2010}}} \right) \cdot 100 =$$

$$= \left(\frac{\frac{422.954}{30.694.560}}{\frac{1}{35.370.409} + \frac{1}{35.370.409}} - \frac{\frac{422.954}{30.694.560}}{\frac{1}{30.694.560} + \frac{1}{30.694.560}} \right) \cdot 100 =$$

$$= \left(\frac{0,013779}{\frac{1}{3.432.453} + \frac{1}{2.736.147}} - \frac{0,013779}{\frac{1}{3.432.453} + \frac{1}{2.665.652}} \right) \cdot 100 =$$

$$= \left(\frac{0,013779}{0,291337 + 0,365477} - \frac{0,013779}{0,291337 + 0,375143} \right) \cdot 100 =$$

$$= \left(\frac{0,013779}{0,656814} - \frac{0,013779}{0,66648} \right) \cdot 100 = -0,03\%$$

2.The influence of gross profit a 1 leu turnover, namely the commercial rate of return:

$$\Delta_{\frac{RRE}{PB}}^{\frac{RRE}{CA}} = \left(\frac{\frac{PB_{2011}}{CA_{2011}}}{\frac{1}{CA_{2011}} + \frac{1}{CA_{2011}}} - \frac{\frac{PB_{2010}}{CA_{2010}}}{\frac{1}{CA_{2010}} + \frac{1}{CA_{2010}}} \right) \cdot 100 = \left(\frac{\frac{503.401}{35.370.409}}{\frac{1}{35.370.409} + \frac{1}{35.370.409}} - \frac{\frac{422.954}{30.694.560}}{\frac{1}{30.694.560} + \frac{1}{30.694.560}} \right) \cdot 100 = (21)$$

$$= \left(\frac{0,000453}{0,291337 + 0,365477} \right) \cdot 100 = +0,07\%$$

III.To verify we use the relation:

$$\Delta RRE = \Delta_{\frac{RRE}{AT}}^{\frac{RRE}{CA}} + \Delta_{\frac{RRE}{PB}}^{\frac{RRE}{CA}} \quad (22)$$

4. Conclusions

From the calculations after the first analysis model it is observed that the change in the economic rate of return for the year 2011 compared to that recorded in 2010, meaning its increase by 0.30 lei, was influenced by the following factors as:

- the change in total assets, the increase of its value in 2011 compared to 2010 with 558,408 lei determines the economic rate of return change of -0.05%;
- the change in gross profit in 2011 compared to 2010 with 80,447 lei causes a positive change in the economic rate of return of 0.35%.

Given the second analysis model, from the calculations it can be observed that the economic rate of return increased by 0.3% in 2011 compared to the one recorded in 2010. This change was influenced by the following factors as:

- the variation of gross profit at 1 lei turnover meaning its increase of 0.05% in 2011 compared to 2010 changed the economic rate of return by 0.06%;
- the change in turnover at 1 lei total asset in 2011 compared to 2010 with 16.87% caused a positive change in the economic return rate of 0.24%.

The third model analysis reveals two main factors of influence, namely: total asset efficiency and the commercial rate of return and two secondary factors influencing the total asset efficiency: the efficiency of using the fixed assets and the return of using current assets. Explaining the transmission mechanism of action of these factors on the economic rate of return is the following:

- the change in the efficiency of the total assets determined a change in the economic rate of return of 0.23%;
- the change in the gross profit at 1 lei turnover caused a positive change in the economic rate of return of 0.07%.

The increase in the economic rate of return can be done either by increasing the asset rotation or by increasing the commercial margin: [4]

a) the increase in operating assets turnover assumes:

- the optimisation of the assets structure;
- the increase of the share of fixed assets;
- the increase of the share of active fixed

assets;

- the reduction in time and costs of the investments in progress;
- the reduction in the stocks of current assets and of the duration in days of one rotation;
- the increase in turnover.

b) the increase in the commercial margin rate can be achieved by:

- the modification of the sold production structure by increasing the share of the products with a higher trade profitability;
- the increase in the delivery price as a consequence of the improvement in the products' quality;
- the reduction in the supply, operating and marketing costs;
- the increase in the physical volume of production which will reduce the unitary costs due to the influence of fixed costs;

The increase in the economic rate of return can be obtained in the following conditions: [4]

- $I_{Af} > I_{Ai}$ - the improvement of the assets structure through the increase of the share of fixed assets, mainly of the active ones;
- $I_{CA} > I_{Af}$ - the change in turnover should take place before the change in fixed assets, meaning that an increase in the turnover obtained at a unit value of fixed assets;
- $I_{St} < I_{Ac}$ - the improvement in the current assets structure in correlation with the increase in the production capacity utilization;
- $I_{CA} > I_{St}$ - accelerating the stocks turnover meaning increasing turnover at a unit value of stocks;
- $I_{RE} > I_{CA}$ - increasing the share of the operating result in turnover.

The literature states that a company must record a rate of economic return, when calculated according to the gross operating result and total assets, with a value of 25%. This value is valid if the company wants to secure a renewal of its total assets in a short period in the same time with an adequate payment of its investors.

The economic rate of return value is very useful in external tests as it allows comparisons between companies that operate in the same sector, regardless of their size or ownership. From this point of view, the economic rate of return measures the ability

of the economic capital to ensure its renewal and payment as a production factor, renewal that should be carried out in a medium time horizon.

The economic rate of return size plays a decisive role in determining the financing method on the short and long term. All capital invested in the business has to be paid but, unlike equity (paid depending on the profit obtained), the borrowed capital must be paid regardless of the results of the company. A company receiving capital borrowed (mainly from bank loans) will bear higher financial expenses that will reduce the possibilities of self-financing. To ensure the coverage of financing needs, it will have to resort to obtaining new loans. In these circumstances it is necessary to use the profitability criterion: if the economic rate of return is higher than the interest rates, it is possible and desirable to resort to credits. In fact, by comparing the economic rate of return with the cost of debt (interest rate) it appears the effect of debt.[8]

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The Influence of the Inflationary Phenomenon on the Financial Reporting of an Entity

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Abstract

In today's business context, there is a need for understanding the economic imbalances which can affect the life of an entity. Also, we must emphasize the consequences of these imbalances in the life and the financial reporting of the entities, because the information reported by the accounting may undergo major changes.

The inflation is one of the most controversial and complex phenomena in economics, which raises numerous definitions, interpretations and attempts to counter measurement and its effects on the enterprises. This paper attempts to present the effects of the inflationary phenomena on the financial position and performance of an entity, on its monetary accounts and on the financial management and diagnosis, especially on enterprise's self-financing capacity.

Keywords: inflation, hyperinflationary economy, financial reporting, regulations.

JEL Classification: E31, M41, M48

1. Introduction

Defined by the famous Romanian economist Costin Kirițescu as a monetary mass exceeding the cash in the economy, which is weakening the purchasing power of money, the inflation is a phenomenon of structural unbalance of the economic, monetary and financial mechanism, reflecting the existence of a movement of the money exceeding economic needs. There is no miracle solution to the financial problems of a government; if there is a need for money, it can be procured by taxing its citizens (or, in exceptional cases, borrowing it from

people who have money). But many governments are satisfied that there is an easier method to procure the needed money simply by printing them. The ease with which today's world economists discuss inflation and its consequences should emphasize, once again, the importance of accounting and the plethora of information that it can offer, either as information or as a solution. The world today (still) needs "science of accounts".

The Governments may consider that inflation - as a means of fundraising - is preferable to levy the tax, which is often unpopular and difficult. Not once, in many large and rich countries, legislators discussed months in a row, seeking optimal sampling duties as necessary to cover increased costs required by the functioning of the economy. Finally, exhausting the various methods of collecting the tax amounts, they concluded that the best solution remains perhaps inflation [1].

But the accounting raises the problem of the influence of this mechanism on the data reported in the financial statements and on the calculation of some specific indicators and ratios.

2. The criticism of the historical cost accounting. The influence of inflation on the financial position and performance

The most significant and persistent complaint about the financial statements over the years has been that they do not recognize all the economic facts that affect the enterprises. Inflation is a reality throughout the world, yet its effects go unrecognized in the financial statements prepared according to the generally accepted accounting principles. Inflation distorts the financial statements, but especially the reported income.

The historical cost accounting is the recognition of the nominal value of the coin, without regard to the variation of its purchase value. In fact, the historical cost is a way of applying the principle of monetary nominalism. With all its advantages (the historical cost is defined and verifiable, the information provided is accurate, factual, objective and verifiable), applying historical cost however lead to a series deformation in the financial reporting, when the reporting entity works in an inflationary economy.

The International Financial Reporting Standards draw attention to inflation by a specific standard, IAS 29 "Financial Reporting in Hyperinflationary Economies" [2]. If the historical cost distorts the financial information as a result of inflation, in hyperinflationary economies the results can be catastrophic.

We raise the problem of inflation because, according to Eurostat [3], the inflation rate in Romania (5.6% in 2009, 6.1% in 2010, 5.8 in 2011 and 3.4 in 2012) is much higher than the one reported for the European Union (1.0% in 2009, 2.1% in 2010, 3.1% in 2011 and 2.1% in 2012). In this context, the Romanian companies must be companies should be aware of the consequences on the reported information.

Thus, regarding the financial position reflected in the Balance sheet, one can notice:

- The underassessment of the long-term assets;
- The underassessment of the inventories, less obvious due to their rotation, but, for safety inventories, one can see clear strains;
- Holding monetary assets (receivables - customers, bank accounts, cash on hand, notes receivable, etc.) generates a loss of purchasing power, inflation generally involving transfers of value from debtors to creditors and vice versa. It is common practice under conditions of inflation to charge high interest rates or index the interest or principal of loans to a price index so as to build a protection against inflation into the terms governing the loans. The claim is that the 'standard accounting' in such situations gives an incorrect picture of the true incomes and expenditures, because the inflation protection component (of the asset) is shown as increasing the creditor's and

reducing the debtor's incomes, while the inflation protection component in reality is compensating for the creditor's real capital losses.

Regarding the financial performance reflected in the income statement, there can be misstatements regarding:

- The underassessment of material costs;
- The underassessment of the depreciation;
- The overvaluation of the financial expenses;
- An increase in income tax due to the overvaluation results, in turn determined based on understated expenses.

The reinvestment function of the depreciation is impaired because inflation results in increased cost of the investment in property and an undervalued depreciation drives undervalued investment financing sources. Also, in an inflationary economy, the income may be understated because it does not take into account the earnings of the company by repaying debt at nominal value not-indexed.

It would seem that, in the income statement, the undervaluation of costs would offset the understatement of the revenues and thus the result corresponding to the historical costs is the real result and conventional accounts reflect reality. This view is erroneous and only by chance could reach such a situation, since the impact of both influences varies according to the situation of the enterprise: in each case the result can be undervalued or overvalued relative to actual income. Application of historical cost in an inflationary environment generates a distorted and, in general, an overestimation of actual profit (or economic profit) of the company and hence an artificial increase in the tax base [4].

Thus, referring to the influence of the inflation on the financial position, we can conclude the following:

- The use of historical cost determines an undervaluation of the financial position at the end of the financial year;
- The Income Statement does not ensure actual performance of the entity, as the financial result is overstated by failing to account price fluctuations;
- The maximization of the performance implies minimizing the costs, therefore, the payment of fictitious dividends and

- decapitalisation of the entities;
- The changes in the financial position and performance affects the decision making process of the stakeholders and the comparability of financial information, as a qualitative characteristic.

All these reasons lead to the belief that it would be required for the companies to provide additional information on accounting data adjusted for inflation, but not by replacing the historical cost accounting [5].

3. Consequences on the monetary accounts of the enterprise

In financial conditions, the inflationary economy changes the firm's treasury management.

To cope with the increasing needs for cash (the price increase leads to an increase of the mass of currency), companies are tempted to keep on hand large amounts of cash, leading to serious losses from holding monetary assets because cash loses its purchasing power.

To this is added pressure on the treasury for payment of taxes and overestimated fictitious dividends. In such a situation, the enterprises pay their taxes and dividends by reducing social substance of wealth, i.e. the capital account, resulting the decapitalisation of the company [6].

An inflation rate does not stimulate investment process of the companies and reduce the overall investment in the economy. It is believed that during inflation periods, the hedge operations tend to be preferred, i.e. the acquisition of an existing enterprise instead of creating a new one. The information provided by conventional accounting, in terms of inflation, also has consequences on the capital markets, most of the decisions of investors, bankers and financial firms are often made based on accounting information provided by the financial statements (balance sheet, income statement, notes). But the distortions created by historical cost accounting in relation to the economic reality of inflation, may create shocks in the functioning of financial markets and influence their role in resource allocation. Normally such a situation can be tempered by applying corrective fiscal mechanisms [7]:

- The revaluation of the physical long term

assets;

- Reduced taxation of the property which generates positive differences;
- Provisions related to the increases of the prices;
- The use of different depreciation methods;
- The practice of different useful lives for long term assets, related to their economic usage.

Excluding revaluations and depreciation methods accepted, but deductible only in the straight-line usage, the Romanian accounting environment, justified or not, remained opaque to other solutions.

4. Consequences on the financial management

For the stakeholders of an economic entity, the financial reporting represents the basis for financial analysis, which further becomes the starting point of the entity's diagnosis.

The financial diagnosis of enterprise aims firm profitability measurement and assessment of financial stability, both being conditions to assess the economic and financial state of a company. The measurement of these targets is given by a rate, determined as the ratio of effective economic and financial impact achievements and the efforts to achieve them. The importance of these rates is that it allows a systematic analysis of management at some point in its evolution over a period of several successive exercises, including adequate information on the causes and effects of changes. Financial comparisons between companies would be difficult to achieve without the help of these rates, making the mention that several installments are to be calculated in different time periods, with the opportunity to make a parallel in time [8].

The existence of inflationary phenomenon makes the self-financing capacity (CAF) impossible to express the reality of the enterprise, because it is based on a heightened income. Given the financial potential of self-financing capacity to reflect the profitable activity, intended to finance investment policy and to remunerate shareholders by paying dividends, the inflation annuls this capacity. As an addition to the increased income, the self-financing

capacity is also affected by the depreciation expenses that are generally undervalued and by the revenues calculated in reversals for provisions, although the initial expenses was recorded at an amount more or less current; at the same time, it depends on the depreciation policy adopted by the firm.

A miscalculated self-financing capacity can affect the entity in two ways:

- It contributes to the financing of operations (inventory and receivables), whose nominal amount is directly linked to the rise in prices;
- It affects the capacity of repayment of the debts that are not indexed.

When the inflation increases, the performance of the entities, expressed by EBIT, operational profit or net income are overstated, while the amounts of economic assets and total assets are undervalued, which increase the economic return ratios, not based on objective reality. Normally, the economic return ratio must exceed the rate of inflation; otherwise, the return would not allow the recovery of the enterprise's effort.

Because the effects of inflation act in different directions, they only affect the economic life of entities by increasing instability and through economic agencies' febrile searches, in order to mitigate its negative effects or to evade them. From these searches, some anti-inflationary measures of great complexity were born, which can be divided into two main groups:

- Defense or economic protection of the entities/population against rising prices and declining purchasing power of money;
- Mitigation and control of the inflation.

From the first group of measures, the most important by its size is indexing. This represents an increase in percentage or in absolute amounts of the entities or population's revenues, particularly salaries and pensions, monthly, quarterly or half-yearly, to cover part or all of rising prices and declining purchasing power of money due to inflation. The second group comprises measures that contribute to restoring economic balance deteriorated by inflation (the increase of the interest rate of the banks, the increase of the mandatory reserves of the banks, the limitation of the loans, etc.).

5. Conclusions

No Romanian regulations have remained immune to the inflationary phenomenon. Although inflation in Romania is decreasing, accounting rules are „cautious” and follow some specific inflation phenomenon elements.

The MPF Order no. 3055/2009 for the approval of the Accounting Regulations in accordance with the European Directives, with subsequent amendments [9], contains elements which allow the treatment of inflationary phenomenon. Among these, we mention: the use of impairments for balance sheet items; the values of the impairments include all adjustments to take account of all the reductions values set at the balance sheet date whether that reduction is final or not; the permanent impairments will be treated as depreciation; the revaluation of tangible assets and financial instruments will be made at fair value at the balance sheet date; for financial assets, the impairments must be recorded in the income statement and presented separately in the notes, the difference between the fair value and the historical cost value resulting from revaluation must be submitted to the revaluation reserve as a distinct sub-element in the “Capital and reserves” section of the Balance sheet; these reserves cannot be distributed; the differences having the nature of revenues or expenses resulting from revaluation shall be presented separately in the income statement, and the reasons that caused the differences will be disclosed in the notes, together with an assessment of the effect on assets, financial position, profit or loss.

The inflation affects the economy, entities' activity, population, and accounts by distorting reported financial information. In these circumstances, entities, in order to make the right decisions and to resist inflationary impact, must guarantee the reliability of information provided by financial statements. Accounting becomes a decisive activity, having the role to provide users with reliable and relevant information that would allow timely decisions. To this end, regulations and international practice should resort to inflation accounting. In addition, a closer look on this phenomenon provides information on its influence on the

residual interest of the business shareholders, namely the equity. As shown, the inflation rate in Romania started decreasing from 2012, but the price was an increase in volume and percentage of taxes. The future will tell us if the inflation is, eventually, a solution for the shortage in cash, and the companies develop new methods of adapting their financial reports to the effects of inflation.

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Fair Value Measurement Of Financial Instruments in Accounting Banking System

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Abstract

Financial instruments in any banking activity are obvious necessary and represented anytime an efficient way to control risks. Nowadays, attention is focused on fair value measurement lightened by IFRS 13. This paper is one of the first part of a more large project aimed we explain the mechanism of such a derivatives use to the hedging of price risks in banking field. The special purpose and research question is to discover the level of assimilation of good practices in this field in Romania. Our study will be empirical based on financial reporting. The qualitative approach follows the critical research method. The core paper is about the fair value measurement used in banking system and try surprising prudence and flexibility. The findings are valuable by reliving critical aspects and risks and are quite interesting for professional groups such as banking managers, accountants and also for students or trainees.

Key words: fair value, measurement, financial instruments, derivatives, hedging, banking

J.E.L Classification: G21, G23

1. Introduction

This paper is an initial study of the conditions and the parameters of fair value measurement in IFRS 13 light in the banking environment. The present study is useful as the starting point for a larger project to analyze the effects of applying IFRS in the banking system in Romania. Meanwhile, this

interim study may be useful to students and practitioners in the banking environment in finance-banks. The novelties bring by applying IFRS is not negligible because from 2012 the Romanian banking system applies IFRS accounting standards as a basis consistent system of accounting and financial reporting single framework [1].

2. Background, approaches and techniques for measuring the fair value of financial instruments

In the last years so many authors were interested by the factors causing financial crisis. Financial crisis in the United States have progressed in three stages: initiation, banking crisis and debt deflation [2]. On this evolution, the financial instruments were pervasive. Hence, is justifying paying more attention to measurement their value because their prices are volatile and potentially risky. There is a large number and a diverse typology in financial instruments. We can easy identifying their defining elements as generated subject of accounting: assets, liabilities and own-equity instruments [3]. There are many considerations and arguments to fair value valuation of financial instruments [4]. But, first of all, we need to understand the fair value in light of IFRS 13. Fair value is a market-based measurement, not an entity-specific measurement. Almost all banks use fair value measurements and will therefore be subject to the new requirements of IFRS 2013. Some changes may be required (for example, bid/ask spread and inclusion of own credit risk) to those fair value measurements today, which will largely affect financial institutions and

investment entities. However, there are enhanced disclosure requirements that will be required by all entities for annual periods beginning on or after 1 January 2013 [5]. On banking system, for assets and liabilities, *observable market transactions or market information* might be available. For other assets and liabilities, observable market transactions and market information might not be available [6]. Anyway, the objective of a fair value measurement in both cases is the same: to estimate the price at which an *orderly transaction* to sell the asset or to transfer the liability would take place between *market participants* at the measurement date under current market conditions. Is about an *exit price* at the measurement date from the perspective of a market participant that holds the asset or owes the liability.

One of specific issues in fair value measurement of financial instruments is the market price defined as the price that would be received to sell an asset or paid to transfer a liability.

So, when a price for an identical asset or liability is not *observable*, an entity measures fair value using another valuation technique that maximize the use of relevant *observable inputs* and minimize the use of *unobservable inputs*. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value. We are focused on assets and liabilities because they are a primary subject of accounting measurement. They are secondly defining elements of financial instruments. In addition, the new IFRS 13 is applied to an entity's own equity instruments measured at fair value. A fair value measurement is always for a particular asset or liability, not for a portfolio or group. Therefore, when measuring fair value an entity shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Characteristics may include condition and location of the asset

and restrictions, if any, on the sale or use of the asset.

In this context, we need to define some specific terms used in this field and find the judgment to use them in practice:

- *Inputs* are the assumptions that market participants would use when pricing the asset or liability, including assumptions about risks, such as the risk inherent in a particular valuation technique (a pricing model). Inputs are observable and non-observable.
- *Observable Inputs* are developed using market data, such as publicly available information about actual event or transactions.
- *Orderly Transaction* -A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either: in the *principal market* for the asset or liability, or, in the absence of a principal market, in the *most advantageous market* for asset or liability.
- *Market participants*- An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their *economic best interest*.

Valuation techniques are the core of fair value measurement. About valuation techniques we note that an entity shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Valuation techniques used to measure fair value shall be applied consistently [7]. Any change in a valuation technique or its application is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances (such as new markets develop; new information becomes available; information previously used is no longer available). But what is important about inputs to valuation techniques? There are some general principles for inputs used in valuation techniques. One of them is

valuation techniques used to measure fair value shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Markets in which inputs might be observable for some assets and liabilities in financial instruments field, include exchange markets, dealer markets, brokered markets and principal-to-principal markets. An entity shall select inputs that are consistent with the characteristics of the asset or liability that market participants would take into account in a transaction for the asset or liability. In some cases those characteristics result in the application of an adjustment, such as a premium or discount. A fair value measurement shall not incorporate a premium or discount that is non-consistent with the unit of account in the IFRS that requires or permits the fair value measurement. Discounts reflect size as a characteristic of a blockage factor that adjusts the quoted price of an asset or a liability because the market's normal daily trading volume is not sufficient to absorb the quantity held by the entity. In all cases, if there is a quoted price in an active market, which is considered a *Level 1 input* for an asset or a liability, an entity shall use that price without adjustment when measuring fair value.

But again, what is important about inputs based on bid and ask prices? In the case of an asset or a liability measured at fair value has a bid price and an ask price, such as an input from a dealer market, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy in *Level 1, 2 or 3*. The use of bid prices for asset positions and ask prices for liability positions is permitted, but is not required.

3. Hierarchy references in technical evaluation of financial instruments used by banks

Fair value hierarchy represents one of the most important challenges for banking system in financial instruments measurement.

A simulation practical case to use different levels inputs to valuation techniques, based on IFRS 13 paragraphs 81-

85, 86-90 [8] is presented below. A Level 2, 3 inputs might be used in swap transaction, a specific financial instrument in banking used for hedging cash-flows by a swap rate interest contract [9].

Level 1 inputs is represented by markets in which inputs might be observable for some assets and liabilities generated by financial instruments, include follows:

- exchange markets;
- dealer markets;
- brokered markets, and
- principal to principal markets.

In an exchange market, closing prices are both readily available and generally representative of fair value. An example of such a market is the London Stock Exchange. In a dealer market, dealers stand ready to trade (either buy or sell for their own account), thereby providing liquidity by using their capital to hold an inventory items for which they make a market. Typically, bid and ask prices are more readily available than closing prices. Over-the-counter markets (for which prices are publicly reported) are dealer markets. Dealer markets also exist for some other assets and liabilities, including some financial instruments, commodities and physical assets. In a brokered market, brokers attempt to match buyers with sellers but do not stand ready to trade for their own account. In other words, brokers do not use their own capital to hold an inventory of the items for which they make a market. The broker knows the prices bid and asked by the respective parties, but each party is typically unaware of another party's price requirements. Prices of completed transactions are sometimes available. Brokered markets include electronic communication networks, in which buy and sell orders are matched, and commercial and residential real estate markets. In a principal-to-principal market, transactions, both originations and re-sales, are negotiated independently with no intermediary. Little information about those transactions may be made available publicly.

Level 2 inputs for particular banking assets and liabilities might includes follows:

- receive-fixed, pay-variable interest rate swap based on the *London Interbank Offered Rate (LIBOR)* swap rate;

- receive-fixed pay-variable interest rate swap based on yield curve denominated in a foreign currency;
- receive-fixed pay-variable interest rate swap based on a specific bank's prime rate;
- three-year option on exchange-traded shares;
- licensing arrangement.
- cash-generating unit and others.

A Level 2 input would be the *London Interbank Offered Rate* LIBOR swap rate if that rate is observable at commonly quoted intervals for substantially the full term of the swap. A Level 2 input would be the swap rate based on a yield curve denominated in a foreign currency that is observable at commonly quoted intervals for substantially the full term of the swap. That would be the case if the term of the swap is 10 years and that rate is observable at commonly quoted intervals for 9 years, provided that any reasonable extrapolation of the yield curve for year 10 would not be significant to the fair value measurement of the swap in its entirety. A Level 2 input would be the bank's prime rate derived through extrapolation if the extrapolated values are corroborated by observable market data, for example, by correlation with an interest rate that is observable over substantially the full term of the swap. A Level 2 input would be the implied volatility for the shares derived through extrapolation to year 3 if both of the following conditions exist: prices for one-year and two-year options on the shares are observable and the extrapolated implied volatility of a three-year option is corroborated by observable market data for substantially the full term of the option. For a licensing arrangement that is acquired in a business combination and was recently negotiated with an unrelated party by the acquired entity (the party to the licensing arrangement), a Level 2 input would be the royalty rate in the contract with the unrelated party at inception of the arrangement. In case of cash-generating unit, a Level 2 input would be a valuation multiple of earnings or revenue or a similar performance measure derived from observable market data, such as prices in observed transactions involving comparable businesses, taking into account operational, market, financial and non-financial factors.

Level 3 inputs for particular banking assets and liabilities might include follows:

- long-dated currency swap;
- interest rate swap and others.

A Level 3 input would be an interest rate in a specified currency that is not observable and cannot be corroborated by observable market data at commonly quoted intervals or otherwise for substantially the full term of the currency swap. The interest rates in a currency swap are the swap rates calculated from the respective countries' yield curves. A Level 3 input would be an adjustment to a mid-market consensus (non-binding) price for the swap developed using data that are not directly observable and cannot otherwise be corroborated by observable market data.

Like a general conclusion of above simulation is that to increase consistency and comparability in fair value measurements and related disclosures, IFRS 13 establishes a fair value hierarchy. This hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities at first level 1 inputs and the lowest priority to unobservable inputs at third level inputs. In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement [9]. For an adequate assessing the significance of a particular input to the entire measurement is required strong judgment, taking into account factors specific to the asset or liability.

4. Conclusions

Fair value measurements are categorized into a three level hierarchy based on the type of inputs to the valuation techniques used but each fair value measurement is categorized based on the lowest level input that is significant to it. Level 1 inputs are quoted prices in active markets for items identical to the asset or liability being measured. If there is a quoted price in an active market, an entity uses that price without adjustment when measuring fair value. Level 2 inputs are other observable inputs. Level 3 inputs are unobservable inputs, but that nevertheless must be developed to reflect the assumptions

that market participants would use when determining an appropriate price for the asset or liability.

The first conclusion question is: Who is affected by the valuation techniques for fair value measurements? The answer is simple: Almost banks use fair value measurements and fair value hierarchy. The second conclusion question is: What do affected entities need

to do? Banks managers and preparers financial statements for disclosure would begin by evaluating the nature and extent of the fair value measurements that they are currently required to make under IFRS. Management will need to determine which of the measurement techniques used will have to change as a result and what additional disclosures will be necessary.

General conclusion is need to know the complexity of financial instruments, their advantages and potential risks and implement a good practice in applying the IFRS requirements regarding fair value measurement.

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IFRS 13

Strengthening the Romanian Law Tax Harmonizing Union European Rules

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Abstract

This paper tries to scrutinise the situation in South East Europe by focusing on two major sources of economic plight in the region and on prospects for economic regeneration. The wars in the region caused enormous pain and suffering, and involved the deaths of a large number of people; there has also been enormous material destruction. In the aftermath of the last major conflict the state of affairs in the Balkans is no less unclear; major uncertainties about future dynamics persist, the political map of the region is still fuzzy and reform policies continue to face major hindrances.

Keywords: consolidation, fiscality, sustainable, policy and strategic economic

J.E.L. Classification: G38

1. Introduction

Another origin of economic failures is tied to the difficulties of transforming command systems. Economic dynamics in most post-communist countries have disproved the high hopes of the early 90's. Post-communist transformation has proved to be a much more complex and complicated process of institutional change than some had thought it would be [1]. At the same time, the magnitude of the required resource reallocation (strain) and the friction caused by regime change (disorganisation) made restructuring a very painful and protracted process; the scope of the latter can be linked with the legacy of communism and, here, one can point out the importance of history, geography and culture. Clearly, much of South East Europe was badly placed in this respect and bad path dependencies were put into motion, or reinforced, during the last

decade. Strain and disorganisation, as well as very weak institutions explain much about reform failures during transition, and frequently have pushed into irrelevance allegedly correct choices of policy; these factors have significantly reduced the room for manoeuvre of policy-makers [2].

2. The Romanian law tax harmonizing Union European rules

Harmonization Community law requires the adoption of normative acts to secure the essential requirements imposed by the European Union, namely, fiscal consolidation. Fiscal consolidation (fiscal consolidation) represents a situation where persistent fiscal deficits governments decide to reduce their budgetary positions acceptable level, usually by handling expenses.

Fiscal consolidation includes the reduction of budget deficits of governments and establish regulations to limit future budget deficits.

In the years when governments faced with large budget deficits and high debt due loans made had negative effects on private investment, reduced public spending on health, education and infrastructure despite interest payments on loans and industry has become ineffective.

When globalization are few chances given domestic fiscal and monetary policy to stabilize the economies of each country [3]. Only policies at supranational, regional or coordinate the different groups of countries may have sufficient weight to influence the global cycle.

Euro area is an example that regional monetary policy can counteract or media influence the global economy.

Romania's economic compatibility with OECD criteria is six major directions [1]:

- Financial Stability;

- Raising the standard of living ;
- Control unemployment;
- Development of market economy institutions ;
- Opening outwards ;
- Political stability in a pluralist.

The convergence criteria for EU structures that Romania needs to perform on behalf of the Government decision reached by the Member States relating to [13]: 3% of GDP budget deficit, public debt 60 % of GDP , the average inflation rate over a period of one year does not exceed by more than 1.5 percent average of the three best performing Member States, long-term interest rate does not exceed by more than two percent average of the three best performing EU Member States, exchange rates to fluctuate within the normal range for the last two years, plus the obligatory low unemployment, labor productivity and GDP per capita higher. Fiscal policy in the euro area is governed by the Growth and Stability Pact [2]. Originally Maastricht Treaty of 1992 requires prospective members of the eurozone to reduce the budget deficit to 3% of GDP. By agreement called Stability and Growth Pact was decided to hold deficits below 3% indefinitely [3].

Only in exceptional cases derogate from exceeding the limit , but for a limited period and on sanctions (GDP decline of 2% per year is considered a significant fact). Sanctions consist of financial penalties in the form of interest-free deposit of 0.2 - 0.5 % of GDP, and could repay for 2 years if the deficit below 3%, so this was the final penalty (fine)[3] .

So Member States shall regard as fiscal balance even above and below the ceiling of 3% of GDP, the economy being in demand and potential GDP in structural balance. These limitations of fiscal and monetary policy coordination unit avoids misapplication of policies by Member States "If you do not know better do nothing" - Robert Solow - Nobel laureate [3].

It is not without interest to bring up that way due to the impact of inflation and unemployment on the development takes place through banks.

In the euro area, inflation or deflation loops are pursued by the European Central Bank for the whole Euro area as a whole and not on individual countries, the whole area is

designed as a single country. In this way , monetary policy will be a key tool for controlling demand throughout the euro area agreed [4].

In contrast, monetary policy is powerless to correct imbalances if a member country is in recession and another launch. Gaps in a country will limit the effects of another country through tax policies .

Although Stability Treaty requires Member Community to meet the convergence criteria, many of which can not adapt to the requirements and exceed the treaty. Even the French Minister of Finance Nicolas Sarkozy criticized in a paper published in the newspaper " Les Echos " , in November 2005 , fiscal policies practiced by the countries that joined the European Union on the grounds that it gives big business tax cuts and also the recipient State aid. The Minister has proposed to the European Commission to stop providing funding countries where taxes are below average community member. Clarifications were necessary because some countries such as Germany and France, countries with high tax act to implement a unified tax system in the European Union, in order to prevent migration to other Member States of companies with tax breaks [5] .

European Commissioner for Economic and Monetary Jaquin Almunia stated in an interview with the daily "Le Figaro" in January 2005 that do not fit into budget deficits covered by the Stability Pact France, Germany and Italy. "The weakness of our growth is linked to policies aimed at reducing deficits , but structural problems such as aging population" the Commissioner stated in the same interview. Stability and Growth Pact is a program that attempts to limit budget deficits as Convergence Criteria include items for budget deficits , but also inflation. There is, however, used the phrase "European tax" as it can be said that there is the term "European currency" in this way the EU can not use a uniform development policy mix of monetary and fiscal policies, while taxes and Member States budgetary authority and duties is European monetary policy [6].

In the period between 2000 - 2012, Romania has made progress in translating the *acquis communautaire*, at the end of the translated over 70,000 pages of the Official

Journal of the European Communities, 13 000 of which were already reviewed by the European Institute of Romania. And fiscal policy were noted progress in aligning with the *acquis communautaire* will pay more attention to the development and modernization of tax administration and improvement of IT communication [5] .

It also requires further measures *acquis* on taxation of savings income in the form of interest payments, the common system of taxation applicable to interest and royalty payments made between associated companies of different Member States and the Community framework for the taxation harmonization with electricity and energy products .

Harmonized legislation on VAT refers mainly to the inclusion in the national legislation of the transitional arrangements that will apply only in relation to the Member States of the European Union. VIII and XIII Directives laying down the procedure for refund of VAT on purchases made in Romania by foreign taxable persons established in the Member States of the European Union (Directive VIII) and in third countries of the Union. It will remove VAT exemptions are not allowed by the Sixth Directive and will introduce further exemptions provided for by the directive which have not yet been implemented into national law. It will adjust the right to deduct VAT, will introduce special VAT scheme for farmers, for travel agents, second hand goods, works of art, collections or antiques, gold investments, goods sold in consignment and pawn system.

The Luxembourg European Council in December 1997, it was determined that the Accession Partnership Strategy is the key document in the pre -accession countries, thus the uniform background and all forms of financial assistance to candidate countries in the preparation of accession. Copenhagen European Council in 2002 proposed revision of the Accession Partnership, in accordance with the Roadmap and annual reports findings [4].

"Taxation" shall provide fiscal policy [2]:

- harmonization of legislation with the principles of the Code of Conduct for Business Taxation and review provisions potentially harmful;
- an enhanced revenue collection,

improving the statements and audit functions, tax, VAT administration negative, refund VAT, income tax administration , setting up a register of taxpayers, a strategy of tax administration, the Code of Ethics, improvement of human resources management;

- development of IT systems to enable electronic exchange of data with the and Member States;

- administrative reforms will focus on improving revenue collection on reimbursement and fraud prevention VAT refund ;

- Further transposition VAT legislation giving special importance to reduce the reasons to introduce special schemes and exemptions from VAT ;

- continue alignment of legislation on excise duties;

- adaptation duty suspension regime (regime fiscal warehouses).

In the spirit of achieving these provisions, the Romanian Government has with all the representatives of employers and unions in 2007 a social agreement which provides fiscal policy on the following objectives continued implementation of the Programme of Action of the Government and the National Bank for the financial bottleneck in real terms and the development of new actions aimed at [7]:

- strengthen financial and budgetary discipline and reduce debts;

- restrict cash transactions for certain categories of payments and expanding the use of credit cards as payment;

- reconsider debt situation legislative history and development code to address them;

- strengthening the legislative framework governing the issuance and trading obligations.

- strengthening the tax system by: harmonization of tax legislation with EU standards; promoting policies to reduce payroll taxes, special funds and the related social contributions and establish appropriate measures to increase revenue by combating undeclared tax evasion;

- improving tax collection through: improvement measures Budget Recovery , improving regulations on performance criteria in the management and control of large taxpayers, in order to increase

voluntary collection;

- Increased efficiency and transparency of tax administration and government administration;

- stimulate the development of the insurance market by increasing tax deductibility;

- continued elimination of the tax base of the effects of inflation;

- the scope for reduction since 2003, VAT on some basic food, pharmaceutical and personal care services;

- analyze the opportunity of establishing a banking financial institutions lending to investment projects of local authorities;

- analysis and identification of opportunities for regulatory compensation mechanisms;

- Social signatories initiate negotiations with a view to identifying opportunities to reduce tax .

3. Conclusions:

The signals we get at the start of the new millennium are pretty confusing. On one hand, there are bouts of optimism, which rely on the advent of new information technologies and the longest period of economic growth of the US economy since the Second World War. Some claim that the "information revolution" will usher in another long-term economic upswing in the world. In this context there is talk about a "new economic paradigm" which would combine rapid and sustained economic growth with low inflation. On the other hand, there is no scarcity of bad news. Financial and economic crises have been a constant and alarming feature of the last decade, rising income inequality both inside and among countries puts pressure on governments and strains trade relations, domestic and international terrorism are on the rise, there is growing resentment to globalisation in both rich and poor countries, and so on. Likewise, the record of post-communist transition is much below expectations. The current mood is a strange combination of hope and disquiets, a big change from the overriding optimism reigning at the start of the last decade.

Romania's government faces policy choices that could set it on a course to prosperity within the European Union (EU)

or relegate it to the status of an impoverished Balkan backwater, according to a report released today by the Democracy Institute [8].

The provocative report, *Balkan Tiger or Balkan Backwater?*, comes directly before the EU summit. It highlights the opportunity that Romania has to implement policies that would allow it to emulate regional success-stories like Poland and become an oasis of free market economics and pro-Western foreign policy.

The report analyzes the implications for the EU-wide jobs market if Romanian workers were to exit a moribund economy when work restrictions are lifted in January 2014. It also explores the impact of the domestic and foreign actors that are encouraging Romania, an EU and NATO member, to move closer to Russia for political, economic, and strategic support. It argues that it is in the interests of both Europe and the USA to help Romania – a strategically important, yet fragile, democracy – to achieve the sustainable prosperity it seeks.

Describing the report, its author, Democracy Institute Director, Dr. Patrick Basham, said, "Romania faces a choice between two policy paths: one that leads to a prosperous, market-driven tiger economy built upon environmentally sustainable foundations; and the other that leads to a Romania with the status and circumstance of a Balkan backwater, a corrupt political establishment 'leading' an economically impoverished populace."

He continued, "There are clear European interests at stake here. If market reforms and EU-led fiscal discipline are not maintained, Romania could yet become an economic basket case. Romanians soon will be able to live and work in any EU country. A poorer Romania would ensure that Romanian workers flock to richer nations with all of the challenges that might create."

The report indicates that the choice that Prime Minister Ponta's government must make is most evident in the Romanian government's impending decision whether to approve Europe's largest gold mining project, in the Rosia Montana region of Transylvania. The project is opposed, on flimsy environmental grounds, by a small but vocal domestic minority, funded by US billionaire

activist George Soros, publicized by state-run Russian media, and orchestrated by a coalition of foreign environmental NGOs.

In the report, Basham explains that the project will be a standard bearer for a revitalized mining sector, highlighting that Romania is "open for business," encouraging local and overseas investors to seek opportunities in Romania, and boosting growth in what is currently one of the poorest EU member states [8].

The Democracy Institute is a politically independent public policy research organization based in Washington D.C., USA and London, UK. Founded in 2006, this think tank serves to further public education through the production and dissemination of accessible commentary and scholarship. The Democracy Institute aims to provide a balanced and thoughtful perspective on topical issues, promoting open and rational debate based on evidence rather than ideology [9].

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Why the Firm is the Source for Reducing Transaction Costs

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Abstract

Governing structures (institutions) are the natural result of the efforts for minimizing transaction costs. As such, selecting the proper governance structure for organizing economic activity is facilitated by transaction characteristics. The firm being seen as an institution is the privilege of neo-institutionalism. We shall begin the analysis of this governance structure by presenting its characteristics: carrying out transactions, the coordinating mechanism and the type of contractual relationship. Then, starting from the hypothesis of the national economy operating as a single firm, we will present the arguments that support this approach, as well as its limitations.

Key Words: institution; transaction costs; limited rationality; opportunism.

JEL Classification: D23.

1. Introduction

The firm seen as an institution is a privilege of neo-institutionalism. According to the representatives of this trend, Ronald Coase and Oliver Williamson, economic exchanges within companies are not governed by the price mechanism, like in the case of the market, but by governance structures that involve regulations and hierarchical control. „Governance structures”, as Williamson calls them, are institutional configurations or arrangements and appertain to the various means of allocating stimulants and opportunities. They appear as a natural response to the savings in transaction costs. Williamson's governance structures are hierarchies (companies), markets and hybrid configurations. Each of these assume a transaction cost and the selection and survival of one configuration or another depends on the efficiency in reducing

this cost, which, in turn, varies with the attributes of the transaction.

2. The Firm – the governing alternative of economic organization

For Coase the firm and the market are alternative economic coordination means. The firm is seen by neo-institutionalism ideologists as a governance structure, regarded as a complex combination where monetary motivations and incentives are still important, but not unique [1]. The firm remains “a team based on a connection of contracts, each party seeking to achieve its own specific investment (human or physical) depending on the hierarchical structure accepted...” [1].

As opposed to the market, the firm has an advantage in the fact that transactions are carried out and regulated through *order*. Ménard [1] mentions that this advantage stems from: „firstly, the capacity of supervisions to reallocate human resources without negotiations reduces the transaction costs and establishes itself as a powerful weapon in the battle with uncertainty. Secondly, the internalization of transactions ensures the necessary framework for extending the scope of rationality, the increase of the quality of decisions being ensured by «the division of cognitive labor», which hierarchies make possible. And thirdly, the communication system developed and coordinated by the contractor is an advantage against the information supplied by the markets, which are costly and difficult to process.”

The firm's main coordination mechanism is *hierarchical command*, which involves allocation, monitoring and control. As such, on the basis of a previously known hierarchical structure, each person executes the received command. Transactions are made in the means and for the duration set by the default hierarchical structure and

accepted by stakeholders. Control is one of the main firm streamlining tools, as it aligns managers' interests with those of the owners, it prevents and narrows opportunistic behaviors, prevents or solves disputes with a minimum of time and costs spent etc.

The essence was retained from Coase, with respect to the contractual relationship providing the basis: the firm's contract is one of *subordination*. Internal organization or hierarchy is, in Williamson's opinion, a more flexible and adjustable form of organization than hybrid organization, in the case of emphatic disturbances resulting from the partners' status of dependency. Williamson calls this type of contract „forbearance" in order to suggest that with technical, organizational, quality, production or sales issues, justice cannot be invoked as it is not appropriately competent. The firm is „its own judge", in the first and last instance. The intervention of justice in solving certain litigations regarding firm policy is pointless as long as the general legal framework is being respected. Possible disputes are solved by the manager's decision without calling for external instances. „Hierarchy is the court for the last appeal when settling internal firm disputes" [2].

The subordination contract is and shall remain a trademark of the firm, as Coase established. In reality, we're talking about a number of internal contracts, thought out and elaborated under the same philosophy, namely hierarchical subordination [3]. However, subordination may only make the object of the negotiation *ex ante* when the level of rights and obligations is negotiated, as well as the technology of the process by which these are shaped. But hierarchy, as a structure in which the process takes place, is non-negotiable.

3. The economy of transaction costs

Williamson formulates a theory for economic organization that links transaction (whose attributes vary) to governance structures whose costs and benefits are specific, in a discriminatory manner (for reducing transaction costs). „The argument of transaction costs is based, on a fundamental level, on the effectiveness of the competition in operating a selection between the more or

less efficient means and transferring resources to the first" [4].

In his mind-set, *the reduction of transaction costs* requires the following steps:

- Identifying the micro-analytical factors responsible for the differences between the transaction costs of various transactions. These factors are, in turn, generated by behavioral assumptions (limited rationality and agents' opportunism), the measures of the transaction (frequency, level and type of uncertainty and the specificity of the investment) and the characteristics of the transaction process (procedurality and the existence of unanticipated consequences).

- Associating transactions with governing structures.

- Respecting the intertemporal procedural characteristics of economic organization.

While behavioral assumptions are universal, transactions vary within the previously mentioned dimensions. The transaction process also counts in respect to temporality, due to the fact that opportunism may manifest *ex-ante* (informational asymmetry), as well as *ex-post* (the distribution of profits does not reflect the initial investment).

If the frequency of transaction between parties is low, the uncertainty level is high and, moreover, there are also investment specificity conditions, given the assumptions regarding human behavior, transactions are institutionalized within the organization. In this case, hierarchical integration in organizations is the most efficient economical organization alternative.

4. The firm's advantages

The advantages of the firm (hierarchy) are obvious in this situation. I will be presenting these advantages below:

1. The *principle of specialization* is active within the firm, allowing individual actors (each with his limited rationality) to take care of a certain aspect of a general issue. By means of coordination and control tools, the results of all activities are integrated at the hierarchical top, so that the organization has the capacity of extending the individual limitations of rationality.

2. Each of the organizational units may face a given aspect of a situation's *uncertainty and complexity*, hence reaching an apprehension of the issue that was previously hiding under the hood of total uncertainty.

3. The firm commands the *opportunism limitation* mechanisms, in the sense that, by using bonus, promotion or control systems, the organization has the capacity of orienting efforts, to a certain extent, toward fulfilling common goals.

4. By rejecting even the idea of negotiation, organizational hierarchy has the capacity of limiting opportunism even in the situations where there are a small number of partners involved in transactions. The organization, as governance structure, *generates cooperation* and reduces opportunist behaviors happenings, ex-ante as well as ex-post.

5. The firm discards informational asymmetry in favor of management, because the communication system developed and coordinated by the contractor is a gain against the information supplied on the markets, which are costly and difficult to process.

6. The subordination contract pertaining to a firm may be subject to ex-ante negotiations, the firm being able to reduce or eliminate transaction costs in the contracts' ex-post stage. Also, this type of contract allows for an adjustment of the contracts signed inter-firm, without high costs.

7. The firm is superior to the market and on an *informational level*. Williamson [4] or Aoki [5] consider that companies, as opposed to markets, have the explorable privilege of having filters in the way of insignificant or useless information; based on certain routines they can call on coded tongues (common), thus, reducing informational costs; by means of personnel specialized in receiving market signals, they can ensure a fast and low cost processing of the latter etc.

8. Due to the self-coordination and control mechanism, the firm has the *subordination contract* advantage. Such a contract represents the reflection of the firm leaders' will; incomplete but adjustable and available for completion by the same authority that initiated it. Due to the fact that only one party is trained in writing and adjustment, this type of contract appears to

be more flexible than the neoclassical one, particular to the market. Furthermore, this contract is more lucrative as uncertainty amplifies (because assets become more specific and the transaction frequency becomes higher), the risks of opportunism are much too important and prejudicial to the contractual relationship for it to be governed by a contract that allows for the parties to be autonomous.

9. The firm is based on authority in the allocation of resources. The use of authoritative relations gives the firm an advantage against the market, namely the income resulting from lowering the transaction cost. An administrative decision involves rating costs lower than negotiation costs and the costs of rating each of the contracts for independent transactions made on the market.

5. Is it possible for a national economy to operate as a unitary firm?

5.1. Arguments

The arguments supporting this hypothesis are elaborated below.

Firstly, a firm of such dimensions will hold a monopoly position and benefit from all the advantages therein. In this context, the presence of the market as a place where demand meets offer, determined by the division of labor, no matter the form in which it is expressed, is pointless.

Secondly, the production factors contracting costs (component of the transaction cost) may be reduced within the firm, because the firm will no longer need to negotiate and finalize a contract for each production factor, but one will sign a single long-term contract, the relation between production factors being a collaboration relationship. When talking about the issue of changing the production structure, there will be no more need of other negotiations between the production factors' owners. This simplifies the contracting process, seeing as how inter-firm transactions are replaced with factor-consumer transactions.

Thirdly, a major firm will eliminate the inclination to opportunism, as there will be no manifestation of informational asymmetry leading to incompleteness, to the fact that information on a certain transaction are held by some, but unknown by others and access

costs for them is affordable to some but not to others. To this extent a complete contract shall be used, with firm, fully covering clauses, which will not be adjusted and renegotiated to and based on the new circumstances, new conditions, because the future is foreseeable. The ex-post transaction costs determined by the contracts' renegotiation will be zero.

Moreover, opportunism manifested each time two or more economic agents are involved in the effort of cooperating will no longer exist. Relations within the firm will be harmonious and no conflict of interests will arise between the principal and the agent that might generate agency costs. From this perspective transaction costs would lean towards zero in default of stakeholders.

5.2. Counterarguments

However, this approach has the following limitations:

- The firm's monopoly position is consonant with the spirit of the free market; the development of a contrary force will always be necessary in order to counter-balance the tendencies of cornering the economy.

- In the case of large companies resource management is difficult, resulting in their squandering.

- Transactions are completed and carried out in a complex and uncertain environment, where economic agents have the possibility of precisely anticipating the future, where informational asymmetry referring to the differences between the information held by the participants to a transaction operates; asymmetric information that influence relations also supply the foundation for opportunistic behaviors, manifesting through adverse selection and moral risk;

- In the complex process of adopting decisions within the firm that will lead to the latter's value to maximize, inefficiencies arise from conflicts of interest between their stakeholders;

- Economic activities carried out by companies are varied and complex;

- The axes of multivalence with negative consequences on the hard to manage managerial activities are attacked, in the context of interdependency between the

branches and sub-branches of the national economy.

6. Conclusions

From the counterarguments presented it results that ***there will never be only one firm, for the entire national economy***, just as there will never be only two companies on the market. The two forms of transaction coordination, the firm and the market, coexist. The firm does not appear as a reaction to the market, but to reproduce the market conditions in the context of lower transaction costs. If this condition is not fulfilled, the firm does not appear and the price mechanism is the one coordinating activities. It is possible that the firm will not be able to ensure the management of transactions at below price costs everywhere.

The coexistence of the two governance structures has a purpose only within a competitive economy, because planning from inside the firm works in the context where the resources of that firm are free to move and find the most efficient users. Thus, competition between companies is presented in parallel with inside firm planning, the competitive market being the one offering the dynamics framework.

We may say that the firm is a component of the standard competitive environment that profits from the advantages of free competition.

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Some Aspects of Measuring Transaction Costs in the BCR-Group

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Abstract

In the new institutional economy, the concept of transaction costs takes a pivotal seat in the institutions' economic analysis. We shall begin the analysis of transaction cost by presenting this concept and some attempts at quantification. This paper takes a micro-economical viewpoint and we treat the majority of expenses, in the accounting of loan institutions, as transaction costs.

In the case study performed on the BCR-Group we make use the consolidated financial statements of the BCR Group for the period 2000-2012. A preliminary analysis suggests that transaction costs can be measured over time in this bank but not perfectly. Banking has two types of transaction costs, which move in inverse relationship. Both types of transaction costs are (almost) always changing even as they appear to be converging to equilibrium.

Key Words: institutional economy; transaction costs; interest expenses; non-interest expenses.

JEL Classification: D23, G21.

1. Introduction

The approached issues are addressed a context where the financial-banking institutions' activity is rather complex, from the economic governance perspective, as well as that of transaction costs. While some banking institutions have a strictly private nature, the banking service is a quasi-public good, being included in a regulating structure that may affect the economy of transactions costs. Banking services operate in a system where banks create coin and act as financial intermediaries, priming the depositors' (lenders) risks and allocating loans in the economy. Commercial banks and other financial institutions are the main financing

source or companies in most industrialized nations. Furthermore, banks are the largest sources for international capital flow [1].

The public nature of banking institutions implies the fact that the economy of transaction costs may either be approached on a macro-economic level, or a micro-economical level. The macro-economic analysis of transaction costs economy raises a series of interesting queries concerning the control of regulations in the banking sector, which do not arise within standard theoretical assumptions. From a micro-economical point of view, banks may be regarded as an alternative governance structure for the deposit of various types of funds and granting several types of loans. Both economical approaches on the economy of transaction costs are susceptible to producing interesting perspectives regarding the alignment of governance structures with transaction costs in the banking sector. Nevertheless, they may not be simultaneously approached.

This paper takes a micro-economical viewpoint and, according to the claims of Wallis and North [2], treats the majority of expenses, in the accounting of loan institutions, as transaction costs.

2. Defining the concept of transaction costs

In the new institutional economy, the concept of „transaction costs” takes a pivotal seat in the institutions' economic analysis. It is most likely that none of the „fresh” concepts of economical science has, so vigorously, attracted scientists' attention and was predisposed to so many puzzlements and controversies.

Studies referring to the transaction costs – institutions – economic performance relationship concentrate on a certain operational connection of these categories and economic realities. The logical pathway of these approaches is that according to

which transaction costs affect the institutions their evolution and, further still, the economic performance, resulting in the fact that the most suitable means for control and reduction of transaction costs' must be found in the approach of development strategies, which would fully harness the economic potential.

The paternity of "transaction costs" was attributed to Ronald Coase, who built an argument regarding the company's existence, in his famous article *The Nature of the Firm*, in 1937, without having specifically used the "transaction costs" concept, but rather that of the "costs of using the price mechanism" [3]. The costs involved in the use of the price mechanisms refer to the costs of discovering and identifying relevant costs, the costs of negotiation, of signing separate contracts for each transaction made by the firm on the market and of taxation etc.

Arrow, Wallis and Nord supplied general definitions of this concept in their papers. Arrow [4] defines transaction costs as being the operating costs of the economic system. Wallis and North [2] lay out the differences between the transformation costs and transaction costs. In their outlook, transaction costs are information processing and transfer costs, coordination, procurement, marketing, advertising, sales, legal settlement as well as management and supervision costs.

Other researchers have defined this concept based on certain transaction aspects. Williamson [5], who focuses on contracting activities, defines transaction costs based on its two components: *ex ante* costs, for a contract's elaboration, negotiation and guarantee, and *ex-post* costs, for commitment follow-up and monitoring.

Even if researchers seem to agree that this transaction costs concept is important, seeing as how progress has been made in its operationalization and implementation, the concept has still been the subject of wide debates. Some researchers claim that these costs are difficult to define and even more so difficult to measure. One of the reflections cast is that by which this concept is rather generic and does not lend itself to a meaningful operationalization. Another rave is that transformation and transaction activities are frequently overlapping, making it difficult to see a distinction between the two types of costs.

This type of debate is, however, not exclusive to the economy of transaction costs. Such as other concepts pertaining to social sciences, its conceptual development depends as much on its contents as it does to the context in which it is tackled. North [6], [7], Wallis and North [2], and Williamson [5], [8] (1985, 1999) have advocated that this transaction costs concept must be analyzed in relation to governance structures. Their arguments suggest that, we must, particularly, operationalize the transaction costs concept in the context of specific political economic environments.

3. Attempts at quantification

A first attempt of quantifying transaction costs per the entire economy was made by Wallis and North [2] with the publication of their article, *Measuring the transaction sector in the American Economy, 1870-1970*. In this study, the two economists measure the dimension of what they call the „transaction sector”, starting with the division of the entire economy in two segments: transformation (or production) and transaction. By measuring the total value of the resources used in the transaction sector, they obtained the aggregate value of transaction costs in the economy.

Wallis and North have shown that the entire transaction sector represented 25% of the U.S. GNP in 1870 and over 45% in 1970. Similar studies have shown the same incremental trend in Australia's economy (the transaction sector grew from 32% in 1911 to 60% in 1991) and in that of Argentina (the percentage of the transaction sector changed insignificantly within the GDP between 1930 and 1970, from 25% to 28%, reaching 35% in 1980, however, and maintaining this value until 1990) [9].

Another attempt at quantifying transaction costs in the financial-banking sector was made by Polski [10] (2001), in his article *Measuring transaction costs and institutional change in the US commercial banking industry*. By following the course of Wallis and North, the author proposes the quantification of transaction costs in the commercial banking sector of the United States, in the period starting with 1934 until 1998. In her view, transaction costs have two components. The first is interest expenses,

meaning the total paid interest, registered to interest carrying liabilities. The second component refers to expenses other than interests, including salaries and employee benefits, allocation expenses and other various expenses (commissions paid to principals, members of the consulting committee, audit committees, charity contributions etc.) the study proves that the total of transaction costs went up from 69% of the total income in 1934 to 85% in 1989 and dropped to 77% in 1998.

Although there is a vast array of literary works in the field of neo-institutional economy and there have been many an attempt at quantifying transaction costs, the latter still remain a hard to identify, and even harder to measure, category. This is because no theoretical consensus was reached on this concept or even on its meaning, in a world where transaction costs are zero.

4. The analysis of transaction costs within the BCR-Group

4.1. Presentation of the BCR-Group

The Romanian Commercial Bank (BCR) is a member of the Erste Group, the most important financial group in Romania, including universal bank operations (retail, corporate and investment banking, treasury and capital markets), as well as leasing market companies, asset management companies, private pension companies, housing banks and mobile banking services.

Based on the value of its assets, 17 billion Euros, the number of clients and the savings and loans segments, BCR occupies first place among Romanian banks. BCR is the most

valuable financial brand in Romania, by token of customer trust and the number of people for whom BCR is the main banking institution.

As member of Erste Group, for BCR, corporate governance is a key element of success for its business. BCR answers to its shareholders' expectations by means of an integrated value, principle and regulation system, which ensures its responsible, transparent and distinctive operation.

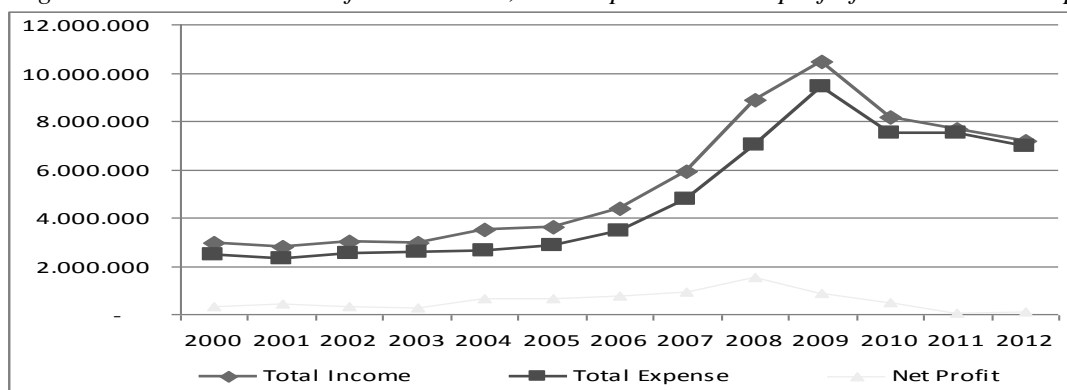
4.2. The analysis of transaction costs

The consolidated financial statements of the BCR Group for the period 2000-2012, are the main source of information for the analysis of transaction costs in this paper.

In the *Consolidated global result statement* loan institutions present: the yearly incomes and expenses, grouped by nature, as well as the results of the financial year. Romanian loan institutions progressively record income and expenses into accounting as they are engaged, on the basis of the matching principle, which is why income and expenses accounting is a commitment accounting. The main categories of expenses are: interest expenses and other assimilated expenses, charges and commission expenses, expenses related to loan and lease losses, personnel expenses, tangible and intangible assets amortization and depreciation expenses, other operating expenses and income taxes.

The following chart shows the evolution of total income, total expense and net profit for the BCR-Group during the 2000-2012 period.

Figure no.1. The evolution of total income, total expense and net profit for the BCR-Group

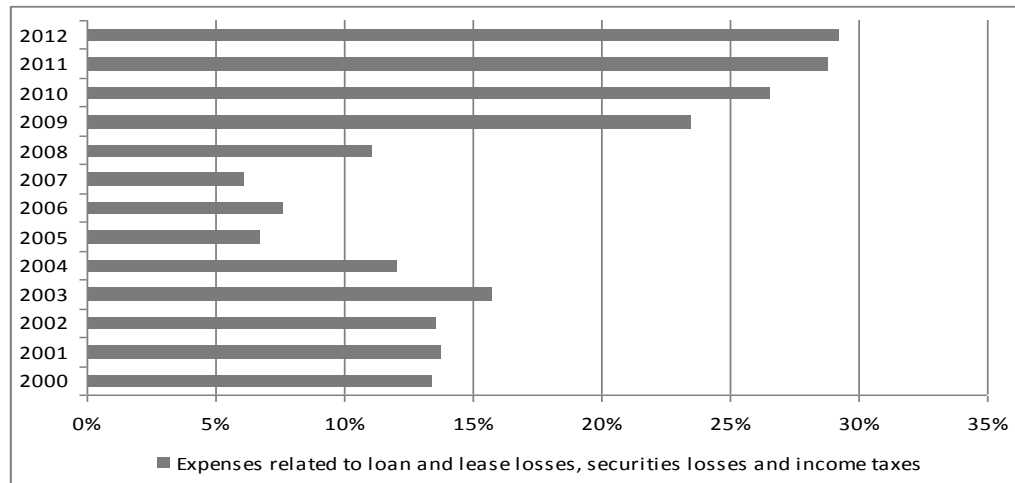


Source: The consolidated financial statements of the BCR Group for the period 2000-2012

Expenses related to loan and lease losses, securities losses and income taxes reflect the organization costs in the banking system; they are less predictable and, hence, less open to management control or regulations. During 2000-2012, the percentage of these expenses in the total income varied from 6% to 30%. In order to simplify things, I have excluded

the two categories of expenses (related to loan and income taxes) from this analysis. From the analysis of the data highlighting the percentages of expenses related to loan and lease losses and income taxes in the total income, we see their evolution during 2000-2012:

Figure no.2. The evolution of expenses related to loan and lease losses, securities losses and income taxes for the BCR-Group



Source: The consolidated financial statements of the BCR Group for the period 2000-2012

4.3. Quantifying transaction costs

In the case study performed on the BCR-Group data base, we have set out to quantify transaction costs through their two components: interest expenses and non-interest expenses. For the second category we have considered general and commission expenses, personnel expenses, tangible and intangible asset amortization and depreciation expenses and other operating expenses.

For the estimation of transaction costs changes, we have used the percentages of these two types of expenses in the total income as indicators, in the following analysis.

Interest expenses reflect the cost of banking funds and are a direct indicator of external costs that reflect the means by which banking institutions organize their activities, being determined by the specific economic environment. These expenses include the interest to be paid and the assimilated expenses for all interest carrying liabilities

and are influenced by monetary policy, price regulations and fund management internal practices.

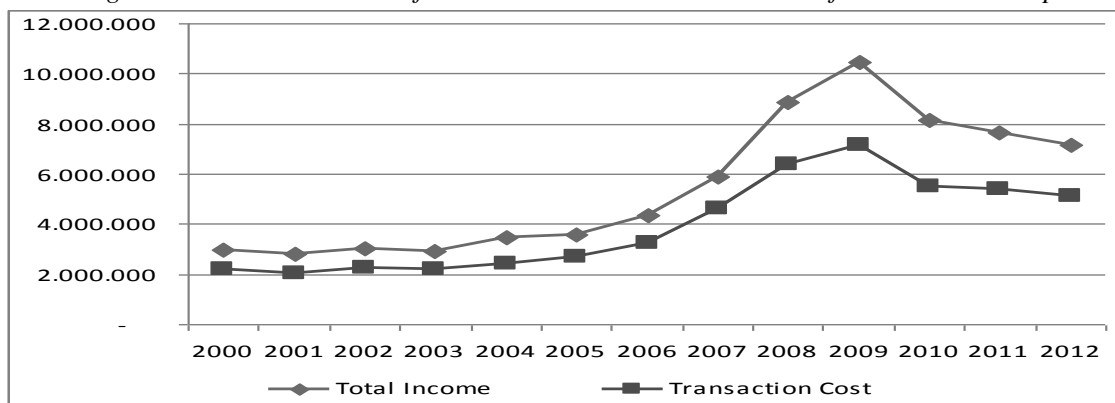
The non-interest expenses directly determine internal costs and reflect the means by which banking institutions organize their activities. These expenses are influenced by technology, business and work force regulation, banking regulations and internal management policies.

Romanian loan institutions register four types of expenses in the „Non-interest expenses” category: (1) general and commission expenses, (2) personnel expenses, (3) tangible and intangible asset amortization and depreciation and (4) other operating expenses.

The behavior of transaction costs throughout time within the BCR-Group

The data regarding the evolution of the total income and transaction costs for the BCR-Group, in the period 2000-2012 is shown in the figure below:

Figure no.3. The evolution of total income and transaction cost for the BCR-Group

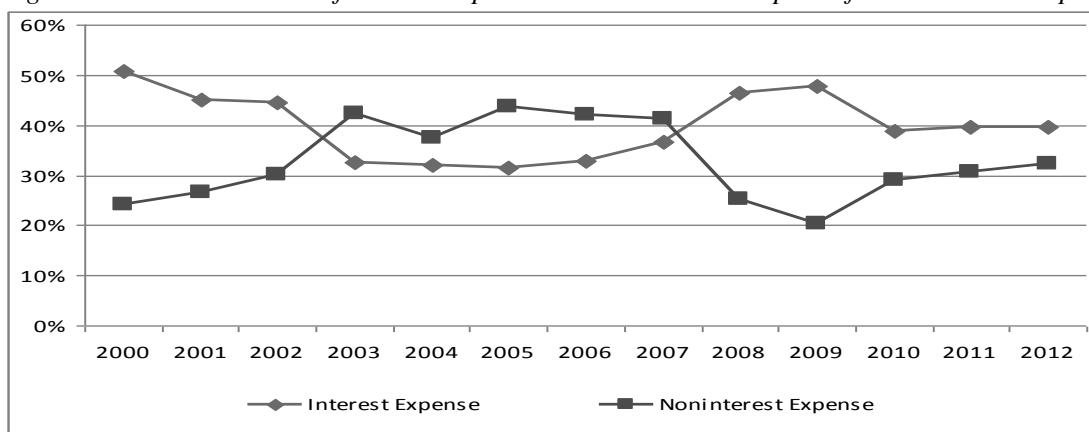


Source: The consolidated financial statements of the BCR Group for the period 2000-2012

The annual changes of transaction costs between 2000 and 2012 show an interesting evolution to be had. The following chart shows the evolution of the percentage of interest expense in total income and the

evolution of the percentage of non-interest expense in total income for the BCR-Group during the 2000-2012 period.

Figure no.4. The evolution of interest expense and non-interest expense for the BCR-Group



Source: The consolidated financial statements of the BCR Group for the period 2000-2012

As percentage of the total income, interest expenses reach a maximum value of 51% at the beginning of the analyzed period, in 2000. Between 2001 and 2005 this percentage drops from 45% to 31%. In the next interval the percentage of interest expenses in the total income begins to grow from 33% in 2006, to 48% in 2009 and then stabilizes around approximately 40% as of 2010.

Non-interest expenses grew from 24% of the total income in 2000, to 42% in 2003 and remained relatively steady until 2007, when they begin to drop, reaching 20% in 2009. As of 2010 the percentage of these non-interest expenses in the total income begins to grow, to 29% and reaching 32% in 2012.

5. Conclusion

When the components of the transaction cost, interest expenses, as well as non-interest expenses, are compared over the course of a longer period of time, an inverse relation occurs.

The inversely proportional relation between interest expenses and non-interest expenses, in the period between 2000 and 2012, implies the fact that banks adapt their integral governance structures, in answer to external changes.

This infers that when the cost of the funds goes up, banking institutions look to reduce the information and coordination activities cost.

The *main conclusion* related to the quantification and measurement of transaction costs that may be drawn from the analysis realized in this paper is that transaction costs can be measured within financial-banking institutions, but not accurately.

Therefore, based on the analysis of the transaction costs concept and its defining elements, I can express my *personal opinion*: these costs are hard to identify and their impact on real profit growth is difficult to intercept.

In this context, dismantling transaction costs from a company's accounting cost might be a trick of economic realities.

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Possible Motivations for the Romanian Banking System to Intensify the Use of Financial Derivatives

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Abstract

The involvement of commercial banks in transactions with financial derivatives is one of the most controversial topics of the moment.

This paper does not aim to resolve the controversy over the relationship between the benefits and the risks of using derivatives by banks, but to find some possible motivations for the banking system in Romania to become more interested in these instruments.

The study allowed us to identify at least two reasons for using derivatives by the banks in Romania: the alarming increase of risks in the lending activity and the decrease of profitability of the traditional banking activities.

The conclusion that we drew from the analysis is that derivatives may constitute an important tool for hedging credit risk and revival of the banking sector in Romania, provided that they are used with caution by banks.

Keywords: financial derivatives, Romanian banking system, credit structure.

JEL Clasification: G21, G23

1. Introduction

The usage of financial derivatives by commercial banks in their activity was and continues to be an issue that arouses the interest of the economic community. If some economists believe that the use of derivatives is one of the main source for banking crises,

others consider them a very useful risk management tool and a way to increase the profitability of the banking system. In the following chapters we will try to determine possible reasons for the banking system in Romania to intensify the use of derivatives in its activity.

Based on the international experience in this field we were able to identify at least two possible reasons for the use of derivatives by the banking system: on one hand the increasing need for credit hedging and, on the other hand the desire to maintain profitability amid intensifying competition in the segment of traditional activities.

Defining and measuring risks that confronts banking activity has been and remains a sensitive issue addressed over time by many authors. In spite of tightening standards and risk assessment methods, this operation remains a matter of internal management of banks and is far from perfect. [1]

Equally, a wide range of experts concluded that the use of derivatives is a way of managing these risks. By their very nature, derivatives have the ability to isolate and transfer risks of an asset own by a entity with risk aversion to those with greater propensity for risk.

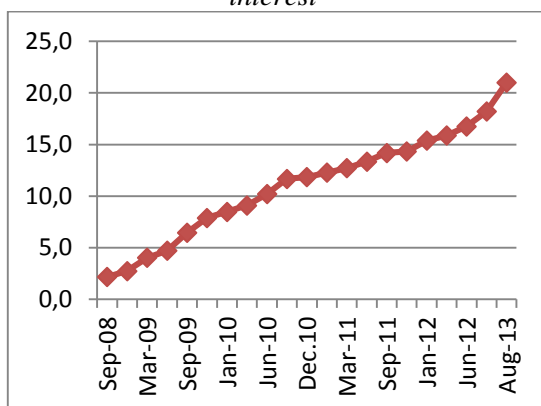
From the point of view of bank management derivatives are often considered as off balance sheet products (and operations) which raises the question of their transparency, because external users of financial statements don't have access to this information. Therefore, some authors view them as "hidden capital" for banks. [2]

2. Hedging the credit risks through financial derivatives

The first motivation for the use of derivatives by the banking system in Romania is, in our opinion, the coverage risks generated by their traditional activities. The most important of these is credit risk. In the current economic and financial context, commercial banks in Romania face a deterioration of the loan portfolio, manifested mainly since 2009.

If at the end of 2007, outstanding loans represented 0.22% of total loans and 0.17% of total assets, by the end of 2010 their share had risen to 2.23% of total loans, and 1.47% of total assets (figure 1).

Figure 1. Share of over 90 days overdue loans (gross exposure) in total loans and interest



Data source: www.bnro.ro

In 2011 the degradation of the loan portfolio of banks continued, but the growth rate of the volume of over 90 days overdue loans was smaller than in the previous period. If the growth rate was 77.9% in 2008 and 59.8% in 2010, in 2011 it only reached 28.9%. The share of overdue loans in total loans and interest has reached a level of 14.3% at the end of 2011, with 2.5 percentage points more than at the beginning of the same year.

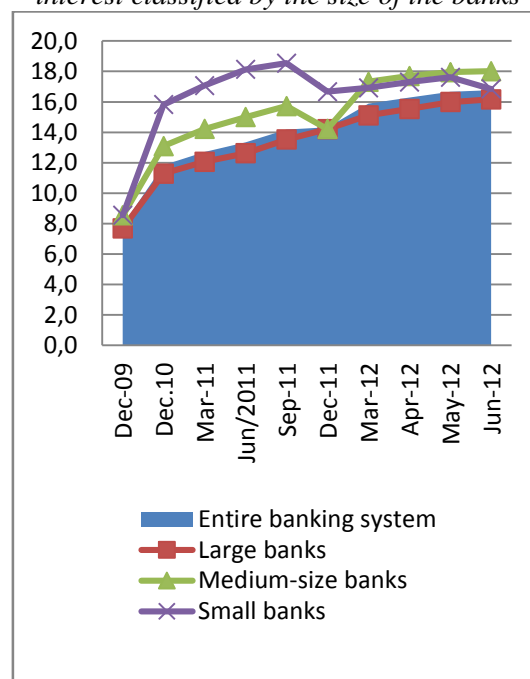
In 2012 the credit portfolio degradation maintained the same upward trend, its volume increasing to 18.2% by the end of the year. The situation did not improve in the first half of 2013, so in August 2013 the share of non-performing loans in total loans reached 21%.

From 2012, to the economic causes of non-performing loan portfolio growth (lack

of real economic growth, on the one hand, and the reluctance of banks in restarting the lending activity and restructuring loans) a non-economic cause was added: the changes in the International Financial Reporting Standards (IFRS) reporting requirements, which compels banks to recognize in the balance-sheet certain of claims that were previously recorded in off-balance sheet accounts.

According to statistics of the National Bank [3] the loan portfolio degradation phenomenon affects mainly medium-sized and small banks, classified as such by the size of their assets. Towards the end of the analyzed time frame a homogenization trend can be observed as the portfolio of large banks deteriorated in a faster pace (figure 2).

Figure 2. Share of over 90 days overdue loans (gross exposure) in total loans and interest classified by the size of the banks



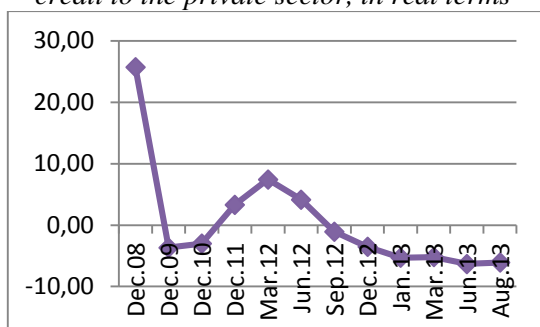
Data source: www.bnro.ro

In our opinion, the situation in which these large banks are may be a reason for them to use derivatives as a means of hedging credit risk. We believe that banks classified in the category of large banks have both the economic and human resources necessary to engage in derivative transactions.

In addition to the risks arising from the degradation of the credit portfolio, another major risk, in our opinion, is generated by the

structure of the credits granted by banks in the country. Until the last quarter of 2008, non-government credit was the main component of loans, but thereafter the depreciation of the economic situation and the lack of real credit incentive measures, led to a stagnation of non-government credit and a growth in government credit (figure 3).

Figure 3. The annual growth rate of credit to the private sector, in real terms

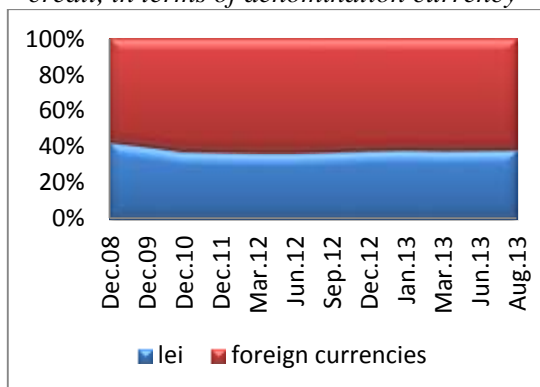


Data source: www.bnro.ro

Due to the delay of the economic recovery, both banks and customers have shown a much more reserved attitude in relation to granting or requiring loans, and, if this trend will be maintained, in our opinion, it will have adverse effects on the degree of banking intermediation but also on the profitability of banks.

Another major risk that also comes from the structure of the granted credits is, in our opinion, the predominance of the non-governmental foreign currency credits, which adds the currency risk component to the risk of lending (figure 4).

Figure 4. The evolution of private sector credit, in terms of denomination currency

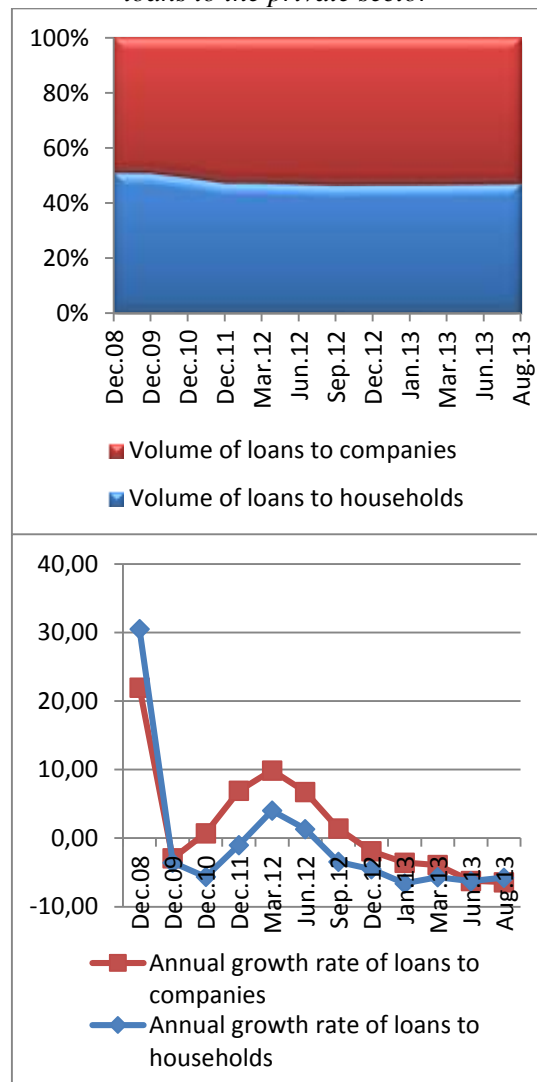


Data source: www.bnro.ro

Moreover, most of the non-government loans are granted to households not to companies, thus having a small and indirect

contribution to the economic growth (especially if these loans are used by the population for buying products from imports) (figure 5).

Figure 5. The structure and evolution of loans to the private sector



Data source: www.bnro.ro

All these developments in the structure of the credits granted by the banks in Romania leads us to the conclusion that this moment could be appropriate for commercial banks to try to cover credit risk through financial derivatives.

3. Maintaining banks' profit margins through financial derivatives

A second possible motivation for the banks in Romania to use derivatives is related to the lowering profitability of their traditional activities.

The traditional role of banks in the economy can be synthesized using the concept of intermediation between economic agents in search of funding sources and companies that have funds that they wish to place effectively.

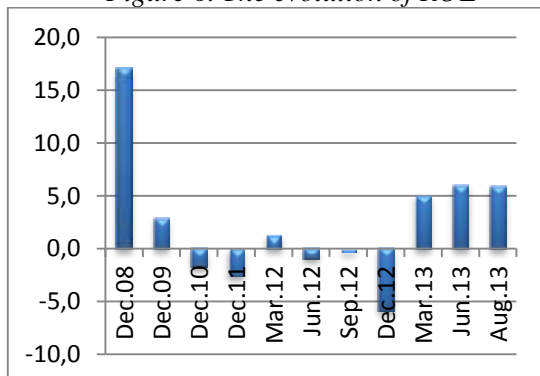
The two categories of economic agents, borrowers and lenders may interact either in a circuit of direct funding through bilateral transactions, or through indirect financing, in which case a financial intermediary intercalates between the two agents. This intermediary role classically belongs to commercial banks. They are the ones who provide the mechanisms needed to ensure the compatibility between the supply and demand for financing. In this context, banks can provide long-term financing on the basis of short-term resources or lend resources based on a variable interest rate, funded by fixed rate means.

However, financing the non-financial economic sector through credits is no longer the exclusive preserve of the banking sector in the last decades. This may be due to general economic conditions, a relatively high level of real interest rates and the development of alternative financing methods.

This situation, in which banks are no longer the primary intermediary agents in an economy, led to a downfall of their profitability indicators.

In the last three years, the performance indicators of the Romanian banking system, ROE (return on equity) and ROA (return on assets) have evolved to negative values (figure 6).

Figure 6. The evolution of ROE



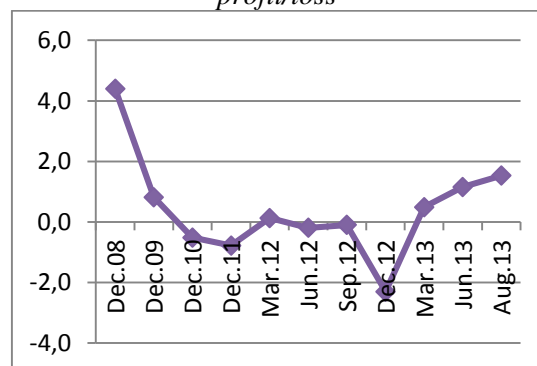
Data source: www.bnro.ro

As a result of the loan portfolio depreciation in 2012, the Romanian banking system was forced to substantially increase

the amount of provisions for doubtful debts and to reassess the value of the collaterals. This led to increased operating expenses in the first half of 2012. By the end of 2012, resizing fixed costs by banks led to a slight improvement in the situation, felt more strongly in the first half of 2013 when profitability indicators have returned, for the first time in the last three years, to positive values (ROA - 0.6%, ROE - 5.9%).

The operational income registered a negative trend in 2012, mainly due to the decrease in net interest income, due to a low volume of new loans (figure 7).

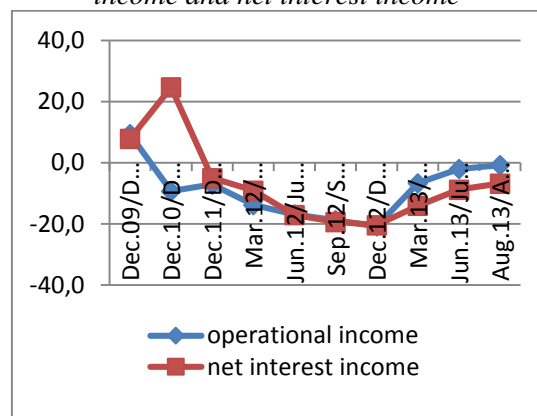
Figure 7. The evolution of the net profit/loss



Data source: www.bnro.ro

The banking system in Romania ended 2012 with a loss of 2.3 billion lei, but bounced back in the first half of 2013. In August 2013, for the first time in the last three years, a profit of 1.5 billion lei was recorded for the entire banking sector.

Figure 8. The evolution of operational income and net interest income



Data source: www.bnro.ro

A comparative analysis of the evolution of operational income and net interest income (figure 8) strengthens the conclusion that

commercial banks must develop new ways to increase revenue and derivatives can be such an opportunity.

4. Conclusions

Increased credit risk and lower profitability of the traditional activities are, in our opinion, only two of the reasons that should prompt the banking system in Romania to seek a greater use of derivatives.

If we add the fact that the stock market in our country, especially the Sibiu Exchange (SIBEX) is ready to meet the demand of derivatives coming from the banking system, we believe that a development of financial derivatives use by the banking system in Romania can be achieved in the following period of time.

Of course, much remains to be done in this direction, but, judging by the similarities between the Romanian banking system and those of the countries in the region where the derivatives are already widely used, we believe that this development is possible.

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Considerations on the Need for Consolidated Accounts, on Determining the Consolidation Perimeter and the Percentages of Control and Interest

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Abstract

The emergence of the groups is linked to the development strategy of the company. Therefore, when the presence on the foreign markets is intensifying or the production is diversifying a lot, enterprises can choose one of the following two possibilities: they either retain their legal unit and create departments or branches, or create new companies that have their own legal personality, being under the control of the parent company.

Keywords: economic engagement perimeter, area of influence, power criterion, benefits criterion.

JEL Classification: G3; G32; G34.

1. Introduction

The external development, by setting up new companies or by taking control of the already existing ones stays at the basis of the emergence of groups of companies.

Although the organization of companies on activities contributes to a more efficient management at the level of each activity or country, however, sometimes it masks the economic reality. For example, the parent company may have an interest to purchase an unprofitable company whose management is poor but which presents an interesting long-term production potential. In this case, from the point of view of the creditors, if reviewed independently, such an enterprise presents quite an important risk, while an analysis of this enterprise in the context of the assembly to which it belongs, might highlight a more complete, attractive and fair picture of its

actual situation. In order to avoid this appreciation difficulty, by third parties, of the financial situation and of the profitability of the companies in a group, it is necessary to draw up consolidated accounts.

2. The necessity to consolidate accounts

Consolidating accounts aims expressing the situation and the results of a company called "parent company", given the financial and economic connections with other companies. Depending on the type of ties withheld, there result two concepts of consolidated accounts [6]:

- the restrictive conception limiting the operations to the group consisting of the parent company and the companies placed under its single leadership;
- the broad concept, that extends beyond the group, including as well in the consolidation operations those companies that are both under the control or influence of the parent company and of other companies outside the group [1].

The division in branches allows limiting financial risks only to that point that they prove deficient and it allows to appeal to foreign capital, without, however, threatening the independence of the companies. The creation of a common subsidiary to several groups allows a concentration movement of the companies, leading to an improvement in their performance, ensuring at the same time a certain allocation of risks and diversification of the activities.

The group represents the assembly with financial and economic character where the balance sheets and the result accounts of its components are less influenced by the

internal operations of the group: the division of the activities, the transfer of results, the financial mutual assistance, the return of goods, etc. The publication of financial statements only for the companies in the group, taken individually, proves to be insufficient to supply to third parties, and especially to the shareholders in the group, of some significant information. Consolidated accounts provide the submission of all claims and liabilities to third parties outside the group.

The financial situation of the parent company can prove to be very good, while the group's debts may raise some questions. Vice versa, the financial position of the parent company can highlight a delicate situation, although, the overall financial balances of the group of companies are satisfactory. On the other hand, if the group is financed by resorting to leasing contracts, it is possible to introduce these operations in accounting as a financing asset, the financial debt can thus be presented in a manner closer to the economic reality[5].

Due to the consolidated accounts it can be better highlighted the turnover achieved by the entire group, the same applies to the results, because consolidated accounts show the share of the results of each company assigned to the group, being distributed or maintained to reserves. The parent company may buy securities from other companies in order to obtain majority control. If this purchase is made at a very high price, it highlights the corresponding purchase price of the share of equity owned. In this case, the consolidated accounts allow the appreciation of this fact if the investment related to the acquisition of such securities is consistent with the financial means and the results of the group. Also, the internal transfer of assets can lead to false results, unjustifiable from the standpoint of those responsible in the group. All these elements to which others will be added, offer the possibility to determine the true performances of the group and its future. An overview on the elements of business management of the companies in the group is always more eloquent than on each single one [7].

3. The determination of the area of consolidation

The consolidation perimeter or the consolidation area surrounds all the companies over which the consolidated enterprise exercises exclusive control, conjunctive or concurrent control or a significant influence.

The concept of consolidation perimeter is closely related to the concept of group and the notion of control. In general, the consolidation perimeter refers to the boundaries (or limits) of the group, which is presented in the consolidated financial statements. Setting the consolidation perimeter involves the delimitation of the companies that together with the parent company will be part of the consolidated assembly. In other words, these boundaries determine the assets and liabilities that are presented together, in a single balance sheet, as well as the income, expenses and the results shown together in a single profit and loss account. In the accounting theory this concept is interpreted and defined in two ways [1]:

- the consolidation perimeter in the narrow sense (the global consolidation perimeter) and
- the consolidation perimeter in the broad sense.
- In the narrow sense the consolidation perimeter includes the parent company and all the subsidiary companies included in the consolidation. In other words, at the basis of the decision to include or exclude a society in/from the consolidation perimeter is the identification of the existence or nonexistence of sole control. Only those companies over which the parent company exercises exclusive legal or factual control (called branches) enter the assembly, to be consolidated, together with the parent company. Therefore joint ventures and associated companies over which the parent company exercises joint control or significant influence, remain outside the perimeter. It is also possible that due to various reasons (dependent on the applicable legislation) certain subsidiaries not to be included in the consolidation perimeter⁴. This vision of the consolidation perimeter is in accordance with the definition of the group, in the narrow sense (the parent company and its subsidiaries) [4].

- In a broad sense the consolidation perimeter includes, in addition to the companies belonging to the limited area, also the joint ventures and associates. It results that, for its delimitation, to appeal to the notions of joint control and significant influence. Just like in the case of some subsidiaries it is possible that for similar reasons (dependent on the law), certain joint ventures and enterprises not be included in the consolidated whole.

The delimitation of the consolidation perimeter actually represents the first step in order to start the process of consolidation, having profound implications on future financial statements of the group. Thus, the inclusion or exclusion of some companies in/from the consolidated perimeter affects the quality image of the group provided by the consolidated accounts, by an unreal decrease or increase [4].

The consolidation perimeter may undergo a number of changes of internal nature, therefore may occur fusions of the consolidated companies. The variations of the consolidation perimeter reflect, on one hand, the opportunity that the group envisages and, on the other hand, the desire for financial optimization. Bypassing certain consolidation thresholds may result in setting off fiscal integration, with a potential tax decrease effect in the group, or the integration in the consolidated accounts of an "abundant" net treasury or, on the contrary, the abandonment of the consolidation for an entity with a high level of external indebtedness.

To the perimeter of economic involvement belong those entities where the group has minority interests that are not susceptible to consolidation. By means of these interests, the group has demonstrated its interest in them, in a friendly or hostile way. The influence perimeter exceeds the capital assets considering the so-called "symbolic" implications. It consists of the groups and its recognized partners: privileged providers (integrated in the production process), business partner's groups performing other activities, but that could become competitive, exclusive distributors, commercial agents, licenses beneficiaries, franchisees, co-shareholders with whom the group has concluded collaboration agreements.

4. The control percentage

The control percentage expresses the dependency link, direct or indirect, that exists between the parent company and another company. It is expressed in percentage of the voting rights held by the parent company with the company aimed at and translated accordingly by a power relationship. This percentage is equal to the percentage of capital held when the component stocks of the capital offer the same rights [8].

A control percentage of more than 50% allows highlighting exclusive control, if this is more than 40% makes it possible to presume such control and if it is higher or equal to 20% allows considering a significant influence.

The control percentage is expressed in the percentage of voting rights. Owning a part of the shares or voting rights should not be mistaken with owning a fraction of capital, because there may be a gap between equity participation and voting. Thus, for voting rights calculation, there do not have to be taken into account [1]:

- the preferred dividend shares without voting right;
- own shares subscribed, acquired or pledged by the company itself;
- the shares unreleased by eligible payments;
- the investment certificates;
- the bonds convertible into shares.

Instead, the calculation must include the voting rights certificates and the double voting right shares.

The approach to calculate the control percentage therefore consists of tracing the percentage of voting rights attached to each share, then examining the type of bond that joins the parent company and the other companies in the consolidation perimeter [8].

The control percentage therefore allows the definition of the assembly structure strengthened by locating various companies under exclusive control, concurrent control or significant influence. The control percentage also determines the method of consolidation to be used. The association between the type of control and the appropriate consolidation method shall be done as follows [3]:

Exclusive control	→	The global integration
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		method
Simultaneous control	→	The proportional integration method
Significant influence	→	The equity

5. The percentage of interest

The interest percentage occurs when there is a difference between holding a portion of capital and the voting rights granted by it. If the voting rights translate the pursuit of power, holding a portion of capital translates the financial involvement of a company in another company. This purely financial notion is measured using the interest percentage that expresses the percentage of capital held directly or indirectly by the parent company in every consolidated company. In other words, the percentage of interest represents the share of assets owned by the parent company in the consolidated company.

The percentage of interest is equal to the sum of products between the percentages of capital held directly or indirectly by the parent company in the consolidated company. The calculation of the interest percentage is done in three stages, namely [2]:

- identifying the type of connection between the parent company and each consolidated company;
- multiplying the capital percentages of each company that is part of this network;
- summing up the results obtained in the previous stages.

The same as in the case of determining the control percentage, it is essential to analyze the type of connection between the parent company and each company in the consolidated assembly.

The interest percentage allows the calculation of the parent company's rights in each company of the consolidated assembly, especially for its own equity distribution and of the result between the interests of the group and those that are outside the group (minority interests). The interest percentage is an essential tool for drawing up consolidation documents, because it directly

emphasizes the elements accruing to the interests of the group and those accruing to the interests of the minority.

6. Conclusions

The consolidation of the accounts is a technique whose objective is to present the financial position, the performances and the financial position's progress of an assembly consisting of the consolidator (the parent company) and the consolidated companies (the companies over which the parent company exercises exclusive control, joint control or significant influence. In fact, the consolidation allows obtaining financial statements for a unique group of companies, as if they formed a single entity.

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General Aspects Concerning Groups of Companies

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Abstract

The general tendency to concentrate several companies is shown due to the fact that a company tries increasingly more not to become vulnerable, and to remain as efficient as possible. This can be done either by integrating the stages of manufacturing distribution of a product, or based on the integration of complementary or similar activities, even if these are of a different nature either in the case of the connections between different enterprises with the only purpose to diversify the risks and maximize the profit.

Keywords: financial group, consortium, patrimonial group, strategic group.

JEL Classification: G3; G32; G34.

1. Introduction

The economic development without precedent in the last decades of the previous millennium and the prospect development in the early years of the new millennium, the declared tendency of globalization of national economies of more and more countries in the world, determines more and more enterprises, with a sometimes unique business purpose, often diversified and multiple, to search together for a growth strategy. They develop in this respect a network of multiple links, ranging from the simplest to the most complex, from the most profound to the most superficial.

The contemporary society evolves in a dynamic economic environment, given the significant changes, meant to enhance the economic competitiveness, technical, scientific and educational, expanding and accelerating communications, the

"explosion" of information, the multiplication and the diversification of consumer needs, the promotion of certain demands and criteria for quality products and services quality, the spectacular propagation of technical and technological innovations the reassessment of the man-nature report and the initiation of programs designed to ensure ample ecological balance, the modification of the organization and management format, the limitation of conventional resources of raw materials and energy, to widen the economic and technical-scientific¹ cooperation.

2. The emergence of the group of companies

The emergence of groups is expressed by the enterprise's development strategy. When the production is diversified and it is foreseen the conquest of new markets, the possibilities to choose an organizational system oscillates between keeping a legal structure of the company, with subordinated economic departments and the creation of specialized subsidiary entities, having separate legal personality, but remaining controlled by the parent company [1].

The groups of companies have become, in the twentieth century, the main investors on international financial markets, mobilizing agents of global resources, growth factor of global economic interdependence. For more developing countries, the foreign direct investment carried out by multinational companies, is the main source of capital inflows. These investments link the financial markets to the production in different countries through the transfer of physical capital, technology, efficient management. This integration of the financial and

production markets ultimately leads to the labor market integration.

The study "Expansion Strategies of U.S. Multinational Firms" conducted by Americans Gordon Hanson, Raymond J. Mataloni and Matthew Slaughter in 2001 analyses what is that motivates multinational companies to choose worldwide extension. When the factor prices differ, companies become multinational by placing production in countries where unskilled labor cost is low and the administrative management is organized in those countries where skilled labor costs are low. In these circumstances, it is a vertical expansion strategy [6].

The horizontal development strategy occurs when the trade barriers determine relatively high costs with exports. Thus, when transaction costs are low, companies obtain the finished products in the home country and they serve their customers through exports. However, if transaction costs are high, then the company becomes multinational by the construction of production facilities outside the country of origin, thus serving only the consumers in the markets of those countries.

The study also concludes that the state's fiscal and trade policies influence the expansion strategy of a multinational company. Thus, in order to respond to as many goals and to be, at the same time consistent with government policies of the respective country, a multinational company must apply a mix of strategies for expansion.

Jacques Richard identifies six advantages associated with group structure [3]:

- One first advantage is that of the controller on the capitals. Thus the group structure allows the increased control over the capital through a placement of identical funds;
- A second advantage is that the group structure allows obtaining an identical control over the active mass with a lower placement of funds;
- The third advantage consists of the fact that the group structure allows the attraction of borrowed resources, much more important in value than in the case of an individual enterprise. The parent company of the group often constitutes the guarantor of the loans accorded to other entities;

- The fourth advantage is related to facilitating the movement of capital, in a global society where the funds should move without constraint and with increased mobility, from an area to another, and from one entity to the other;
- Another advantage is that the group structure often allows significant tax savings due to the existence of some tax regimes, at the group level, of the internal transfer prices, abandonment of claims etc.;
- the sixth advantage relates to the fact that the group structure enables better organization. The emergence of the organization structure in divisions (that combines the decentralization and control of operational divisions within subsidiaries) has generated groups' reorganization and the reduction of bureaucratic costs ultimately leading to increased efficiency.

Groups of companies represent an increasingly obvious reality of the contemporary world. The appearance of groups of companies has mainly been generated by the following factors [1]:

- the economic concentration;
- the economic development in the decentralized countries;
- the existence and development of financial markets;
- conditions for access to the international market.

3. The group concept

As an economic concept, the group of companies has no standard definition. The distinct identification of this concept in the present economic vocabulary is the result of the opinions expressed in the specialized literature, by international organizations and by the regulatory accounting bodies [6].

Among the definitions given to the group of companies in the specialized literature we find:

- "An assembly consisting of several companies, each having its own existence, but joined by various connections under which one of them, called parent company exercises control over the assembly, representing, at the same time, a decision unit, and the other companies are

dependent on the parent company" (Tiron-Tudor A., "The consolidation of accounts", 2000);

- "A set of entities operating together, as they are owned or controlled by the same parties" (Nobes C., R. Parker, Comparative International Accounting, 2006);
- "The group includes all the companies dependent on the same control center. In all cases, the goal is to combine economic, financial and tax advantages related to this control unit with those related to legal autonomy and functional decentralization." (Les groupes et groupements des entreprises - et des Ordre des Experts Comptables Agrées, Paris, 1991);
- "A group is an assembly of enterprises established by the parent company and the companies over which it exercises control or a significant influence." (Ristea M., Dumitru LP, 2003);
- "The group of enterprises is an ensemble consisting of several businesses that have their own legal position and are joined by equity holders due to the existence of a "mother" company that exercises under its dependence, control over the assembly and leads to a prevailing unit decision." (Răileanu V. "The accounting system engineering", 1998);
- "The group of enterprises represents the assembly consisting of two or more companies, each with its own legal personality, but subject to a unitary economic direction assumed by one or more of them." (Săcărin M., "Accounting for multinational companies", 2001);
- "The group of companies represents the assembly consisting of several companies, each having their own legal existence, but united by various ties, under which one of them called The Company - the parent, exercises control over the assembly." (Nişulescu I., "The financing and the reorganization of the company" 1999).

The most concise definition is offered by the international organization IASB that in IAS 27.4 defines the group as "a parent and all its subsidiaries."

In essence, the definitions stated above share the same characteristic features. At a closer look it is observed that some have

included in the perimeter of the group only the controlled companies and other definitions include in the group's composition both the companies that are under control and those over which significant influence is exercised. This situation is a proof that in the accounting literature, the concept of group encounters a "staged" approach considering that the transition from unitary management to economic independence is smooth. Thus, depending on the intensity of the relationship between companies, there are several levels (stages) of the integration of the companies within the group [6]:

- The basis of the group is clearly represented by the parent company;
- Stage one consists of subsidiaries, ie companies over which the parent company exercises exclusive control;
- Stage two is represented by the joint ventures, over which joint control is exercised;
- The last stage of the group is represented by associated entities over which significant influence is exercised.

4. The group as a set of entities

The group represents a set of interrelated companies based on a relationship of economic dependence and having a single decision center, named parent company. The group of companies represents a dominant economic entity comprising several independent legal entities one of which is managing the others. This joint decision involves, necessarily, the dependence relations between the other companies and the decision company [2].

Regarding the accounting consolidation, this allows achieving significant information on the financial and economic reality of the entity constituted by the parent company and the companies that are dependent or associated, independently of the legal personality of each one. The difficulty arising from an accounting perspective refers mainly to the determination of the level of economic power. In order to be able to rely on the amount of capital invested, we will have to consider that this should actually be represented by a number of voting rights as a criterion in determining the level of power that the top company within the group has.

The interest of the group accounts occurs mainly from the need to describe, from an economic point of view, the global reality of the group in the most accurate possible manner. Consequently, there is no legal definition of the group as moral person [2]. The economic prevails the juridical in modern activities although the issues are still analyzed from a legal point of view, in order for them to actually exist. The doctrine has been influenced by the economic, presenting a more pragmatic view of the companies' situation influenced by the economic aspect. The absence of the moral personality of the group has important consequences because it involves the denial of the concept of heritage and social commitment, but also the impossibility of the group to sue or to be set into liquidation or judicial redress. It actually results that, in principle, a company cannot dominate another and that within the group all the companies are independent and legal from an autonomous point of view. The disagreement between the economic record of the concept of group and its legal expression raises numerous problems, especially an important issue that concerns the definition of borders and limits of the group.

The management of the group may want the use of consolidated accounts as a management tool of the group with the purpose of investigating specific possibilities of the group. On the other hand, in order to follow the legislative provisions, meant to govern these notions, it is good for associates and third parties to have access to information in order to make an accurate description of the reality of that group.

The assembly to be strengthened consists of the parent company and the companies dependant on it: subsidiaries, plus associated companies over which the parent company has significant influence and joint interest companies. The parent company can play, at the same time, an economic and a financial role. It brings together identical, close or complementary economic activities, executing itself part of these activities. For this purpose the parent company retains the assets, but in most cases it entrusts their management to a company in the group [3].

Most frequently the parent company plays a solely financial role, in which case it is called "holding". The holding does not

exercise industrial or commercial activities. It is limited to managing multiple financial participations that it possesses in various companies. In the evolution of the role of the holding, today, increasingly more this assumes, in addition to its financial role, the management and administrative activities. This leads to a highly diversified activity of the group. For example, the group controlled by the parent company, holding type, may have control in a sphere of activities starting from manufacturing cars to shipbuilding, from office equipment to restaurant management and the selling of public alimentation goods. Those companies whose only function is to hold equity, and do not have operational activity, are called pure holding. The pure holding balance sheet limits, actively to the participation securities and to loans granted to subsidiaries and passively to own equities and to the medium and long term liabilities. In the profit and loss account there are reflected incomes from dividends and interest, interest expenses and eventually the provisions constituted for the depreciation of the investment securities.

A group of companies allows, from an economic point of view, a better adaptation to fiscal, economic, and even political circumstances, as follows [3]:

- limiting financial risks;
- searching for funds;
- seeking tax concessions;
- searching for banking advantages;
- diversifying activities and allocating risks;
- increasing global economic importance (transnational corporations);
- acting in the interest of achieving a political aspect or some privileges (in the case of foreign affiliates).

The group has more an economic than a legal significance because it has no legal personality not being the subject of a moral personality. There is that disagreement between the economic evidence of the group network and its legal expression. For the formation of a group, actually combine economic, financial and fiscal benefits, based on some contracts with advantages resulting from the legal autonomy and the functional decentralization of each company.

5. The typology of groups of companies

5.1. The typology based on the size of the group

An enterprise is characterized by a system of indicators that include the turnover, the balance sheet total, the number of employees, the total equity. Internationally, there are no numerical thresholds for a classification of groups. However, the groups can be distinguished as [4]:

- small size groups;
- large size groups;

Large groups, themselves, are divided into two categories:

- National, characterized by the exclusive expansion in the country of origin;
- International, characterized by a network of subsidiaries, associated companies, located abroad; This type of group is better known under the name of multinational company.

5.2. The typology based on the nature of the activity

Depending on the activities carried out by the parent company for the administration of the group and the control tools used, the group may behave differently, as follows [5]:

- Patrimonial Group - characterized by an insignificant influence of the parent company in the management of the subsidiaries. This does not act only as a simple investor, its role within the group is to manage its investment portfolio, making securities' sale operations using specific modalities of stock exchange transactions;
- Financial Group - characterized by an emphasized influence of the parent company on the subsidiaries, with a financial impact. This shows itself in the form of shareholdings to capital increases, of crediting activities, of the subsidiaries, establishing policies for dividends, the appointment of the Board. The control instruments are the financial indicators that the parent company shall calculate, interpret and forecast for each of its subsidiaries;
- Industrial Group - the parent company decides not only financially, but also expands its competences over the operating activities of the subsidiaries. It

elaborates development strategies of the industrial activities of the companies within the group, marketing studies, coordinates restructuring and disposals, as well as the international expansion. Thus the control instruments are diversifying, besides the financial ones, making their appearance those of strategic analysis;

- Strategic Group - the parent company does not represent the only factor in determining the action directions of the group. The companies involved together with the parent company make up an integrated system of coordination and decision on the future strategies of the assembly.

6. Conclusions

The European legislation has defined a global model where it searched the notion of group reality, so that it was able to define several possible models, principles and concepts essential for its foundation. The global model of the group is trying to be unified, but it has many forms. Even if the Community model defined by the Seventh European Directive is unified and with several forms, the models defined by the national legislation in Europe can be considered significantly divergent. It seems that there may be released from here the accounting principles generally accepted. The European Community model fits within the context of international normalization. The national patterns are still highly influenced by the accounting law culture.

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Modalities of Financing and Acknowledgement in Accounting for the Worship Entities of Romania

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Abstract

Religion represents a social, but also an individual reality, which must be analyzed in the context of the society, in terms of the institutional process. Considering the worship entities role in the social life of community, they are supported by the state with budgetary subventions, but also with fiscal facilities and citizens sponsorships encouragement. View as a patrimonial entity, each worship institution must organize its own accounting, the bookkeeping being realized in the simple-entry system. The worship entities elaborate yearly their own Budget of Incomes and Expenses, controlling permanently the respecting of legal sources for incomes and legal destinations for expenses. The incomes and expenses are grouped on activities types: activities without lucrative purpose and economic activities. The bookkeeping is yearly verified by the censors commission of the church. On the level of central institutions, the bookkeeping is kept in double-entry system, with Check Balance and Balance Sheet.

Keywords: activities without lucrative purpose, simple-entry, budget of incomes and expenses, subventions, sponsorships

Code JEL: M41, H72, Z12

1. Introduction

The worship entities of Romania were juridical persons, organized according to its own statute, since 1928.

If during 1948-1989 the Law of Cults was repealed, according to the legislation after 1990, they are considered juridical persons of private law and public use and they are

registered at the territorial fiscal authority. There are 18 recognized cults in the present in our country (the recognition condition is to function permanently at least 12 years, and its members represent at least 0,1% from the total population of the country). [1]

The worship entities finance it selves by: own incomes, created and administrated according to their statute; believers contributions; support by the state by fiscal facilities, central and local budgetary subventions, goods received in property or use from the central or local public authorities, respecting the initial destination and under the control of the state for their use; incomes from partnerships and agreements with other institutions of the state.

The national and major church is the Romanian Orthodox Church (BOR), unitary and autonomous, organized on two levels:

- ♦ On the **central level** we have: deliberative organisms (Saint Synod, Permanent Synod and National Church Assembly), executive organisms (Patriarch, National Church Council, Permanence of National Church Council) and administrative organisms (Saint Synod Office, Parish Administration).
- ♦ On the **local level** we have: parish, monastery, rank, bishopric and metropolitan church.

2. Financial and Accounting duties of BOR organisms and the Clerical Patrimony

On the hierarchical levels, the BOR organisms have precise duties regarding the constitution and founds approval, financial-accounting documents elaboration and Clerical Patrimony administration.

On the central level, the administrative organisms include the economic and financial offices, with the Accounting sector, the sector of real patrimony and the Commission of Inspection and Auditing, composed by inspectors for financial and administration control. [5]

The executive organisms elaborate the Budgetary Execution Account and the Balance-Sheet for the central institutions; elaborate the General Budget of the Clerical Administration; analyze the way of goods administration; decide about the donations, sponsorships and goods acquisitions for the central institutions.

The deliberative organisms approve the Budgetary Execution Account and the Balance-Sheet for the central institutions, the General Budget of the Clerical Administration, adopt unitary measures for goods administrations in the worship entities and approve the constitution and distribution of clerical funds.

On the local level – the worship entities rule and administrate themselves, independently, being fiscal registered for their non profit activity, and also for the economic activity.

In the **parish**, the patrimony administration is realized by the priest. This one controls the administration of goods and makes the inventory of all the parish goods, library and archive. Being the superintendent of the all mobile and immobile parish fortune, he is disciplinary and administrative responsible in front of Parish Council, and for the bad administration, he is responsible in the front of law. In this context, the priest has the following duties:

- ♦ he keeps the register of incomes and expenses, and, at the end of the year, he presents a report about the church incomes and expenses in front of the Parish Council;
- ♦ he cashes the proper sums for the parish and makes the daily payments in time.

As deliberative organism of the parish, the Parish Assembly approves yearly the Budgetary Execution Account and the Balance-Sheet, and also, the measures for the property administration. As executive organism of the parish, the Parish Council elaborates the parish budget, the report concerning the Budgetary Execution Account

and the Balance-Sheet, and establishes the censors for the financial control.

Many parishes form the **rank**. The archpriest verifies the accounting registers, the library and archive, the goods situation and elaborates quarterly a financial activity report and yearly, the Budget. Many ranks, with the monasteries situated on the same area, form the **bishopric**. The Budgetary Execution Account, the Balance-Sheet and the yearly Budget are elaborated by the Bishopric Council, as an executive organism, that also administrates the goods and makes the inventory. These documents and also the donations and sponsorships are approved by the Bishopric Assembly as a deliberative organism.

Many bishoprics form a **metropolitan church**, where the activities are similar, but on higher level. All the goods situated in the churches property form the **clerical patrimony**, which represents the object of administration and bookkeeping.

Regarding their destination, the goods are grouped in:

- ♦ **holly goods** – worship constructions (cathedrals, churches, chapels etc.); ritual clothes and books, cemeteries, paintings, sculptures, jewels, rare books, textures, documents etc.;
- ♦ **common goods** – clerical schools, museums, cultural, philanthropic and economic establishments, agricultural lands, forests, grasslands, vineyards, orchards, gardens, cash, debts etc.

In the first case, the holly goods are inalienable and indefeasible, the property is exclusive clerical and the use yielding could be given for three years maximum. In the second case, the common goods are those destined for church maintenance and its purposes achievement.

The affiliation of goods at these two groups is established by the Synod, also the transmission of goods use or property. The archives and libraries are exempted, because they are in the exclusive property of church, and they can't be alienated. If a worship entity is closed, its entire patrimony is transferred to the hierarchical superior institution. The goods donated to BOR can't be later claimed.

3. Financing Modalities in the worship entities

The BOR Statute stipulates that the expenses for the maintenance and function of worship entities and also for constructions and repairs, will be covered from the following sources: central and local budgetary contributions, contributions of other institutions, incomes from own activities, and believers contributions.

a. The incomes from State Budget, local budgets and other institutions

Because the state recognize the activity of worship entities as "social services suppliers", it supports this activity with subventions from the central and local budgets, unrepayable founds, public subscriptions, partnerships and agreements approved by law.

The worship entities from the country or from abroad, can also require financial helps from the Romanian Patriarchate to support some pastoral, spiritual, cultural, social and public activities. The helps are granted according to the material situation of the entity, its real needs and the percentage of its believers in the total of population. The state budgetary subventions are granted for the clerical employees salaries and for investments.

In the first case, according to the Law 155/2008, applied starting with 01.01.2009, the state supports the salary of clerical staff by allotting yearly a found destined for: monthly indemnities for the management staff; yearly support of the clerical staff salary (65% from the base salary in the entities with sufficient incomes, and 80% from the base salary in the entities with small incomes, but not more than 30% from the total positions, in the last case).

The budget supports the salaries also by granting contributions founds for social, health and unemployment insurances, due by the entity (20,8%, 5.2% and 0,5%), calculated at the salaries subventions. The clerical staff who obtains incomes from renting, leasing or granting properties, don't benefit of this help.

For the Romanian worship entities from abroad, the state grants subventions for completing the salaries and the afferent contributions, in sum of 200.000 Euro/month. [1]

In the second case, the way of investments expenses financing is regulated by HG 63/1998. The State Secretariat of Cults distributes the subventions to the bishoprics, and these ones, to the parishes, based on the technical and economic documentation elaborated by parishes and preliminary approved. The founds are used for the construction, repair, conservation and maintenance of worships buildings.

The parishes are obliged to report monthly to the ranks, and these ones, to the bishoprics, the way of founds use, separately from their own Budget of Incomes and Expenses. The control of founds destined for investments is made by the financial control organs of the bishopric.

b. The own incomes

They are the incomes from agricultural lands exploitation (grasslands, vineyards, orchards, arable lands etc.), or from the economic activities of church printing workshops, and workshops for cult objects production, candles foundries etc.

The products resulted are sold by the clerical shops and parishes "pangars". The incomes are used for covering the maintenance expenses of the worship entities.

c. The incomes from donations and sponsorships, received from individuals

They are sums and goods received with receipts from the believers who, according to the law, can't be later claimed. These incomes can be used for financing the subventions expenses, in order to complete the State Budget subventions. [1]

According to the law, the juridical persons can grant sponsorships in the limit of 3% from the turnover, but without exceeding 20% from the profit tax due to the Budget. The individuals can decide about the destination of 2% from the yearly income from independent activities tax, to the worship entities.

d. The incomes from unrepayable financing from public founds

It's the direct financial allocation from public founds, in order to support the non-profit activities of worship entities.

The public founds are allotted from the State Budget, local budget, State Treasury, budgets of public institutions financed from extrabudgetary incomes, extern financial help, extern credits guaranteed by the state etc.

The public funds allocation is achieved by presenting an investments project, made by the worship entity, submitted to a public selection procedure. The investments projects can be realized also by financing in public-private partnership, with different levels of investor involvement. The investors are selected according to the law and feasibility studies are elaborated. Even if the worship entities benefit of budgetary subventions for salaries and investments, their feature is the self financing from specific incomes (donations and contributions of believers) and also from their own economic activity, by selling their products. This feature requires reporting the incomes and the expenses, separately on provenience sources and financing sources, and the permanent control of the state, because the auditing of worship entities is not enough to assure a good administration of the resources.

4. The Clerical Budget of Incomes and Expenses

In the worship entities, the Budget of Incomes and Expenses is destined to foresee and also to reflect the way that incomes and expenses are achieved. It is elaborated yearly, with six months at least before the beginning of the year.

The incomes are grouped on the following sections:

- ♦ incomes from the cult activity (contributions of believers and other contributions)
- ♦ incomes of annexed activities (agriculture, renting etc.)
- ♦ other incomes (sponsorships, recuperated materials, sales etc.)

TOTAL OWN INCOMES

- ♦ received subventions
- ♦ encashment from other entities

TOTAL INCOMES

The expenses are grouped in the following sections:

- ♦ expenses of the cult activity (salaries, indemnities, salary contributions, water, energy, materials, phone, inventory objects, repairs etc.)
- ♦ expenses of the annexed activities (agriculture etc.)
- ♦ investments

TOTAL EXPENSES for the own activity

- ♦ subventions granted to other entities

TOTAL EXPENSES

Difference between incomes and expenses

- ♦ payments to other entities
- ♦ rates and rents

TOTAL EXPENSES

- ♦ sold in cash and banking account at 31 December

There are more two reports:

I. The stocks situation at 31 December - values

1. *Fixed Assets – lands, buildings, library found, others*

2. *Inventory objects (materials)*

3. *Candles*

4. *Peddling*

II. The situation of sold candles during the year (quantity and value).

The Budget of Incomes and Expenses is elaborated by the parish and present to the rank, for centralization and deposition to the bishopric. For the received subventions, the report is directly made to the bishopric, that reports to the State Secretariat of Cults, the way of subventions use. The Budget is elaborated on each hierarchical level, reflecting the incomes and the expenses on provenience sources and use destinations, according to the own activity of the worship entity.

5. Acknowledgement in Accounting of patrimony elements, incomes and expenses

Being a patrimonial entity, the cult institution has economic assets (patrimonial active) and financing sources (patrimonial passive). The assets and sources elements respect the valuation rules at the entry (input), output and at 31 December, when the Balance-Sheet is made.

1. *Immobilizations (material):*

❖ Material (lands and fixed assets) – are amortized revaluated and permanently adjusted. The lands are exempted to amortization.

2. *Current assets (stocks, debts, short term investments, cash)*

❖ Stocks – can be registered quantitatively – value, or only value. To accomplish them functions, the worship entities need of specific materials, like: icons, religious books, crucifixes, wine and flour for the mass, candles, frankincense, religious calendars etc. These goods can be provides from:

- their own production structures – the stocks circulate at the production cost, based on transfer notes;
- especially organized structures, with juridical personality – the stocks circulate at the producer price (including the commercial supplement), based on fiscal invoices;
- extern suppliers – the stocks enter at the acquisition cost from the fiscal invoice, with deductible VAT, that are included in the acquisition cost.

The worship entity registers these inputs at the value written in the documents and sells them to the public at the same price, without obtaining any profit.

❖ Short term investments (value titles). The input is registered at acquisition cost, at 31 December they are valued at the same cost, reduced with the adjustments, and, at the output, also at the acquisition cost.

❖ Cash and banking account – they are registered at the nominal value – at the entry, at 31 December and at the output.

3. Debts and liabilities (on short term)

❖ Debts are registered by selling goods resulted from the economic activity. They are registered at the nominal value, at input and output, and, at 31 December, the value is reduced with adjustments.

❖ Liabilities – contain the suppliers, the salaries, the social contributions, the fiscal taxes and are registered at the nominal value.

4. Subventions - are cashed from the State Budget, government agencies or other similar institutions, from Romania or from abroad, containing: government subventions, unrepayable credits etc. They can be: subventions for investments (donations and inventory plusses for fixed assets are also included), or subventions for exploitation. The subventions for investments are recognized as incomes in the same period with the afferent expenses, that these subventions have to compensate (the amortization expenses for the fixed assets). The subventions for exploitation are recognized as incomes in the moment of their encashment from the budget.

5. Capitals and reserves. They are represented by the own financing sources: cash or goods contributions, revaluation reserves, other reserves (legal, statutory etc.), profit (previous and current) – separately

registered for activities without patrimonial purpose, and for economic activities.

6. Incomes and Expenses

❖ Incomes – represent increases of economic benefits as inputs, assets increases or liabilities decreases. They are separately registered on activities types:

- incomes from activities without patrimonial purpose: contributions of members, donations, sponsorships, interests, subventions, unrepayable credits, provisions etc.;
- incomes from economic activities: exploitation (sales, production etc.).

❖ Expenses – represent decreases of economic benefits as outputs / decreases of assets, or increases of liabilities, that are reflected in own capitals decreases. They are separately registered according to their nature:

- exploitation expenses (stocks, services, salaries, contributions etc.);
- financial expenses.

On each type, they are detailed on activities type:

- expenses of activities without patrimonial purpose;
- expenses of economic activities.

6. Bookkeeping by simple-entry system in the worship entities

The bookkeeping in the worship entities is stipulated in OMF 1969/2007, that contains also the primary accounting documents and registers that must be used: Journal for Encashment and Payments, Cash Register, Journal Register, Inventory Register, Receipt, Delegation Order, Disposition of Encashment/ Payment. Acquisition List, Amortization Formulary, Pay List, Consumption Note, Inventory List, Reception Note, Balance-Sheet etc. The modality of fill in, circulation and archive respects the same rules like the companies.

The bookkeeping technique in simple-entry requires the use of following forms for chronologically registering: [3]

- for capital operations – the form for diverse operations;
- for fixed assets – the form for amortization;
- for stocks – the form for material values;
- for different types of incomes or expenses – the form for diverse operations;
- for cash-flow – the Cash Register;

- for banking – the Journal of Cash and Banking operations.

On each forms, the monthly total is calculated, that is overtaken in the Journal-Register. This one contain: date, document, explanation, sum – with the total at the end of the month. These sums are added with the ones cumulated from 01 January, and the totals are registered in the form *The situation of Assets and Sources Balances*.

At 31 December, the Inventory Register is obligatory elaborated, containing: elements, registered value, inventory value – and the total (the equality respected is: TOTAL ASSETS = TOTAL SOURCES).

Between the totals from "Inventory Register" and "Situation of Assets and Sources Balances" it must be equality. Starting with the bishopric level, the double-entry bookkeeping is applied, and monthly, the Check Balance is made. At 31 December, they elaborate the annual Balance-Sheet, similar to the companies.

7. Fiscal aspects regarding the worship entities activity

Fiscally speaking, we can discuss about: profit tax, VAT and excises, according to the Fiscal Code stipulations.

- ♦ The profit tax – is calculated: 16% (Profit – Exempted incomes + Non deductible Expenses).

The worship entities are exempted for profit tax payment, in the case of following incomes:

- ♦ incomes from production and sale of objects necessary from the cult activity;
- ♦ incomes from renting;
- ♦ incomes from compensations (the sums must be used for maintenance and function of cult institutions, for their constructions and repairs etc.)
- ♦ incomes from members contributions;
- ♦ incomes from donations and sponsorships;
- ♦ incomes from public founds and unrepayable financing.

There are exempted also the incomes from economic activities, under 15000 Euro/year, but not more than 10% from the total exempted incomes.

- ♦ VAT is calculated 24% from sales, but, the sale of cult objects (cult vases, icons, crucifixes, calendars) – is exempted,

because it isn't considered economic activity, and VAT isn't applied. If the worship entity has an economic activity with turnover under 65000 Euro, it's exempted of VAT taxation.

- ♦ Excises – the fuel acquisitioned from suppliers, importers and distributors – and used for the worship entity heating (with the exemption of rooms used for economic activities) is exempted for excises payment. [2]

8. Conclusions

The worship entities of Romania function according to their own statute and organize their own bookkeeping, in simple or double entry system, according to the hierarchical level they are situated. The bookkeeping has as object the clerical patrimony, its valuation and good administration. The Accounting Acknowledgement of patrimonial elements respects the general accounting rules, but present also special features. In the worship entities, we have activities without patrimonial purpose, but also economic activities, fact that decides the elements structure in the Budget and Incomes and Expenses. According to the Fiscal Code, the worship entities benefit by certain fiscal facilities, regarding: profit tax, VAT and excises. Their activity is supported by own incomes, by subventions from the budget and other public institutions, but also by contributions and sponsorships from believers. Even being modified after 1989, the legislation regarding the worship entities still requires amendments, especially in the accounting sector.

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Responsibility Accounting as Strength of Management Accounting

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Abstract

The role of management accounting in the creation of information resources is shown. Much of the information is created in the accounting and analytical system. Improvement of managing restaurant business is based on management accounting data. Its strength is responsibility accounting. Approaches to organization of accounting for responsibility centers in enterprises of restaurant business, three types of such accounting and its benefits for management aiming to improve, upgrade and create a new process useful for the client are defined.

Key words: management accounting, responsibility accounting, types of systems of responsibility accounting, enterprises of restaurant business.

J.E.L. Classification: M41

1. Introduction - Statement of the problem.

Ukrainian economy is in a situation that needs solving various tasks both at the macro and micro levels. Scientists state that the primary sources of economic growth are space (energy), nature (substances), society (intellectual labor) [1-3, 6]. Among the traditional factors of economic growth such as physical labor, capital and technology significant place belongs to the information that is the product of human intellectual activity.

The main driver of economic growth in the modern world is information resources created through the creative processes [4-7]. Much of the information is generated through accounting and analytical system of

enterprise, which aims to facilitate the ordering of scattered data on the basic processes undertaken at an enterprise, organization or institution. Enterprises of restaurant business are no exceptions. They provide a specific type of public services, which in a broad sense health of a nation depends on.

Thus, the problem of improving the management of an enterprise of restaurant business can be solved by changing approaches to creating useful information by managers of responsibility centers.

The aim of the article is to outline current approaches to organization of responsibility accounting aiming to enterprise of restaurant business management.

2. The main material.

The competitive environment, in which enterprises of restaurant business in Ukraine operate, needs to make strategic management decisions considering changes of consumers behavior and their needs for healthy nutrition.

An administration of an enterprise of the restaurant business always needs information to determine the vectors of its individual segments development, considering possible nature of changes in demand, innovations at the market of technological equipment and technology of cooking, to assess their competitiveness and strategic competitive advantages, costs to implement a particular mission, to achieve objectives and increase business profitability, potential management, support internal stability of the enterprise as a system etc.

The success of problem solving is related to the human factor, as far as during the information creation process it can be prepared without considering needs of particular users of appropriate management

levels, distorted as a result of incompetence or irresponsibility.

Accounting and analytical system will provide the owner and manager, departments managers with the trajectory of its development and life cycle of certain dishes, income in different angles of its formation, the use of material, labor and financial resources.

Most authors are inclined to believe that the strength of management accounting is responsibility accounting [1, 2, 5, 6]. Responsibility accounting is a system of accounting that provides monitoring and evaluation of each responsibility center activity. The concept of responsibility centers and accounting was first formulated by John A. Higgins in the early 1950s (USA). Its essence is also described in textbooks, monographs and scientific articles of our contemporaries, but in connection with manufacturing enterprises.

In our opinion, at the enterprises of restaurant business responsibility centers can be:

- *cost centers* (department managers of which are responsible for the implementation of certain operational tasks within the allocated costs budget):

- center of logistics costs, which regulates all costs related to the purchase, delivery, storage and movement of products and raw materials;

- center of production costs, which regulates all costs related to the processing of products and raw materials and delivery of services to customers;

- center of administrative costs, which regulates the costs related to enterprise management and maintenance of its life cycle;

- sales cost center that regulates the costs related to sale and advertising of products and services;

- *income centers* (departments managers of which within the allocated costs budget are responsible for maximizing income (revenue) from sales and other types of income):

- center of income from marketing that regulates all forms of income, providing promotion of an enterprise on the relevant market, as well as manufactured goods and services (one such center for medium and

large enterprises or lack of one in small businesses);

- center of marginal income from sales of goods and services, including all points of sales where dishes, goods and services are directly delivered to customers (one or more, separated by place of sale);

- center of other operating income, which regulates all other forms of income not related to the products, goods and services sales;

- *profit center* (department managers of which are responsible for maximizing profits (can make decisions that affect profits by reducing costs or increasing revenues) - for enterprises of restaurant business the enterprise if it's unitary or each business unit of enterprises network can be such a center;

- *investment centre* (managers are responsible for obtaining profit and make decisions about resources use) – for enterprises of the industry it is unusual and created quite rare, mainly in large networked enterprises.

Thus each responsibility center should be provided with their budgets and related forms of internal reporting, according to which reporting on management objectives performance for the period is done. For enterprises of restaurant businesses, more often the responsible persons for income are director, manager, waiters, bartenders and other managers involved in sales (sales manager, etc.). There should be a clear interconnection between the responsibility centers, functional responsibilities of particular managers and people who make management decisions. Effectiveness of responsibility center activity is determined by the best result of the execution of task by activity segment on condition of the best use of an enterprise potential. It is appropriate to conduct marginal analysis to identify the contribution of each center (zone) responsible for income (restaurant, cafe, billiards, bowling, karaoke, etc.) to cover of total fixed costs and ensuring the profit of an enterprise.

Studying scientific economic literature allows to assert that within the management accounting three types of responsibility accounting systems can be created: a functional-oriented; process-oriented (focused on processes or activities); strategically oriented.

Each of these systems provides availability of specific items. The first of them we can consider *established types of responsibility (for structural unit*, which are warehouses, production department, rooms for customer service, administrative and technical facilities etc.; *for process*, such as basic (cooking) or additional (washing table linen).

The second is *defined performance indicators and standards* (standards and norms of resources use). The third element is the *evaluation objects* (activities of waiters, bartenders, marketing, etc., which should be written in maps of corresponding processes). Therefore, managers for areas of activity have to establish controlled parameters set by financial and non-financial indicators, such as the execution of the process in time, productivity, cost, quality, customer satisfaction indicators.

Note that system of responsibility accounting in stable environment is called *functional-oriented accounting* or responsibility accounting for functions. According to this approach, responsibility may be laid on the basic structural units of an enterprise of restaurant business. It is usually measured in financial indicators, for example, the amount of costs incurred for the purchase of raw materials, material and technical resources, staff development, revenue etc.

Process-oriented responsibility accounting includes responsibility for specific processes, such as "Processes related to customers", "Provision of resources", "Processes related to manufacture of production", "Customer service", "Human resources", "Infrastructure", "Workspace", "Monitoring of service quality", "Information resources" etc. For evaluation financial and non-financial performance indicators (quality and efficiency) are also used. This system has some features if an enterprise of restaurant business is focused on customers and constantly improves its ability to meet their needs, ones of enterprise's owners and the state.

In theory and practice of management in fact there are only three methods of changing the way of action, i.e. the process (improvement, updating, creation). *Improvement* is characterized by a constant increase of the efficiency of the existing

process (e.g., cooking technology, customer service, demand analysis). *Upgrading* involves implementing changes to affect the time and quality (powerful material technical base is created, e.g. convection steamer of the most modern model etc.). *Process creation* means the introduction of a completely new process to achieve the strategic goals (e.g., process of activity quality management is introduced).

Note that the advantages of accounting for processes (types of activities, "ABC method", operational cost accounting) are given by foreign and Ukrainian scientists [3, 8]. They described the process of recognition of activities types which consume the product in order to manage the causes not the costs that have incurred. The majority of authors consider the advantages of this calculation in the context of improving the methods of classification (distribution) overhead costs. Meanwhile, the emergence of this approach became a key factor for the implementation of the system, oriented towards continuous activity improvement. The authors didn't stress that the activity based costing (ABC method) adds to the financial prospects of functional responsibility system one more prospect – prospect of processes. Kaplan D. and Norton R. proved that ABC method has significant advantages but is limited as efforts aiming to improve the activity are fragmented, not related to the strategy and mission of the enterprise. Need in the navigation system has arisen. The authors called it directed continuous improvement. New evolutionary stage in the responsibility accounting became strategically-oriented system of responsibility accounting (balanced score card evaluations) [Stratific - based responsibility accounting system. Balanced Scorerard], which shifts mission and strategy of the organization to operational objectives and indicators for the four different perspectives: financial, customer perspective, process perspective, infrastructure perspective [9]. *Strategically oriented responsibility accounting system* saves the process perspective and financial perspective, but also is focused on the customers and infrastructure, e.g. training and professional development of personnel. Note that the organization of such system takes into account all the benefits of ABC method. The analogue of the balanced ratings system in

France is "Tablo de bord" (Le tablo de bord), an illustration of which is given in the textbook by Golov S.F. [1, p.540].

In a situation of continuous activity improvement questions like "Which responsibility center is it necessary to define?", "What indicators should be selected for responsibility centers activity evaluation and how to balance them?" will arise to practitioners. Balance means that the selected indicators are balanced between leading and lagging indicators, objective and subjective, financial and non-financial, external and internal.

Indicators of lagging measure impact and are the result of collaborative efforts / inactivity (e.g., the level of customers paying capacity). Leading indicators are factors of future performance (e.g., time spent on professional personnel development, funds spent for modern information and communication technologies). Objective indicators can be easily measured (e.g., share in the service market). Subjective ones are harder to measure (e.g., evaluation system of personal characteristics of waiters, front office managers should be created). Financial indicators are always expressed in monetary measurement (profitability, and marginal income of different types). Non-financial indicators are not expressed in hryvnas, for example, number of dissatisfied customers. External indicators may indicate customers and shareholders satisfaction and return of investment. Internal - responding to the needs of personnel etc.

The use of ABC method in the management accounting system will allow to focus attention of the managers on activity to improve the value of nutrition services. The problem is measuring the costs and revenues of individual processes.

Because due to the accounting system it is necessary to have information on whether the activity is effective, activity not costs should be under report. It is important to achieve system- strategic outcomes, not just the individual ones. Activity is fruitful if it keeps an enterprise of the restaurant business in the service market (optimal level of clients is supported). During this activity added value is created and the costs incurred can be considered useful.

3. Conclusions.

Enterprises of restaurant business execute activities strategically important for the healthy nutrition of people and economic growth in Ukraine. Operating in a competitive environment leads to the need to improve management accounting by wide use of responsibility accounting and zoning. There are functional-oriented, process-oriented and strategically-oriented systems of such accounting. Their creation in practice depends on the correct defining of the type of responsibility, indicators and standards for evaluation and evaluation objects. The objects of measurement should be processes undertaken while providing services to clients. Revenue management based on responsibility center organization allows to form clear defined places of marginal income formation, to forecast, budget, evaluate the effectiveness and efficiency of the responsibility centers activity. ABC method allows to focus managers attention on activities to improve the value of nutrition services and client entertainment.

Improvement of responsibility centers accounting based on activities zoning needs further investigations.

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Development of Internal Corporative Regulations and Accounting Standards

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Abstract

It is noted that a national regulation for accounting firms is inappropriate. Good corporate governance is proved to be important to develop internal regulations and accounting standards. The necessity of forming regulations and standards for the three-level hierarchical scheme is indicated. The basic principles which should be kept to build a complete system of rules regulating corporate accounting and reporting are defined. United requirements to the structure, presentation and terminology standards and specified sections of each are developed. We prove that the accounting policy is the same document for the entire corporate union that reflects aspects of accounting and reporting. The conclusion about the possibility of operation of the integrated accounting system in a single information system as part of the common information to provide appropriate economic union is done.

Key words: accounting, regulations, standards, accounting policies, corporate governance

J. E.L. Classification: M41, M48

1. Introduction

The complex organizational structure of corporations, which includes the presence of logical relations of management levels and functional areas, causes the nature of economic activity, which includes, in addition to the direct fulfillment of the main production and sales cycle, an organization documenting and accounting of ongoing business operations, the formation of internal and external statements.

An array of documents regulating accounting and reporting, consists of two

subsystems: the external regulations and internal documents of the entity. The ratio of these two subsystems is derived from the exponent of law and democratization of local rulemaking of particular business entity. Adoption of internal documents is provided by law. Another part is created by its own will, depending on the scope and scale of the business activities of the participants, integration interaction, the characteristics of industrial and economic structures, and spatial distribution of structural units, experience, psychological climate, traditions, relationships of team and top-management, shareholders and managers .

Market relations are a dynamic system that is constantly changing and it is impossible to strictly regulate the total accounting from the part of the state. Even the best external regulation that is installed on the center of a system of rules, cannot absorb and take into account all possible diversity of economic practices [1]. In modern conditions of business management the value of the local legislative support significantly increases. Research has indicated that it is a unique means by which, first, the process of liberalization of the real accounting system is done, and secondly, there is the improvement of regulatory accounting and reporting, and third, the contradiction of existing legislation is resolved.

2. Analysis of research and publications.

Significant contribution towards the integration of the level of companies (enterprises), developing approaches to in-house regulations, standards and statements is done by scientists S.F.Holov [1] L. Napadovska, A.A. Boychuk [2], M.S. Pushkar, [3], M.T. Shchyrba [3], A. Sushkevych [5], V.F. Maksimova, O.V.

Tsybulko [6], V. Zhuk et al. However, most studies have dealt with the issues of unification of accounting standards, development and improve accountability at the national level. Regarding the development of regulations and standards on the level of large enterprises, companies, corporations or holdings, this field still requires significant research.

3. Results of the research.

We found that the concept of "internal standardization" can be interpreted in two ways. On the one hand, internal standardization is a process of common principles (rules) governing the construction and maintenance of accounting in the enterprise. On the other hand, standardization can be understood as the development of regulations that establish these common principles (rules) of regulation and accounting. By **internal regulations** (standards) we mean a set of internal regulations developed at the level of the entity (company) and its regulatory accounting and reporting for the purpose of forming high-quality information on the activities for different users.

It is studied that in terms of failure and imperfection of legal framework, the creation of a body corporate is important within a single regulatory space through the development of internal standards.

In terms of the organizational approach to integrated accounting system internal regulations and standards provide a complete unification of accounting systems within the corporate body (company). This approach to providing guidance and technical accounting process for corporate participants allows specifying general principles to accounting objects. Internal regulations creating the technological basis for their accounting work, provide receiving answers by contractor to the question "what to do" and "how to do" and, thus, will increase productivity, the interchangeability of accountants, provide comfort by setting clear, unambiguous rules (much easier is to follow the instructions than to take a minimal responsibility).

It is established that domestic regulations are applicable instrument of control, indicator, a benchmark of quality of accounting procedures, mechanism of

rational organization of accounting. High quality of internal regulations covering all aspects of accounting and reporting, consistent and full implementation of guidelines provide the necessary transparency of financial reporting for all potential users.

A key argument to prove that building a system of internal accounting and reporting standardization is the ability to improve the quality of information maintenance of corporate (enterprise) management as a whole. However, we are not talking about unification or standardization of accounting at the state level, and agree with the opinion of S.F.Holov, that it is an obstacle to its development [1].

The combination of the above has led to the need to develop methodological approach to the system of corporate accountability groups, based on the consistent performance of the following stages: establishing management problem, which determines the main objectives of the organization and internal reporting requirements; stipulates the formation of accounting policies, which optimally standardize processes for collecting and reporting information processing; the definition of principles which implementation will ensure that the requirements are imposed on the system of internal reporting; develop methods of forming internal reporting system to ensure its compliance with the information needs of users; construction process scheme for collecting, processing and control of reporting information to optimize the flow of reporting information.

Internal standards and regulations, according to the results of this research, are advisable to be formed following three-level hierarchical scheme. The document of the first level - systems -forming (basic) regulations, containing the basic methodological approaches to the development of the system. Documents of the second level - the regulations, classifications, guides. Third - a set of operating instructions that include step by step sequence of actions and provide technological support for a particular executor. The areas of internal standardization of multi-purpose integrated accounting system are: standardization of financial accounting, management

accounting standardization, standardization of tax accounting (tax payments), standardization of management reports and so on. According to the concept **the main purpose** of internal corporate accounting and reporting regulations is to establish common methodological approaches to the organization and maintenance of an integrated accounting and reporting for both structural units, and for the parent company (corporate entity) as a whole.

The basis for a complete system of corporate regulation of accounting rules and reporting is grounded on the following **principles**: 1) the totality - provides for its "total" spread to all areas (level) of accounting, 2) continuity - considers foreign law changes in accounting, changes in goals, corporate structure, etc., and 3) implementation - adopted regulations must be strictly observed - this is one of the basic rules. Otherwise, the idea of internal management and improvement of the quality of accounting information is whittled down. For non-following the rules there should be a command, and for performance - motivation, and 4) consistency – qualifies as a set of internal standards, 5) transparency - provides clarity and accessibility of internal documents, 6) universality - is the repeated use of certain documents to different aspects of the management of corporate union, 7) hierarchy - is the "architecture" of the system of internal regulation, under which regulations are developed.

The principles identified requirements to standardization of corporate accounting. Based on the research, we consider appropriate to lead the development of standards for the hierarchical scheme, which is implemented as follows. **The** main (basic) standard that describes the general principles, common approaches is created. Then the general principles are specified in the applicable accounting for different objects. For example, the development of the regulation on the calculation of production costs in the basic standard expenditure costs can be identified. Each article contains important comments, elements of accounting and calculation models - principles of assessment of raw materials, work in progress and finished goods, calculating methods. Then according to basic standards the standards to specify the accounting

objects are prepared: the Regulation on calculation of cost of production of primary production, the Regulation on the calculation of the cost of goods (works, services), supplementing production, the Regulation on calculation of the cost of goods (works, services), service industries, etc. In turn, the above mentioned provisions are complemented by the Regulation of finished goods (works, services). The specifications can be extended. Detailed hierarchical structure can be specified to any degree of depth, with any number of features for classification. In this example, the basis of the established hierarchy is largely with technological features - the essential technical characteristics of each production. But besides technology, "target" and several other features can be used. The study identified the following benefits of the hierarchical approach to building a system of internal standardization (regulation). By using the principle of "from general to specific" the integrity and uniformity of regulations is achieved, unnecessary duplication and contradiction is eliminated, complexity of the development of standards is reduced, as each new document is based on the general principles set forth in the previously created documents. The usability of the standards is increased, as users need to explore a limited set of quite compact standards.

On the basis of the studies the uniform requirements for the structure, layout and terminology standards are designed, as well as sections for each standard:

1) purpose (which defines the goal to be achieved and what problems are solved by means of regulations);

2) scope (describes the range of persons who have to guide the regulations);

3) period (specifies the period of validity of this Regulation);

4) the terms and abbreviations (leads needed to understand the regulations definitions used in the text, reveals the legends, symbols);

5) responsibility (indicates a list of persons who are responsible for designing, verifying the contents, approval, filing users, storage, order, regulation, making changes, compliance with regulations by users);

6) description of the methodology (defines procedures implementing the requirements of the standard);

7) guidance notes (includes a list of existing internal and external regulations, which are referred to in this Regulation and / or have been used in the development of regulations);

8) users (this section defines the list of users of the Regulations, describes the procedure for distribution of rules to users and the order of storage);

9) changes (determines who can initiate the changes and how can consider the proposals, who makes changes);

10) supplement (contains necessary to comply with the standard background information and helpful tools: forms of documents, tables, charts, diagrams).

To realize the standardization and regulation of corporate accounting associations (enterprises) a set of interrelated internal documents of record should be developed and structured at the appropriate levels: first - Terms of integrated accounting system, the second - Standard "Accounting policy", standard "Structure and requirements for drawing up of internal reporting", and classifiers and guides, and the third - the Regulations.

Regarding the components of an integrated accounting system and its regulation, such as management accounting it is advisable to develop internal power regulations. It includes a group of standards governing the methodological aspects of management accounting (including Regulation on management accounting, the standards governing the accounting of expenses, the payments between internal departments, the internal reporting mechanism for the formation of transfer prices, etc.), a group of standards of organization of management accounting, classifiers and guides.

Conducted practical studies of accounting enable us to argue that doing management of accounting system should begin with a description and analysis of the existing information systems of corporate associations, mainly of industrial accounting. The result is the development of organizational and management structures, information flows of corporate bodies, description of production accounting. While

developing the internal management accounting standards there should be achieved the match between methodological aspects of management accounting with methods of corporate accounting (methods of evaluation of property, division of assets into current and non-current, method of depreciation of fixed assets, methods of accounting of income, classification of costs, methods of cost accounting and calculation of the cost of finished goods, the cancellation of costs of financial results, the degree of analyticity of data and accounts correspondence).

To minimize the number of adjustments and facilitate the formation of financial management and consolidated reporting all corporate subdivisions should apply unified accounting policies arising from the provisions of an integrated accounting system.

Accounting policies are the basis of accounting standards, guidelines, regulations issued by the International Accounting Standards Board and used by companies in the preparation of financial statements, including management. According to the International Accounting Standards Board, **accounting policy of the company** is a set of rules that enterprise independently selects and uses during calendar (fiscal) year. Based on this definition, the accounting policy - is a working tool of corporate accounting. It is developed by the chief accountant and approved by the top manager.

In particular, in accounting policies the following provisions of the accounting organization should be governed: unity for all corporations (enterprises); development (formation) of working chart of accounts with regard to operations with units, the procedure of analytical accounting of ownership of corporation (company) as a whole, as well as detailing at its place of use (storage), methods and location of formation of the cost of goods, works and services (in the main company or units); the accounting for cash in divisions and offices to ensure the principle of unity of enterprise, the procedure of the primary documents confirming netting of them, the procedure for allocation of costs between the parent company and units.

Elected during the formation of accounting policy methods of accounting are used by all departments. Therefore, the

financial accounting policies, adopted by the parent company, is a must for all separate units, which in turn have no right to develop and apply an accounting policy that is different from the accounting policy of the parent company.

Organization of accounting and reporting involves determining the term of providing the parent company of accounting data by separate units. Therefore, the order of the head of the company must approve the schedule and workflow between the parent company and separate units. It is necessary to establish the procedures, time transfer of information from separate division to major companies and vice versa, indicate which documents, by when and by whom should be provided to the parent company accounting department or accounting department in a separate division.

Within the accounting policy should be defined: general form of accounting processes that determine the procedure for the accounting process, and those responsible for its implementation; chart of accounts, which includes synthetic and analytical accounts required for accounting of various activities and their compliance with recording of structural units, completeness of accounting and reporting; procedure of inventory assets and liabilities of the company (corporation); forms of primary documents used to process business transactions, which are not provided by standard forms of primary documents and forms for internal accounting, methods of measurement and evaluation of accounting, workflow rules and accounting information processing technology; way of controlling the business operations, the current ways of grouping information in the form of savings at accounts and registers of accounting, and other decisions necessary for the organization of the accounting process.

Given the above, policy-making businesses can be considered as one of the organizational aspects of the integration of corporate accounting. At the same time accounting policy is the same document for the entire corporate body that reflects aspects of accounting and reporting.

Once prepared the accounting policy of the company, an important task is to define an integrated information system that depends on many factors, the main ones are:

specific economic activities, the scale of the enterprise activity, experience and skills, the information needs of users, the financial capacity of the company.

In world practice, there are systems of R/3 company SAP (Germany), VAAN 4 of company VAAN (Netherlands, USA) and Oracle Application of company Oracle (U.S.) that allow to organize effective management of all production and financial resources to implement corporate and business planning, production planning, sales, demand for material resources and more. They are successfully implemented and operated abroad, have significant lifecycle.

Integration with accounting system through the introduction of the mentioned means that unified information system will cover all aspects of both areas, and the level of corporate hierarchy data entry at lower levels to support decision-making at the top. But the biggest advantage of these systems is their focus on sharing information support of several companies that are part of a corporate merger or more structural units of the company.

4. Conclusions

Rational accounting system is based on developed internal regulations and standards and is designed to create all necessary conditions for the current and future management of the corporate body (companies). Decisions of the tasks assigned to the integration of accounting systems are possible to be taken only if interactions of the Company and its business units (or businesses that are included into corporate body). Disclosure of information on corporate activity in the financial statements requires complying with certain methods of integrated accounting, which is provided by accounting policies. Development of company's policy is one of the organizational aspects of the integration of corporate accounting. Accounting policy is one document for the entire corporate body that reflects all aspects of accounting and reporting.

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Considerations on the Auditing of Tangible Assets

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Abstract

As for the most significant audit procedures and audit tests (content procedures), regarding the auditing of tangible assets, they are represented by: the revision of audit planning works (section B) with the purpose of establishing if the evaluation of inherent risks and control risks related to tangible assets should be or not adjusted; they analyse the accounting policies elaborated by the audited entity for the management of tangible assets accounting; they draw up the "main table" of tangible assets; they draw up the "statement of tangible assets entries"; they draw up the "statement of tangible assets exits"; obtain a detailed statement regarding revaluations; obtain a detailed statement regarding the modernization of tangible assets; analyse the depreciation of tangible assets, etc.

Keywords: tangible assets, auditing of tangible assets, audit tests or procedures, tangible assets auditing procedure.

JEL Classification: M40, M41

1. Introduction

The objective of this article is to present the author's opinion regarding the method of auditing tangible assets.

The economic entities must audit the annual financial statements and implicitly the tangible assets to obtain an assurance regarding the faithful image.

By the investigation carried out, we tried to answer the question: what are the most significant audit tests and procedures which apply in the auditing of tangible assets.

2. The statutory audit concept

The auditors provide to external users of information a reasonable assurance regarding the fact that the financial information was collected, processed and presented with the observance of the pre-established criteria and in an honest way. The purpose of a statutory audit in accordance with the International Audit Standards is to improve the degree of confidence of the users targeted by the financial statements. This is obtained by the expression of an opinion by the auditor regarding the fact that the financial statements are prepared under all significant aspects in accordance with a general framework of financial reporting.

The financial audit according to the legal provisions represents the activity carried out by financial auditors with a view to expressing an opinion on the financial statements or some components of them, exercise of other missions of assurance and professional services according to the international audit standards and other regulations adopted by the Chamber of Financial Auditors of Romania [2]. The financial audit also comprises statutory audit, carried out according to the law.

Statutory audit is the financial audit carried out by statutory auditors, who examine (check) and certify in their totality the financial statements, in accordance with the audit norms and standards, including activities and operations specific to the audited entity, by virtue of legal provisions (accounting law, companies law, capital markets law etc.), as a consequence of the mandate received from the owners of the entity (shareholders, partners)[1].

Statutory audit is an activity of assuring the accuracy of information, which is required by law, as compulsory for certain

entities for reasons of significant public interest.

3. Generalities regarding tangible assets

Tangible assets are assets which:

- Are held to be used in the entity for the production of goods, provision of services or for administrative purposes;
- Are used during a period larger than a year;
- Have an acquisition or production cost higher than 2.500 lei [3].

The accounts used for the reflection in accounting of tangible assets are part of accounts group 21x.

The subsequent expenses related to a tangible asset are recognized in accounting:

- As an expense of the period (account 611) if they have the purpose of assuring the continuous use of these assets;
- As a component of fixed assets, by increasing their value, if they have the effect of improving the initial technical parameters, which determine an increase of the future economic benefits by increasing revenues or the reduction of expenses.

Depreciation is calculated depending on the duration of economic use by the known methods. The fiscal code establishes some restrictions regarding the calculation of fiscal depreciation.

At the closure of fiscal year one can make revaluations of tangible assets, either by the method of proportional revaluation or by the method of elimination of cumulated depreciation. A tangible asset must be presented in the balance sheet at entry value, less the cumulated adjustments of value.

4. Procedure of auditing tangible assets

a. Objectives of auditing tangible assets

The main objectives regarding the auditing of tangible assets are:

- to assure that tangible assets are presented faithfully in the financial statements, in accordance with the appropriate legislation and with the accounting standards applicable;
- to assure that the tangible assets registered in accounting exist in reality;
- to assure that for the fixed assets recorded in accounting, the customer has a valid title;

- to make sure that the evaluation of tangible assets of the company is compliant with the accounting policies of the company and these policies are consistently applied;
- to make sure that the elements were correctly classified in capitals and revenues, including the possibility that the capital elements were falsely classified as revenues (revaluations, modernizations, current repairs);
- to assure the valid character of increases of tangible assets and that the assignments and discontinuations were correctly recorded;
- to assure that the tangible assets were correctly depreciated and this depreciation is made on a basis which is:
 - a) loyal and adequate; and
 - b) Consistent with the one from the previous year.
- to assure that an adequate provision for depreciation was created;
- to assure that the tangible assets which were given as guarantees were identified [4].

b. Realization of audit programme

"Guidelines for a quality audit", section E comprises a number of 22 audit tests or procedures which must be applied on the occasion of auditing tangible assets. We will analyse below the method of realization of the most significant audit tests or procedures established under the form of operational guidelines.

1) We revise the *audit planning works* (section B) with the purpose of establishing if the evaluation of inherent risks and control risks related to tangible assets should be adjusted or not. If we ascertain risks of significant misrepresentation of financial statements, which were not envisaged on the occasion of initial planning, the mission team will adjust the *nature, placement in time and scope of procedures* it shall apply, as required by ISA 330 "Response of auditor to evaluated risks".

2) We analyse the accounting policies elaborated by the audited entity for the carrying out of the accounting of tangible assets in accordance with the accounting regulations applied.

Accounting law no. 82/1991, amended, obliges entities to elaborate own accounting policies. In some entities, these accounting

policies represent only a synthesis of accounting regulations without stating:

- Who and on what basis they initiate the operations and what documents are drawn up;
- Who authorizes and who makes the operation;
- Who and what controls;
- Who, when and on the basis of what document makes the entries, etc.

3) It is drawn up the "Main table of tangible assets", by the model no.1 and this table is reconciled with:

- Register of inventory numbers;
- Account book;
- Account sheets and trial balances;
- Inventory book and inventory lists;
- Balances from the closure of the previous fiscal year; balance sheet, etc.

Model no.1 Main table of tangible assets

Category of tangible assets	Initial balances	Entries (increases)	Exits (reductions)	Final balances
1) Gross value				
211 Lands				
212 Constructions				
213 Technical installations, means of transport, animals and plantations				
214 Furniture, office equipment and protection equipment				
223/224 Tangible assets in progress of supply				
231 Tangible assets in progress of execution				
232 Advance payments given for tangible assets				
Total gross value				
2) Depreciation and adjustments for depreciations				
	Initial balan-	Depre- ciation	Depre- ciation	Balan- ces at

	ces	during the year	related to exits	end of year
2811 Depreciation of land arrangements				
2812 Depreciation of constructions				
2813 Depreciation of installations and means of transport, animals and plantations				
2814 Depreciation of other tangible assets				
291 Adjustments for depreciation of tangible assets				
293 Adjustments for depreciation of fixed assets in progress				
Total depreciations and adjustments				
Total net value (1-2)				
Balance sheet				
Differences to clarify				

Source: own projection

4) It is drawn up the "Statement of tangible assets entries" by model no.2 and this statement is reconciled with:

- Purchase books (acquisitions);
- Reception/commissioning reports;
- Acquisition invoices;
- Financial leasing agreements;
- Register of inventory numbers;
- Account sheets and trial balances, etc.
- Minutes of the meetings of the board of directors and General Meetings of Shareholders or Partners, in which was decided the acquisition, construction or modernization of tangible assets.

Model no.2 Statement of tangible assets entries

Name of incoming tangible assets	Acquisition (A) or production (P)	Debit account	Credit account	Supporting document	Acquisition or production cost	Normal duration	Date of reception or commissioning	Monthly depreciation	Cumulated depreciation
.....									
.....									
.....									
.....									
.....									
.....									
.....									
Total year	x	x	x	x		x	x		

Source: own projection

If in the audited entity a small number of tangible assets entries was recorded, the sample established by the auditor can be 100%. When the number of tangible assets entries is high, we select a sample by proportional method. The size of the sample is determined by the methodology presented in the section B "Audit planning", from *Guidelines for a quality audit*.

For each entry of tangible assets (lands, constructions, plant assets, including fixed assets in progress and advance payments given for these assets), the auditor must make recourse to at least the following types of procedures:

- Inspection of supporting documents and correlations with: accounting books, fixed assets accounts sheets, trial balances, register of inventory numbers, depreciation calculation statements, etc.;
- Inspection of the existence and condition of tangible assets entered in entity;
- Investigation (interrogation) of management and execution persons

involved in the acquisition or construction of tangible assets;

- Recalculation (checking the arithmetic accuracy) of data from supporting documents and from accounting books, etc.

With the help of these types of procedures, the auditor must go through an *audit trajectory*, which comprises a logical succession of operations made.

With the help of these types of procedures, the auditor collects sufficient and accurate audit samples regarding the statements (assertions or declarations) formulated by management through financial statements regarding the entries of tangible assets. In this respect, the auditor has to obtain a reasonable assurance regarding the accuracy of management statements regarding the entries of tangible assets, such as (ISA 315 "Identification and evaluation of risks of significant misrepresentation by understanding the entity and its environment"):

- If the entries of tangible assets actually took place and are related to the entity (*appearance* – no operations were recorded which did not take place);
- If all tangible assets entries were reflected in accounting without omissions (*exhaustiveness*);
- If the evaluation of assets which entered the entity was done correctly, at acquisition cost or production cost as established by accounting regulations (*accuracy*);
- If the tangible assets entries were recorded in appropriate accounting periods (*separation of fiscal years* or closing date of fiscal year data);
- If the tangible assets entries were recorded in adequate accounts (*classification*).

5) the "Statement of tangible assets exits" is drawn up as we exemplified by model no. 3 and we reconcile this statement with:

- Invoices and sales books of tangible assets;
- Decommissioning reports;
- Storehouse vouchers of materials recovered after the discarding or dismembering of tangible assets;

- If the exits from the patrimony actually took place (*occurrence*);
- If all the exits from the patrimony were recorded in accounting (*exhaustiveness*)
- If the calculations and numbers are correct (*accuracy*)
- If the principle of separation of fiscal years (*closure of fiscal year*) was observed
- If adequate accounts were used.

6) Detail the *revaluations* and obtain copies of relevant documents for the file according to model no.4. Make sure that the information regarding the historical cost is available, in view of presentation.

Name of tangible asset	Normal duration	Date of reception or commissioning	Acquisition or production cost	Inventory value	Difference from revaluation
.....					
Total year		x	x	x	

7) Revise *the entries* from the account book (*accounts from the account sheets for repairs and modernizations*), according to model no.5.

Model no.5 Statement of modernization and repairs

Repairs					
Name of tangible asset	Repairs	Corresponding account	Modernizations	Corresponding account	Explanation of performance increase
.....					
Total year		x	x	x	

Following the inspection of supporting documents and accounting books, the recalculation of data from supporting documents and accounting books, investigation of staff, confrontations between the accounting documents and registers the auditor has to obtain a reasonable assurance regarding the accuracy of statements of management regarding the exits of tangible assets from the patrimony, as follows:

8) Analyse whether *the value of tangible assets is depreciated*. In this respect one must document the way in which the customer procedures related to the depreciation of tangible assets exist and function. In the end after the collection of sufficient and adequate samples with the help of procedures and tests mentioned above the auditor must conclude that under the reserve of the matters brought to the knowledge of the person in charge with revision, in his opinion, a sufficient assurance of the audit was obtained, which allows us to draw the conclusion that tangible assets are not significantly misrepresented in the financial statements.

5. Conclusions

As far as it concerns the auditing of tangible assets we can draw the following conclusions:

- The statutory audit is an activity of assurance of accuracy of information, which is required by law as compulsory for certain entities for reasons of significant public interest;
- The audit planning works are revised (section B) with the purpose of establishing whether the evaluation of inherent risks and control risks related to tangible assets should be adjusted or not;
- The auditors analyse the accounting policies elaborated by the audited entity for the management of tangible assets accounting in accordance with the accounting regulations applied and their consistent application;
- They draw up the "main table" of tangible assets and reconcile this table with: the register of inventory numbers; the account book; the account sheets and trial balances; inventory book and inventory lists; balances from the closure of the previous fiscal year; balance sheet, etc. Following these reconciliations, the auditor collects sufficient and accurate audit samples regarding the statements (assertions or declarations), formulated by the management through the financial statements regarding tangible assets;
- They draw up the "*statement of tangible assets entries*" and check whether the tangible assets entries are in agreement with accounting information and with inventory lists;

- They draw up the "*statement of tangible assets exits*" and check whether the tangible assets exits are in agreement with accounting information;
- They draw up the *statement of revaluations* and will obtain copies of documents related to revaluations;
- They revise the account book and especially the account sheets for repairs and modernization, in view of following up their accuracy;
- They analyse whether *the value of tangible assets is depreciated*. In this respect they will document the way in which the customer procedures related to the depreciation of tangible assets exist and function;
- I consider that there should be an exhaustiveness connection between the theory and practice of statutory audit. Noting that there is no unitary audit procedure, I consider that it would be necessary to implement an audit procedure relying only on the fundamental principles provided in International Audit Standards;
- I also consider that the procedures provided in *Guidelines for a quality audit* for the auditing of tangible assets do not cover all the fundamental principles provided in International Auditing Standards, therefore, a unitary procedure regarding the auditing of intangible assets based only on International Auditing Standards would be welcome.

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Theoretical Aspects Regarding the Structural Deficit

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Abstract

The structural deficit issue is important in the current period because it shows an assessment of the fiscal policy and presents the evolution of the economic cycle.

This article wants to present the concept of structural deficit, the importance of estimating the structural deficit in evaluating the efficiency of the fiscal and budgetary policy as well as the presentation of the structural budget balance.

Keywords: structural deficit, public debt, budget deficit

J.E.L Classification.: H62; H63

1. Introduction

Recent years have been marked by a series of problems caused by the sovereign debt crisis, the sustainability of the fiscal policy and the debt becoming goals more difficult to achieve. The need for structural reforms, the wage growth above the productivity and the lack of competitiveness have increasingly placed their mark on the public finances in the European area, and therefore of our country. Using borrowed amounts in a higher proportion led to larger fiscal deficits, the spiral fiscal deficits / debts manifesting stronger.

The concept of structural deficit, although relatively new, has gained more meanings in terms of its quality as evaluation indicator of the fiscal policy applied by a state. Imposing a limit of this indicator seems to generate numerous operational issues. The difficulty in determining the structural deficit and,

more particularly, in determining the accuracy of the obtained results falls into this category.

2. Definition and presentation of the structural deficit content

Regardless of the degree of development of the economy, the organizational form and the period covered, one of the most important processes remains the budget one, the outcome of which is materialized in the development and approval of the draft budget, its implementation and the budgetary control.

The budget process involves, first, the development of the budget estimation for a period of time. Thus, public revenues and expenditures are predicted and authorized for one year. Consequently, its development must be based on the principle of balance which implies that revenues cover expenses. Where this cannot be done automatically, a budget with a financing deficit is recorded, also called the budget deficit. [1]

The budget deficit reflects the difference between the public expenditure corresponding to transfers and acquisitions of goods and services and the tax revenue. The difference obtained represents the "primary deficit".

But, at the State level, the expenses representing interest determined by the loans contracted by the state are registered.

Adding them to the primary deficit, as far as they can be found in the form of public spending in the budget, enables the total deficit calculation.

It has two major components:

- the cyclical deficit

- the structural deficit

The explanation for the existence of the two components is simple, if we consider that both the level of income and expenditures are subject to the influence of the economic situation and the measures of the authorities (for example, the minimum tax imposed in 2009 was the result of a decision of the party in power, with negative implications on the public revenues and spending, as many businesses went bankrupt, which resulted in increased social security costs).

Regarding the economic situation, there is a direct influence on the various components of tax revenues.

Thus, the value added tax, the income tax, the excises or the social contributions are crucially dependent on the phase of the economic cycle in which the economy is found. In the recession phase there is a decrease in revenues from the direct or indirect taxes, and vice versa, during the boom phase. The situation is the same for expenditures, except for unemployment benefits or compensation.

All these components that fluctuate under the influence of the period covered by the economy are defined in the literature as „automatic stabilizers ". Explaining how they work requires a separate analysis of the two budget components. In terms of the receipts from the mentioned taxes, they decrease during recession amid restricted or decreased activity of economic agents, which may influence the level of aggregate demand in the sense of stimulating it. The increase in demand level acts positively on GDP. Conversely, a boom period can increase tax revenue (both due to the rise in the tax base and the increase in the degree of taxation), which decreased the remaining income available to businesses and the public, thus creating a decrease in the aggregate demand. At the level of the budget expenditures corresponding to the unemployment benefits and the severance payments, occurs an increase in the phases of recession with positive implications on aggregate demand and vice versa in the periods of economic boom. Basically, by the action of automatic stabilizers, the actually GDP is closer to its potential level. The automatic stabilizers should operate freely both in the development and the recession phase. [2]

The structural deficit occurs when the cyclically adjusted budget is concluded in a deficit. It is defined as the difference between the permanent income and expenditure (those not influenced by the position of the economy in the business cycle). If we consider the fact that the total deficit is composed of the cyclical deficit and the structural deficit, we can state that the structural deficit as the difference between the actual deficit and the cyclical component. The cyclical component can be estimated from the relationship: [3]

$$D_c = (Y_t - Y_t^*)\eta$$

where:

$Y_t - Y_t^*$ represents the output-gap respectively the difference between the real and the potential GDP;

η – the budget elasticity in relation to GDP

The literature shows different methodologies for determining the structural deficit. The best known are: the Blanchard method involving the estimation of revenue and expenditures cyclically directly adjusted by using some regressions and the method used by the European Commission, the IMF and the OECD, which involves determining the cyclical component of the budget deficit, after which it is deducted from the effective budget deficit to determine the structural component.

To clarify the issues arising from the determination of the structural balance, I will present some models that allowed the registration of optimal results. Thus, the determination of the structural budget balance corrected with absorption (CAAB) can be achieved using the following equations: [4]

$$CAB_t = \left(\frac{b}{y}\right)_t - \lambda_t(Ygap)_t$$

where:

λ_t - represents the standard budgetary elasticity; CAB – the structural budget balance

$$CAAB_t = \left(\frac{b}{y}\right)_t - \beta_t(Ygap)_t -$$

$$\gamma_t(agap)_t$$

γ_t - represents the elasticity of the absorption generated by the share of indirect taxes in GDP

$Ygap$ – outgap

$agap$ – absorption gap

From the previous equations, the following relation appears:

$$CAAB_t = CAB_t - \gamma_t(agap_t - ygap_t)$$

The authors consider that there is a difference between CAAB and CAB when share of indirect taxes in the output is high and when the absorption dynamics deviates substantially from this output.

The approach used by the governmental and international institutions is based on the use of the following information: the cyclical position of the economy or the output gap, determined as the difference between the actual GDP and potential one; the budget components influenced by the economic cycle (the bulk of tax revenue and a part of the spending represented by the unemployment benefits and the compensation); the sizing of the link between the cyclical position of the economy and the budget components specified (it is determined by using the elasticity coefficients that reflects the percentage changes in revenues and expenses in relation to the phase of the economic cycle).

3. The importance of estimating the structural deficit in evaluating the efficiency of the fiscal and budgetary policy

With all the difficulties that have arisen in determining the structural deficit, its analysis is necessary in the macroeconomic policy making. Recording a high structural deficit may represent a warning, because it cannot be reduced by an economic recovery. The application of some policies corresponding to the economic cycle must be continually monitored, as their effects may be recorded in the future and can be destabilizing.

Within these policies, an important role is occupied by the tax policy. Applying an inappropriate fiscal policy may cause a strain on a country situation in case of negative shocks. The usage of the fiscal policy to stimulate the aggregate demand in times of crisis can be a solution to mitigate its negative effects, but being influenced by the level of the budget deficit and the public debt.

The structural deficit remains an important indicator in the macroeconomic analyzes, however, it should not be generalized. For example, the action of some

factors external to economic environment may cause inaccurate information. Thus, increased social spending, due to aging populations and the reduction in the population growth, can generate a worsening of the structural deficit, although now its level is reduced.

The use of structural deficit in the fiscal impulse evaluation allows sizing the fiscal policy action in stabilizing the fluctuations determined by the business cycle. If we consider this aspect, our country is "a specialist" (in the negative sense), in applying the pro-cyclical fiscal policies.

4. The structural budget balance – an analysis tool of the discretionary fiscal and budgetary policy

The level of the budget deficit is influenced to a significant proportion by the business cycle phase. The increase in revenues due to the economy overheating can cause the false impression that the budget deficit is reduced, but it is obvious that it can reflect significant imbalances of the fiscal position.

To identify the real degree of sustainability of the public expenditure, the cyclical adjustment of budget revenues is required by eliminating the excess or the deficit of the aggregate demand. If the level of the structural deficit is traced, it can be identified the extent to which the fiscal policy exerts a positive influence, reflected by the economic stabilization or a negative influence in the sense of the amplifying imbalances.

The size of the structural budget balance has generated much discussion. The debate on the introduction in the Constitution of the limit for the structural deficit of 0.5% of GDP brought both pros and cons of this measure. Thus, it was considered that a limitation of the structural deficit would increase the degree of fiscal discipline, would allow more accurate macroeconomic forecasts and would eliminate the influences caused by the additional expenses incurred by the parties in power during the election periods. [5]

Regarding the introduction of this provision in the Constitution the views are reserved due to the slow process of its modification and the characteristics of the

political environment in Romania. To comply with the structural deficit it has been proposed even the use of a "fiscal stress" index which would allow the assessment of the tax default. [6]

Other opinions state to the fact that such a rule does not take into account the size of the state, being obvious that the equal development conditions cannot be ensured without taking into account this aspect.

Also, the examples of the real economy show that balancing the budget is not the determining factor of stability. Thus, the existence of small deficits or even surpluses has not prevented large-scale crises (the Asian crisis).

Another aspect to be mentioned is the fact that the budget balance is based on cyclically adjusted figures. As a result, there is a certain degree of probability in estimating them.

A series of discussions exist regarding the establishment of rules related to the zero structural deficits. Such a goal seems to be quite simple and well defined. But can we consider that we may renounce at loan financing (long-term debt would not exist)? The fiscal sustainability is not based on such an issue, considering that the debt is a valuable source of funding and the budget deficit a useful tool for the economic stability.

In the literature, such a rule is often contested also because it is based on an optimal level of saving in the private sector and on the corresponding action of the automatic stabilizers, so as to make sure to limit the fluctuations in the economic cycle.

5. Conclusions

The presentation and the analysis of the correlation between the budget deficit, the public debt and the economic growth is the foundation for the formulation of conclusions that can be indicators of the policy promoted in order to ensure the sustainability of public finances.

Using a structural balance rule for Romania can be advantageous in terms of achieving a long-term fiscal sustainability.

We recommend the implementation of structural reforms, imposed by the international organizations and by the State, in order to obtain a medium and long-term sustainability of public finances and an

appropriate management of risks and contingencies.

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European Union - Manifestation and Supervisory Framework for Emerging Market Economies. Indicators of Public Sector in Emerging Economies.

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Abstract

The issues discussed inside this article refers generally, to Europe and particularly to European Union, as frame for emerging economies. Further on we want to expose certain indicators of the public sector and their values for the mentioned economies. We begin with the presentation of the budgetary incomes structure, at the European Union level, and we continue, after that, with the situation of the emerging economies from the European Union area, taking into discussion the public sector budgetary outturn, the budgetary deficit and the public debt of the countries inside this economic area. In the conclusion part, we have also paid attention to the measures adopted by the emerging economies for the purpose of decreasing the excessive budgetary deficit.

Key words: public sector, emerging economies, budgetary deficit.

J.E.L. classification: M, M4, M41.

1. Introduction

In the global economy, a number of prestigious international bodies have developed over time identification of emerging economies, according to criteria proposed by each of them. According to FTSE classification, the global emerging economies list provides the following one [1]: Thailand, Malaysia, Vietnam, Bangladesh, Sri Lanka, China, Filipine, Indonesia, India, Pakistan, Taiwan, as emerging structures belonging to the Asian

continent; South Africa, Botswana, Ivory Coast, Ghana, Kenya, Tunisia, Mauritius, Nigeria, Egypt and Morocco, emerging economies from the African continent; Brazil, Argentina, Chile, Colombia, Peru and Mexico (Latin American emerging economies); Poland, Czech Republic, Hungary, Turkey, Bulgaria, Estonia, Romania, Serbia, Slovakia, Slovenia, Macedonia, Malta, Russia, Croatia, Cyprus and Lithuania (emerging economies within Europe)[2]. For a number of emerging economies, presenting their public sector requires the presence of specific indicators whose values are the subject of this paper and analysis, as follows[3]: the budgetary outturn, measure of revenues over expenditure budget; which should be mentioned in connection with this indicator is that as the budget deficit is higher, the process of raising funds to finance expenditures is more difficult; interpreted as accumulation of state obligations, government debt refers to all internal and external financial obligations thereof, from all direct or guaranteed loans from the government in the financial markets (the expression of the financial situation of a country, its level of indebtedness, the credit of which it enjoys); the fact that the public debt must be repaid and that bear interest and fees, put a new pressure on revenues, pressure translated by the need to identify resources which allows them (either internal order, through a possible increase of the quality of fiscal or taxing base expansion, either by entering a vicious circle[4], that contracting new loans to repay old ones (the version of new loans contracting does

nothing that to increase leverage with effects towards eroding confidence in respect the economy and the delivery of higher tax burdens on future generations, which will have to pay increased taxes); number of taxes (as generating tax revenue to the budget and the size of the tax system) refers to those charged in a state considered to be paid once a year, even if payment is made in several installments (characterizing the orientation of the State concerned and, even if acting on businesses and citizens, are directly connected to the public sector by the fact that it is in charge of fixing their, as quantum and number, by specialized structures); time required to prepare and pay taxes (expression of intensity of fiscal institutions of the state bureaucracy) is interpreted[5] as the number of hours allocated annually to the preparation and payment of three major categories of taxes – income tax, VAT and tax on labor, the latter being interpreted as accumulation of amounts from the payroll tax and, respectively, from social security contributions.

2. Emerging economies and the structure of the European Union budgetary resources

As we expected, before bringing to the fore a number of issues that characterize emerging economies belonging to the restricted framework of the European Union we will, in the following, referring to a series of indicators connected to the public sector of countries in Europe, according to FTSE classification made in 2012 (Table 1).

Table 1. Characteristics of the public sector for the emerging economies in Europe at the 2012 year level

Country	Indicator	
	The budgetary outturn (% GDP)	Public debt (% GDP)
Bosnia	-3,06	44,00
Bulgaria	-2,10	16,30
Czech Republic	-3,10	41,20
Estonia	-1,00	6,00
Macedonia	-2,38	28,20

Malta	-3,40	72,00
Poland	-5,10	56,30
Romania	-5,20	33,30
Latvia	-3,50	42,60
Serbia	-439	41,00
Russia	036	8,70
Slovakia	-480	43,30
Slovenia	-640	47,60
Turkey	-133	42,40
Ukrainian	-388	44,80
Hungary	-420	80,60
Lithuania	-550	38,50
Croatia	375	43,90
Country	Number of taxes yearly paid	Time required to prepare and pay the taxes (hours)
Bosnia	40	422
Bulgaria	17	500
Czech Republic	8	557
Estonia	8	85
Macedonia	28	119
Malta	NAD	NAD
Poland	29	296
Romania	113	222
Latvia	7	290
Serbia	66	279
Russia	9	290
Slovakia	31	231
Slovenia	22	260
Turkey	15	223
Ukrainian	135	657
Hungary	13	277
Lithuania	175	175
Croatia	196	196

Source: own processing using the data from source [10]; NAD- not available data.

Although belongs to the same class of economies (emerging), regarding the value of public sector correlated indicators, for the countries inside Europe there are significant differences from country to country, as follows: all the economies analyzed excepting Estonia, Hungary, Russia and Croatia, record a level of budget deficit between 1.33% - 5.50% of GDP, the leadership position being awarded to Latvia, and the one of last classed by Turkey; the public debt is significant, first being placed, in 2012, Hungary, and the last Estonia; the number of taxes paid by taxpayers ranks on first place Romania (113), and on the last place Latvia (7); although due to the large number of taxes perceived by the State (compared with other economies in Europe) would be expected that Romania ranks first place in terms of time spent in a year preparing and paying taxes, this has not happened because, at this indicator, the first place belongs to Czech Republic (557 hours), and the last to Estonia (85 hours). Passing from the economic area to which we have referred earlier, to the one of the European Union, we find here, in a first stage[6], a framework for strengthening economic cooperation, to this aim (unique at the beginning) adding, during the time, a multitude of activities which regards social, regulatory and financial issues. Having as constitution base the rule of law, the European Union actions, channeled to any of the above directions, operates based on treaties accepted by all Member States and use existing resources in the budget[7]. The latter is addressing different areas (agriculture - common agricultural policy; environment - protecting species in danger of extinction and the most efficient use of natural resources; economic and monetary affairs - stability and economic growth; employment and social affairs - creating jobs doubled by investment in science and education, as a means to compete imposed by emerging economies; foreign and security policy - maintaining a climate of peace and stability; combating the climate changing - increasing the share of renewable resources that they hold in the total resource use, reducing greenhouse gas; trade, culture etc.[8]) and is made up of both foreign and own sources, of the type shown in Table 2.

Table 2. The composition of European Union budgetary resources

Source of budget revenue	Comments
Member States' gross national income	It is up to the rate of 0.73%, contribution of each member being made based on the principles of solidarity and ability to pay; the contribution can be adjusted if there is an excessive burden of that economy.
Traditional Own Resources	A preponderant character have here the customs duties calculated upon importation of goods from outside the European Union.
The value added tax	A percentage of this fee is charged to each of the member countries.
Other sources	The income tax on salaries of staff of the European institutions; excess of previous financial years; fines from companies departing from the rules and legislation; amounts as interest and penalties arising from the failure to pay on time the contributions to the European Union budget.

Source: own processing using the data from source [10]

In terms of contribution to the European Union budget, the situation of the emerging economies included in this economic, political and social framework, is presented according to the Table 3 data.

Table 3. The contribution of the emerging economies to the European Union budget (mil. euro)

Country	Year	
	2011	2012
Czech Republic	1.242,7	1.318,1
Estonia	9.447,5	9.625,7
Hungary	862,1	922,9
Malta	52,4	54,9
Poland	3.171,5	3.501,5
Slovenia	328,7	338,5
Slovakia	597,6	630,7

Country	Year	
	2011	2012
Lithuania	248,3	259,0
Bulgaria	311,4	328,7
Romania	1.071,3	1.170,3

Source: own processing using the data from source [11]; NAD- not available data

3. Budgetary deficit and the public debt of the European Union emerging economies

Joining the European Union has been, for the category of emerging economies, on one hand, the entry on a trajectory to facilitate their development of economic, political and social plan[9], and on the other hand, the monitoring of how they act towards maintaining economic and financial stability of the area, elements strongly influenced by the nature of individual deficits reported through the Tabel 4 data.

Table 4. Budgetary outturn and public debt for the emerging economies of Europe

Country	Reporting period (deficit/surplus)		Reporting period (public debt)	
	2011	2012	2011	2012
Czech Republic	-4,8	-3,1	38,1	41,2
Estonia	0,2	1,0	6,7	6,0
Hungary	-4,2	4,2	81,4	80,6
Malta	-3,7	-3,4	69,4	72,0
Poland	-7,8	-5,1	54,8	56,3
Slovenia	-6,0	-6,4	38,8	47,6
Slovakia	-7,7	-4,8	41,1	43,3
Lithuania	-7,2	-5,5	38,0	38,5
Bulgaria	-3,1	-2,1	16,3	16,3
Romania	-6,8	-5,2	30,5	33,3

Source: own processing using the data from source [12]

Given the importance of this indicator, the analyze of the data in Table 4 show that, generally, the European Union emerging economies are characterized, the great majority of them, through the existence of

budgetary deficit. Accordingly, the member states with emerging economies are always subject to monitoring process, to avoid escalating this situation and registration of excessive deficits, with negative impact on the economic and political framework of the European Union. Coupled with this fact is required, simultaneously, the implementation by those countries, and not only by them, of a solid budgetary politics, included in the Stability and Growth Pact adopted by European Union Member States economies and whose components have: a. preventive character – Member States are required to submit annual programs showing how to ensure of a medium-term stable fiscal position stable, in the context of the influence that the population aging has on the budget (in this sense should be kept in mind that on one hand, people live longer, and on the other hand, have increasingly fewer children; this situation cause a sensitization of the long-term budgetary resources, in sense of their downward, because the decrease in the number of contributors; in the same time, there is an increase in public spending due to the increased of life expectancy and its financing costs needs); corrective character - show its regulatory role over the excessive government deficit, coming into action when the deficit – GDP reports and, respectively, public debt – GDP exceeding the 3% and 60% values. Capturing the mode in which the emerging economies inside the European Union area are related to the stability pact criteria about the deficit and public debt is also shown in Table 4.

4. Conclusions

In terms of budgetary deficit, as GDP percent, the European Union Council stressed the need to correct the excessive public deficit, currently for the Union emerging economies. The deadline set by the Council for the correction of Bulgaria deficit was 2011, January 13, among the measures suggested being those relating to: the strengthening of the fiscal discipline and transparency, the improving of the budget execution monitoring, increasing the efficiency in public spending by implementing structural reforms, in areas such as public administration, health, education and pension system. Due to the

measures applied, Bulgaria estimated for 2012-2015 values for the budgetary deficit (% of GDP) of -1.6, -1.3, -0.5 and, respectively, 0.0. For Czech Republic case, effective measures to reduce the excessive deficit have resulted in the fact that Czech Republic estimates for the 2012-2015 period, values of the deficit of -3,0; -2,9; -1,9 and respectively -0,9% from GDP. For Lithuania, as a result of implemented measures, is estimated for the 2012-2015 period values of the deficit (% of GDP) representing -2,1; -1,4; -0,8 and respectively -0,3. The excessive deficit procedure and of a report public debt/GDP superior to the values of 3% and respectively 60% follows Hungary ever since its accession to the European Union (2004). Hungary permanently recorded exceedances of excessive deficit, remaining in force the recommendation to adopt actions designed to correct this state of affairs. In terms of forecast, Hungary estimates for the 2012-2015 period deficit target values representing -2,5; -2,2; -1,9 and respectively 1,5 % of GDP. For Poland, the measures to correct the excessive deficit were taken into account, among other: the implementation of fiscal stimulus measures (with direct reference to public investment plan and the structuring of such a manner of the supplementary budget that they are not adversely affected public finances); the ensurence of an average annual fiscal effort at least 1.25% of GDP starting with 2010; the accurate of the measures designed to bring the excessive deficit below 3% till 2012. As a result of implemented measures, is estimated for the 2012-2015 period deficit values of -2,9; -2,2; -1,6 and respectively -0,9% of GDP. For Romania case, was registered progresses through the continuation of the fiscal consolidation, of the structural reforms and of the fiscal governance. In the spirit of the implemented measures, Romania estimates for the 2012-2015 period for the values deficit (as %GDP) representing -2,8; -2,2; -1,2 and, respectively, -0,9. The economies of Malta, Slovenia and Slovakia presents similar situation with the one previously presented. After previous exposure status quo we can conclude that for the European Union emerging economies, classified in this class according to the FTSE list, the excessive deficit procedure expressed both the preventive component, by finding and warning the economies in question, and

the corrective component (by setting a time in which to proceed to the excessive deficit correction and to the overseeing implementation of the measures necessary to achieve this goal).

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The Predictive Analysis of Going Concern Business at the level of Economic Entities

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Abstract

Accounting estimations, predictions and evaluations need consistancy when applying accounting principles. The accounting principles represent a main element in the structure of accounting theory. They make a unitary whole being complementary, and the development of accounting works under normal conditions depends on their correct and integral application.

In business environment the principle of going concern is not only as an accounting principle, but also as an absolutely necessary element in the quarantee of financial accounting information. For the users of accounting information there must be clear the reason for which a company is considered to continue its business, which are the assumptions leading to this conclusion and which are the risks for which real developments are different from estimations. The risks about going concern are evident with some economic entities and subtle with others. Therefore, going concern of an economic entity is assured if the risks are prevented and correctly managed.

Keywords: accounting principles, going concern, operational risk.

J.E.L. Classification: M40, M41, M42.

1. Introduction

Up to the present, each country has presented a diverse system of accounting rules depending on institutional, economic and cultural factors which characterize the respective context. It is a known factor that

there are countries which have accounting systems of „common law” type which are of pragmatic, in a way codified and flexible nature, and countries having accounting systems of „civil law” type which have codified and superior norms; however in the accounting system there are also reflected diverse economic-financial systems, business or management matrixes, the role assumed by taxation norms, as well as by social-cultural factors, the investors training level, the influence of accounting doctrine, attitude to the observance of the norms in force.

In order to organize and control accountancy as an informational system of administration there have been made accounting conventions and rules known as „general accounting principles”. These principles come from practice, their formation being modified with accounting practice and theory. Therefore the accounting principles must be applied in relation with the objectives and accounting practice. According to the accounting principles there are elaborated accounting norms on which precise evaluation, registration, classification and presentation rules of accounting information are settled.

The principle of going concern is fundamental for elaborating financial situations. Following this principle an entity is considered as having a business continuity in the predictable future if it has not either the intention or the need to be liquidated or to stop its activity. The importance of this principle in reflecting an exact image by the financial situations has contributed by some authors’ opinion to the raising of going concern principle to the status of „going concern postulate”.

2. The accounting principles – an essential part of the accounting system

In speciality literature there is not a consensus on international level as regards the principles definition and structure, some of them being the subject of contradictory debates.

In our country, in „Accounting regulations corresponding to European directives” the following principles are presented: going concern, methods permanency, prudence, exercise independance, separate evaluation of assets and debt elements, intangibility, noncompensation, economic prevalence over legislation, significant point.

The principle of going concern – presupposes that the organization continues to function normally without winding up or a sensible activity reduction.

The principle of methods permanency – presupposes a continuation of rules and norms application regarding the evaluation, accountancy, classification and presentation of the balance elements and results in financial situations, in this way being assured a time comparison of accounting information.

The prudence principle – consists in carefully evaluation of assets and debts, of income and expenditures in order to avoid the result superevaluation. According to this principle it is not admitted the superevaluation of assets and income elements, the underevaluation of debt and expenditure elements respectively, taking into account the depreciations, risks and possible losses generated by the development of current and anterior exercise activity.

The principle of independance of financial exercise – presupposes a time reduction of income and expenditure and their passage to the exercise result they refer to.

The principle of separate evaluation of assets and debt elements – according to this principle, in order to settle the total value corresponding to a balance position they resort to a separate determination of the value of each individual asset or debt element.

The principle of intangibility – provides that the opening balance of an exercise has to correspond to the closing balance of the anterior exercise.

The noncompensation principle – according to which the elements of assets and debts, of income and expenditures are to be

separately evaluated and registered in accountancy, the compensation between them in balance and in profit and loss account not being admitted.

The principle of economic prevalence over the legislation – presupposes that the value presentation of the balance elements and the profit account and losses are to be made taking into account the economic content of transactions or of reported operations, and not only their juridical content.

The principle of significant point – imposes that the financial situations should present all information whose importance may affect the judgement and decisions of external users.

3. Going concern – a basic accountancy principle

Being a basic concept according to IAS 1 „Presentation of financial situations”, as well as according to national regulations (OMFP no 3055/2009 for the endorsement of „Accounting regulations corresponding to European directives”), the principle of going concern is one of the most important principles, largely influencing the form and the values presented in financial situations.

In accordance with International Financial Report Standards, “*when making up financial situations, the management has to evaluate the entity capacity of continuing its business. An entity is to make up the financial situations if it continues its activity, excepting if the management intends either to go into liquidation or to stop work, or it does not have another realist alternative than proceeding like that. When making an evaluation and the management is aware of significant uncertainties about events or terms which may cause significant doubts as to the entity capacity to continue its activity, the respective uncertainties must be presented. In case that an entity does not make up financial situations as regards the continuation of its activity, then it will present this fact as well as the basis of making up these financial situations and reason for which the entity is not considered able to continue its business*”. ([1], pp. A551, paragraph 25)

This concept starts from the premise that the economic entity will continue its business

for a period of at least twelve months from the date of reporting the financial situations, in normal working conditions, without going into liquidation or bankrupt. *"When evaluating that the assumption of going concern is adequate, the management takes into consideration all available information about future, which represents a period of at least twelve months from the end of the reporting period, but without limiting to this. When the entity had a profitable activity in the past and access without difficulties to financial resources, the entity may draw the conclusion that the assumption of going concern is adequate without a detailed analysis". ([1], pp. A551, paragraph 26)*

The observance of this principle of accountancy is considered fulfilled in the moment in which the economic entity operates with normal parameters, that is it pays its debts and cashes up debts. The observance of the principle of going concern by economic entities is a necessary premise to assure the sincerity and fidelity of financial situations. The responsibility of observing this principle is the economic entity task which makes up the financial situations.

The assumption of going concern is an essential principle for making up financial situations. However this assumption may contain significant uncertainties. Examples of events or terms which separately analysed or on the whole may significantly cast doubt on assumption of economic entity continuing its activity are synthesized like this: short term loans which fall due without the real possibility of being renewed or reimbursed; excessive dependence of short loans to finance long term assets; indexes of withdrawal of customers and suppliers financial support; unfavourable key financial indicators; disability of observing loan contracting terms. ([2], pp. 93)

In accordance with The International Standard of Audit 570 "The principle of going concern", an auditor's responsibility is to make sure if the management of economic entity uses this principle adequately, if there are significant uncertainties as regards going on business and if these have been presented either in explanatory notes of the financial situations or the financial situations were made up on the basis of liquidation or of other adequate values. *"The auditor's responsibility is that of getting adequate and*

enough audit evidence as regards the adequacy level of using the assumption of going concern in making financial situations by the management and that of drawing conclusions if there is a significant uncertainty as to the entity capacity of continuing its activity. This responsibility exists even if the general frame of financial report used to make up financial situations does not include an explicit requirement for the management to make a specific evaluation regarding the entity capacity of going concern". ([3], pp.571, paragraph 6)

From the auditor's perspective, the assumption of going concern implies the assertion according to which an entity is considered to have a business continuity in the predictable future, without the intention or necessity of liquidation, of transaction interruption or searching protection against creditors on the legal basis or other regulations. In this way, the assets and debts are registered on the basis of the assumption that the reporting entity will be able to achieve assets and to pay its debts in usual business development. ([4], pp. 575)

Sarah Johnson asserted as to the going concern that: *"It is a zone of financial report in which the auditors are asked to play the part of predictors. And it is here that he has to pass over the more comfortable role of examiner who looks into the past financial performances of the company". ([5])*

The auditor's responsibility consists in the evaluation of the way in which the entity management used the basic accounting convention of going concern and if there are significant uncertainties as regards the entity capacity of continuing its activity and which should have been presented in the annexes. He has to collect enough and adequate evidences to confirm the existence of a significant uncertainty as to the going on operating. The auditor may find himself in one of the following situations: ([6], pp.154)

- the basic convention of going concern was applied but there is a significant doubt. In this case it is verified if in the annexed notes susceptible facts were correctly described to bring into discussion the business continuation; if affirmatively, he will have to issue an opinion without restraint but he is to introduce an observation paragraph; in a negative case, he will issue a restraint

- opinion or an unfavourable one;
- the financial situations were established under conditions of going concern but in his professional rationalism, the auditor keeps in mind that the organization will not be in the position of continuing its activity; he will issue an unfavourable opinion;
- the unity management refuses to make or to complete its analyses in order to evaluate the aspects connected with going concern; the auditor may include a restraint in his report, as a result of the limitation of the length of his report.

Both the standard and the specialized literature consider that the initial evaluation as regards the going concern is the manager's task, as in the end the management is responsible for preparing the financial situations, which make the subject of the audit. Therefore, the presentation of financial situations based on the going concern includes verifications regarding: ([7], pp.392)

- income, costs and profit evaluation for the instant year and for those to follow;
- cash-flow evaluation out of operation, of the negative effect of the expected decline of the income and financial needs, as well as of growing need for working capital;
- the evaluation of the debt payment and of the financial needs, as well as of the financial sources;
- important credits given to customers, possible "bad" credits and their control;
- trust in suppliers;
- verification if budgets and provisions are realistic and if they cover the period up to the next financial situation;
- forecasting analysis regarding the profit and influence of modifying the financing costs.

Of great importance in observing the going concern are the events following the closing of the exercise. The International Standard of Accountancy no 10 "Events following the reporting period" settles the treatment in the financial situation of favourable and unfavourable events which come up after the close of the exercise, which may be of two types:([1],pp.635,paragraph 3)

- events offering the proof conditions existing at the end of the reporting period (events leading to the adjustment of the

financial situations after the reporting period);

- events indicating the conditions which appeared after the reporting period (events not leading to the adjustment of the financial situations after reporting period).

The follow-up information can validate or invalidate the assumptions or predictions of the economic entity management. Possible debts, not being paid at the stated time may be questionable for the auditor as regards entity principle of going concern.

For this reason, International Audit Standard no 560 "Follow up events" settles the auditor obligations to take into consideration the incidents of events following the close of the exercise, both for financial situations and for his report, three stages being noticed: ([3], pp.555)

- events taking place between the date of financial situations and the date of auditor's report;
- events the auditor finds after the date of auditor's report but before the date the financial situations are published;
- events the auditor finds after the financial situations have been published.

In order to make a more rigorous evaluation of the observance of the principle of going concern by economic entities, it is necessary to study and analyse some relevant indicators for identification and examination of risks which may appear at an economic entity level.

The going concern of an economic entity activity is certain if the risks are correctly prevented and managed.

Risk is present in everyday activity of any organization. Desired or undesired events, certainty or uncertainty are realities which come one after another in a unit and which may affect the activity of an enterprise on a medium or long term. Under the circumstances a certain responsibility and rigorousness is necessary in identification of difficult situations the company confronts with.

At the level of an economic entity the risk reflects the probability that the financial – economic results will evaluate in such a way that they may lead to incapacity of payment.

Risk evaluation is the manager's task in order to monitorise the risk factors, to initiate some preventing measures to limit or stop

their effects.

The activity developed within an economic entity generates results which are under diverse influences such as: the modification of the utilities price, the salary rise, the amendments of the legislation and of regulations as regards taxes and duties.

The analysis of the company risk stands in identification of the existing risks and in the evaluation of their economic and financial direct and indirect consequences. As a result of the company risk evaluation, the management will have to find efficient solutions to reduce it and if possible, its diminuation or elimination. ([8], pp. 243)

Analysing economic or operational risk, the main indicator which measures this risk is the *breakeven point*.

The profit level or breakeven point of an economic entity is that point in which the incomes are equal with the outgoings. It is also called "critical point". Therefore at this point the profit is null. This point is considered to be the point of "expenditures efficiency" and it is used to analyse economic and financial risks. The indicator can be calculated both at the product level and at the level of the total turnover. ([9], pp. 158)

At product level, the breakeven point may be determined like this:

$$K = \frac{CH_f}{p - CH_v}$$

where:

CH_f – unitary fixed expenditures

p - medium selling price per product

CH_v – variable expenditures per product unit

At the level of total turnover, the breakeven point is determined like this:

$$K = \frac{\sum CH_f}{(1 - Ch_v) \cdot Q_{max}}$$

or

$$CA' = \frac{\sum CH_f}{1 - Ch_v}$$

where:

$\sum CH_f$ - sum of fixed charges

Ch_v – variable charge for 1 leu „Turnover”

Q_{max} – maximum turnover

CA' – point tuover

The breakeven point is of interest for the manager because: ([9], pp. 161)

- it gives information about the minimum level of activity to get profit;
- it allows the elaboration of assumptions and simulations regarding the profit development;
- it serves to explain the modification of the operation result.

By analysing the breakeven point it results that the variation of the operation result, that is the economic or operational risk is dependent on three factors respectively: turnover, expenditures structure and the position of turnover to the critical turnover.

4. Conclusions

Evaluations and predictions in accountancy need an explicit and stable basis, in spite of their being conventional. The division of operation into exercises can be made only when, anticipating the future, the activity has the tendency to develop under the same conditions like in the present and up to a quite far horizon, so that the actual project be completed. The importance of going concern principle is very great because depending on it the other major principles can be applied, especially those connected with the evaluation of elements of financial situations. The role of this principle has raised considerably in the last years, once with the accountancy development from a juridical – economic concept to a concept with an advanced economic character, as well as with the development of audit practices.

The economic risk or the operational risk is of a special importance not only in economic evaluation of an entity, but also for the adoption of the most adequate financing measures in order to achieve an economic growth for the respective firm.

Michael Izza, Chief Executive Officer at ICAEW (Institute of Chartered Accountants in England and Wales) said: „*all those implied in the process of financial reporting have the responsibility to pronounce as regards the findings connected with the going concern principle in a measured and evaluated manner. Doing this, they will support reliability in business and will contribute to an economic recovery on a large scale*”. ([10])

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Historical and Cultural Accounting Dimension, References for Romania

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Abstract

Amid the many changes of economic, political, social and cultural nature which influenced the accounting evolution, the objective of this article is to analyze the historical landmarks that have influenced the evolution of accounting in Romania and economic, political influences as their possible implications in accounting. The evolution of accounting in the future is dependent on political and economic developments. The application of International Accounting Standards international will be the future in accounting plan in Romania as well, if the implementation of other political and economic theories could derail this trend. Since 1999, Romania would have to undertake a comprehensive program of training, analysis and consulting on three aspects: accounting, legal and tax. Application of International Financial Reporting Standards should be seen as a strategic direction for entities, a strategy that involves costs budgeting of training staff and joint projects with internal and external specialists in the implementation of IFRS.

Keywords: historic landmarks, political and economic influences, IFRS, tax implications, professional judgment

J.E.L Classification: M20, M40

1. Introduction

As a result of the many economic, political, social and cultural changes the accounting is in a constant evolution. Legislative changes in our country testify

today the mandatory transition to the application of IFRS by companies traded on the regulated and supervised market by the Bucharest Stock Exchange.

"The world has endless possibilities ahead. But nothing can be done as long as we do not know the importance of what happened before" (Nicolae Titulescu) therefore "we consider a foray into the accounting history helps us to better understand the current status, both as a form of knowledge science and as a social practice"[1]. We wonder if the accounting historical research is necessary as long as the international priority is the introduction of international standards of accounting. We also wonder whether the study of history can influence the study of historical accounting, and current trends and developments in corporate accounting.

C.G. Demetrescu considers accounting history research a process in which "it can gather valuable information that can be used in research by those who are looking to set principles that underpin the science in its application"[2].

2. Research methodology

Objectives of the research is to analyze the historical and cultural dimension in the world of accounting, benchmarks for Accounting in Romania, the direction we are heading to and economic and political influences as possible implications in accounting. Research methods used to achieve the objectives include documentation, data collection, analysis, interpretation and drawing conclusions.

Analyzing accounting in Romania through the mutations in the accounting literature, we identify several stages of

analysis of the evolution of the Romanian accounting:

The evolution of the Romanian accounting from origins until 1908 - called "Romanian accounting literature training stage"[1] or "double-entry popularization stage" [3].

History of Romania accounting literature took as a starting point 1837, the year when there was presented first information about double-entry bookkeeping, in a work on the description of commercial practice "Trading Code of Laws." Due to the late emergence of capitalist economy, in Romania accounting literature appeared a few centuries later than in Western Europe - Italy (1494), England (1543), Germany (1549) [4], [5].

During this period there was no explicit legislation regarding accounting. Public accounting was regulated by the Financial Regulation published in 1861, while private sector accounting was governed by the Code of Commerce, which came into force in 1887.

The situation concerning accounting studying was different because of the much later emergence of double entry in Romania. They organized the first trade schools (in Galati and Bucharest in 1864, and later in other cities) where also the study of accounting appeared. D. Rusu (1991) states that we have information that 160 years ago, around 1830 there was a trade school within a Romanian chapel in the city of Brasov where people learned very useful knowledge about business management, accounting and economic calculation, business ethics, economic and commercial legislation psychology.

Romanian accounting evolution during 1908 - 1948, called "*Romanian accounting thinking maturation phase*"[1] or "*professional and scientific debate stage or synergistic effect*" [3].

This period was marked internationally by three major events (the World Wars 1914-1918 and 1939 -1944, the Great Depression from 1929 to 1933), which had negative economic effects.

After the Second World War a new „era” was born in the accounts in the major European countries: In Italy, Mussolini created a new reform in accounting, while Austria were started to apply all the

ramifications of the German Commercial Code.

In Romania, this period was productive in the history of Romanian accounting. Thus, in 1908 it appeared the first magazine on accounting and business, General Magazine of Commerce and Accountancy (RGCC), in 1913 was founded the Academy of High Commercial and Industrial Studies in Bucharest. Moreover, economic university education and teaching accounting discipline were introduced in the education system. The structuring of liberal accounting profession took place in 1921 as a result of the foundation of the "Body of Authorized Accountants and Chartered Accountants". The emergence of theoretical contributions of the works of Spiridon Iacobescu and Ion Evian shows visible effort for a Romanian "school" with accounting and institutional formalization [6].

Romanian accounting evolution during 1949 - 1989, called "*Stage of socialist realism in Accounting*" [1] or "*stage of sealing accounting*" [3]

Internationally, during this period there were different views on financial reporting and accounting practices in Central and Eastern Europe on the one hand and Western Europe and the United States on the other. These differences relate both to distinct targets on the role of accounting and also to its organization. International accounting cannot be characterized in unified manner due to economic, political and cultural factors that have driven the world over time.

In Western Europe, the two classes of accounting systems were grouped into families, namely the Anglo-Saxon family one under the French rules and family under the influence of German and Italian rules.

Central and Eastern Europe was under Soviet sphere of influence, which by applying socialist doctrine had major influences in accounting plan. The application of socialist doctrine implied quitting market economy and replacing it with planned economy.

Romania was influenced by the historical context of existing international and the national past.

Romanian accounting evolution during 1990-1994, called "*the need to identify your own self*" [7].

International accounting has been influenced by many factors, determined by cultural, economic, political, religious and social differences. These existing international differences are reasoning to homogenize accounting information provided. By 2000 an attempt was made to attenuate the "disagreements" information arising from different accounting practices, involving bodies such as the European Economic Community (EEC) and International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) [8].

In Romania, the main features of this period were:

- An interim period between the practice of soviet accounting system and the implementation of the French-inspired accounting system, called "New Accounting System" [3];
- In this period it was a tendency to go back to tradition in terms of organizing the accounting and aligning accounting rules and practices to international reality;
- In 1992 it was re-established the Body of Authorized Accountants and Chartered Accountants and Advisory College of Accounting was formed ;
- In January 1993 a new accounting system entered the stage of experimentation (on a sample of 70 businesses economic agents of different sizes), thus representing a starting point for a new phase in Romania accounting; [9]

Romanian accounting evolution during 1994-1999, called "*Romania's transition to continental accounting system*" [7].

The main features of this period were:

- From 1 January 1994 a French-inspired accounting system began to be applied.
- In 1997 it started "Development Program Accounting System in Romania", which was initiated by the Ministry of Finance together with the Institute of Chartered Accountants of Scotland, with the role of Romania's accounting harmonization with EU directives and international accounting standards.

- Concerning Romania there also were arguments and counterarguments to the implementation of international accounting standards, but Romania had to align the financial accounting and reporting treatments compatible with international reality. [10], [11]

Romanian accounting evolution during 1999-2005, called "*Romanian accounting harmonization between European Directives and International Accounting Standards*" [4].

Internationally due to the prominent position of U.S. financial markets, any company that wanted to be listed on U.S. stock exchanges had to submit financial statements prepared according to "U.S. accounting principles" (Generally Accepted Accounting Principles - GAAP). This reconciliation of the financial statements were prepared in accordance with IFRSs adopted by the IASB to U.S. GAAP assuming important costs. In 2002, the IASB and FASB (the first body of accounting normalization) signed a memorandum by which they pledged to achieve convergence of accounting standards, identifying significant differences between IFRS and U.S. GAAP and differences classification for their elimination and make recommendations for achieving convergence of U.S. standards with international ones. The year 2005 was the final year for the cost of inventories, sharing assets, balance sheet classification, earnings per share, changes in accounting policy, the correction of errors. [12] The situation in countries of implementing IFRS, was as follows:

Table No.1 Reporting under IFRS 2005

Country	Listed companies	Private companies	Public sector companies
Australia	Mandatory	Mandatory (only for big companies)	Mandatory
Austria	Mandatory	Allowed	Prohibited
Belgium	Mandatory	Mandatory (will decide whether from 2005 or 2007)	It has not been determined
China	Prohibited	Prohibited	Prohibited
Czech	Mandatory	Allowed	It has not been determined
Denmark	Mandatory	Allowed	Allowed

Finland	Mandatory	Allowed	Allowed
France	Mandatory	Allowed	Allowed
Germany	Mandatory	Allowed	Allowed
Greece	Mandatory	Prohibited	Prohibited
Hong Kong	Prohibited	Prohibited	Prohibited
Ireland	Mandatory	Allowed after 2005	It has not been determined
Italy	Mandatory	Allowed/Mandatory	Allowed
Japan	Prohibited	Prohibited	Prohibited
Luxembourg	Mandatory	Prohibited	Prohibited
Netherlands	Mandatory	Allowed	Allowed
Norway	Mandatory	Allowed	Allowed
Poland	Mandatory	Allowed	Allowed
Portugal	Mandatory	Allowed	Allowed
Russia	Allowed	Allowed	Allowed
South Africa	Mandatory	Allowed	Prohibited
Spain	Mandatory	Allowed	Allowed
Sweden	Mandatory	Allowed	Allowed
Swiss	Mandatory (IFRS or US GAAP)	Prohibited	Allowed
Great Britain	Mandatory	Allowed after 2005	It has not been determined
United States of America	Prohibited	Prohibited	Prohibited

Source: Magazine "World Watch", Price Waterhouse Coopers Publishing House, nr.1, 2005 [13]

In Romania, premises were created for applying of international accounting standards in the large companies through the implementation of legislative rules that companies must comply with the preparation and presentation of financial statements:

- Adoption of Order 94/2001 which provides for the application of International Accounting Standards to Romanian companies such as adjustments to the effects of inflation and the need to strengthen.
- Adoption OMF 1982/5/2001 on the application of IAS accounting rules and standards aligned to EU credit institutions. This was equivalent of OMF 94/2001 for banks and lending institutions.
- Adoption OMF 306/2002 on the application of accounting regulations

aligned with IAS and EU rules for small companies. This includes accounting standards "restricted" applicable in small companies.

- Adoption of OMF 1742/2002 on the application of accounting regulations and standards aligned with IAS and EU rules for institutions supervised by the National Securities Commission (CNVM).
- In December 2003 the IFRS jump occurs, the Ministry of Finance published OMF 1827/2003 which clarifies the future application of international standards in Romania. The third wave of reform has its origins since 2005 by the publication of Order 1752/2005 for approving the Accounting Regulations in accordance with the European Directives and repeal of OMF 94/2001 and OMPF 306/2002.

Romanian accounting evolution during 2006 - present, called "*Stage to ensure compliance of Romanian Accounting with European Directives and Financial Reporting Standards*" [7].

Internationally, the two bodies of the IASB and FASB signed a new memorandum, which established convergence directions for 2006-2008. In the April 2009 issue amid the economic crisis convergence was delayed. In early 2012, the two organizations provide normalization and reduce differences in classification and measurement models for financial instruments.

In Romania, the Ministry of Finance has determined that IFRS implementation in Romania take place in stages, developing a series of legislative regulations, as follows:

- Publication of Order 3055/2009 for approving the Accounting Regulations compliant with European Directives and repeal of Order 1752/2005. This order eliminates areas uncovered by Order 1752/2005.
- Appearance in February 2011 of National Bank of Romania Order 1/2011 approving the Methodological Norms on the consolidated financial statements in accordance with International Financial Reporting Standards, as

required by credit institutions for supervisory purposes.

- The emergence instruction 6/2011, according to the instructions entities authorized, regulated and supervised by CNVM.
- Adoption Order 881/2012 on the application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards.

2013 is the first year of implementation of IFRS for listed companies, accounting professionals encountering difficulties in implementation, difficulties resulted from the reprocessing process and the tax implications. For proper implementation of tax laws, there should be identified and implemented accounting and tax treatment as IFRS is operating either fair value or revalued value or cost inflation, depreciation, estimates of the value of assets, liabilities, provisions [14].

Since 1999, Romania should have had to undertake a comprehensive program of training, analysis and consulting on three aspects: accounting, legal and tax.

3. Conclusions

Accounting history research is needed because it can be a support for both the understanding of contemporary accounting practice and as a basis for theoretical explanations. Knowing the history of accounting is a way to a better understanding of accounting, not just reading what happened in the past.

"Considering the tradition of Romanian accounting, we think the accounting normalization in our country must continue to focus on **national accounting plan**, but this does not exclude the development of a theoretical framework of accounting, which is considered as a **meta-rule**. The conceptual framework of International IASB, to develop national accounting rules to serve Romanian companies wishing to access international capital markets" [15]

Romanian accounting literature has been dominated by the two-stage of European-continental reform (French system) and Anglo-Saxon (British-inspired system), migration from one accounting system to another being influenced by economic and

social globalization of economies and financial markets in all countries.

The evolution of accounting in the future is dependent on political and economic developments. Application of International Accounting Standards internationally will be the future plan in Romania, if the implementation of other political and economic theories could not derail this trend.

We believe that the application of IFRS is a challenge for accountants and auditors in Romania that will create major training differences, as operating with companies presenting financial statements under the IFRS, it requires the use of professional judgment and not a mere classification of property elements according to criteria. Entities will seek professional accountants who have experience in applying IFRS, therefore the International Financial Reporting Standards study should be a continuous process of training for all professional accountants and auditors. Application of International Financial Reporting Standards should be seen as a strategic direction for entities budgeting strategy that involves costs of staff training, joint projects with internal and external specialists to implement IFRS. For the average company, the implementation of IFRS takes about two years, but companies should plan at least three years before. Most large companies especially multinationals have implemented "Management by objectives" - MBO, one of the objectives of the financial department should be planning the implementation of IFRS.

Application of International Financial Reporting Standards except for entities bound by legal regulations is optional for some companies depending on their management decision, and for the companies it would be beneficial, in order to encourage the training of specialists and their application, provided the completion of the regulatory process including in taxation remedy any issues arising during implementation.

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Evaluation Model of a Team Performances of a Mixt Department Based on Chronic Dysfunctions Analysis

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Abstract

The aims of this paper is to develop an evaluation model of the team's performances of a mixt department based on chronic dysfunctions analysis, which is important for achieving company objectives and increasing labour productivity. This study uses methods like questionnaire, interview and observation to evaluate a group of employees from different departments, and reveals that implementations of the results of the proposed model have a positive impact over the labour productivity and economic efficiency.

Thereby, the importance of this study lies in the awareness that the team performance is built around personal performance of each of its members, and at the same time personal performance is measured in accordance with company's standards and is supported by personal development level of each person of the team.

Keywords: personal development; collective results; work; motivation.

JEL Classification: M40

1. Introduction

Most of companies, in particular the thesmes, have not integrated an evaluation system of employees performances, and others have difficulties in utilising information learned from previous evaluation processes.

In HR, the remedy of these deficits could have as effect the results improvement in work and obtaining superior performances.

The performances evaluation is a complex process, which needs to be understood from

- It's a process that refers to motivation and development of the organisation members;

- It's a reflection of organizational culture [1].

For example, in the organizations in which the style of the work is oriented more on the team work, the traditional evaluation of performances – which refers to the comparison between employees – can be unproductive, because this kind the evaluation system encourages or stimulates first of all the comparison between employees and less the activity in team [2].

2. Identification and analysis of critical dysfunctions for effective teams

The identification of dysfunctions

The authors have evaluated a team formed by 11 employees from the system: supplying, shop, auto repair, metal structures and Financial Internal Control of a national holding and concluded that the team is characterized by the existence in their activities of 5 chronic dysfunctions presented in the figure below:

Figure 1. Dysfunctions of team work identified in the mixt department (the segments: supplying, warehouse, metal structures, auto repair)



Source: Patrick Lencioni, pp. 177-179[3]

Next we present the dysfunctions that can appear in the team work and we present an estimation model of existents functions [4], as follows:

1. The first dysfunction is lack of trust manifested in team members. Basically, it derived from rejecting the idea of being vulnerable in a group. Group members,

who doesn't tell one to another their own mistakes and weaknesses, make it impossible the creation of a trust basis.

2. Failure in building the trust becomes damaging, because it sets the tone for the second dysfunction: fear of conflict. Unreliable teams are incapable to debate new exciting ideas. Instead, they resort to vague discussions and retained comments.
3. The lack of healthy conflicts becomes a problem, because it gives rise to a problem [5]: lack of commitment. Without making public the opinions during the opened and passionate debates, the team members don't get involved in decisions, than extremely rare, although they can simulate the agreement during meeting.
4. Because of this lack of real commitment and involvement, team members develop an avoidance of responsibilities, wich isthe fourth dysfunction. Without involving in a clear plan of action, even the most responsible and efficient members avoid, often, to warn their colleagues about the actions and unproductive behaviours for the good of the team.
5. Lack of responsibilities creates and environment conducive to the emergence of the fifth dysfunction. Inattention to results occurs when team members put their individual needs (like pride, career or reputation), or even the necessity of personal decisions, above the collective goals of the team.

Another path to understand this model is an opposite approach – a positive one -, and to imagine how are behaving the members of a grid team:

1. They trust each other.
2. They are involved in undisguised conflicts started by various ideas.
3. They are involved in decisions and action plans.
4. They draw attention to each other when someone acts against plans created together.
5. They focus on obtaining collective results.

Even if everything seems simple, this is because some things are indeed simple, at least in theory. In practice, everything is extremely difficult, because it takes levels of discipline and persistence that few teams can get.

Before examining every dysfunction and exploring the ways to pass, you need to evaluate your team and to identify the improvement opportunities from your organization.

Dysfunction no. 1: Lack of Trust

Affirmation 1: Team members accuse themselves quickly and honest when they say or do something inappropriate or damaging for the team.

Affirmation 2: Team members admit weak points and mistakes.

Affirmation 3: Team members know the personal lives of the others and are not feeling uncomfortable to discuss about it.

Table 1. Dysfunction no. 1: Lack of Trust

Dysfunction no. 1: Lack of Trust			
	Score		
	1	2	3
Affirmation 1	Rarely	Sometimes	Usually
Affirmation 2	Rarely	Sometimes	Usually
Affirmation 3	Rarely	Sometimes	Usually
Total points: 5 - this means for the collective subject of analysis that there exists the first dysfunction of team work: "Lack of Trust"			

Source: Own contribution

Team members that manifest lack of trust:

- They lose time and energy trying to impress;
- They avoid to ask for help or to offer a constructive feedback;
- They avoid to help outside their responsibility area;
- They don't admit and don't use others skills and experience to others;
- They jump to conclusions about the intentions and aptitudes of others, without trying to clarify it.
- They hide to each other weaknesses and mistakes;
- They avoid meetings and invent reasons to not spend time with the others.

Team members that manifest trust:

- They focus their time and energy above important things, not so ever above intrigues;
- They ask for help;
- They take risks, offering feedback and back up;
- They give to each other the not guilty clause before reaching to a negative conclusion;
- They appreciate and ask for others skills and experience;
- They admit weaknesses and mistakes;
- They can't wait for meeting and other opportunities to work in team.

Table 2. Dysfunction no. 1: Lack of Trust

Dysfunction no. 2: Fear of Conflict			
	Score		
	1	2	3
Affirmation 4	Rarely	Sometimes	Usually
Affirmation 5	Rarely	Sometimes	Usually
Affirmation 6	Rarely	Sometimes	Usually
Total points: 4 - this means for the collective subject to analyze that there exists a second dysfunction in team work: "Fear of Conflict"			

Source: Own contribution

Dysfunction no. 2: Fear of Conflict

Affirmation 4: Team members are passionate and without reservations in discussing the issues [6].

Affirmation 5: Team members are insistent, not boring.

Affirmation 6: During team meetings, the most important and the most difficult problems are revealed to be solved.

Teams that are afraid of conflicts:

- They lose time and energy with a positional management and interpersonal risk;
- They ignore controversial themes, that are vital for the teams' success;
- They create conditions for appearing inside intrigues, collateral comments and personal attacks.

Teams that commit themselves in conflict:

- They minimise the inside policy;

- They resolve quickly real problems;
- They extract and exploit the ideas of all team members;

Dysfunction no. 3: Lack of Commitment

Affirmation 7: Team members know at what their colleagues work to and how to contribute to the collective's good.

Affirmation 8: Team members go away from meetings being sure that everyone is committed to the decisions that they have taken together, even though at the beginning they did not agree.

Affirmation 9: Team members finish their discussions through resolutions, clear action and well defined plans.

Table 3. Dysfunction no. 3: Lack of Commitment

Dysfunction no. 3: Lack of Commitment			
	Score		
	1	2	3
Affirmation 7	Rarely	Sometimes	Usually
Affirmation 8	Rarely	Sometimes	Usually
Affirmation 9	Rarely	Sometimes	Usually
Total points: 3 - this means it exists a second dysfunction at no. 3: "Lack of Commitment"			

Source: Own contribution

A team that don't enter into recognition:

- It supports reconsideration of the opinions among its members.
- It sees the opportunities going away because of excessive analysis and useful delays;
- It cultivates the lack of trust and fear of failure;
- It creates ambiguity through its members regarding direction and priorities;
- It comes back all the time to discussions and decisions;

A team that takes commitments:

- It changes direction without hesitations or without trying a feeling of guilt [7].
- It analyses the same team regarding common objectives;
- It takes advantage of opportunities before competitors;

- It develops the ability to learn from mistakes;
- It creates clarity about direction and priorities;
- It goes forward without hesitation;

Dysfunction no. 4: Avoiding Responsibility

Affirmation 10: Team members claim each other deficiencies and unproductive behaviours.

Affirmation 11: Team members are deeply preoccupied by the perspective of not letting down their colleagues.

Affirmation 12: Team members stimulate each other regarding plans and approaches.

Table 4. Dysfunction no. 4: Avoiding Responsibility

Dysfunction no. 4: Avoiding Responsibility			
	Score		
	1	2	3
Affirmation 10	Rarely	Sometimes	Usually
Affirmation 11	Rarely	Sometimes	Usually
Affirmation 12	Rarely	Sometimes	Usually
Total points: 5 - this means that the dysfunctions no. 4 of the teamwork "Avoiding Responsibilities" exist at collective subject to analyse.			

Source: Own contribution

A team which avoids responsibilities:

- It place an unusually high burden on the team leader, as the sole source of discipline.
 - It encourages the mediocrity
 - It creates resentments among team members with different performance standards
 - It does not respect the dead-lines
- A team in which the members bring each other to account:
- It avoid excessive birocracy regarding performance management and remedies.
 - It does so that those with poor performance to feel the necessity to need to improve it.
 - It identifies quickly the potential

- problems, putting to questioning to each other the approaches, without hesitation;
- It establishes the respect between team members who are the subjects to the same standards;

Dysfunction no. 5: Inattention to Results

Affirmation 13: Team members do willingly sacrifices (budget, spaces, staff number) in their departments or in expertise areas for the good of the team.

Affirmation 14: Morale is significantly affected by the failure to achieve goals.

Affirmation 15: Team members don't search to be praised for their own contributions, they prefer to highlight on the other.

Table 5. Dysfunction no. 5: Inattention to Results

Dysfunction no. 5: Inattention to Results			
	Score		
	1	2	3
Affirmation 13	Rarely	Sometimes	Usually
Affirmation 14	Rarely	Sometimes	Usually
Affirmation 15	Rarely	Sometimes	Usually
Total points: 3 - meaning that to the subject collective exists the dysfunction no. 5 of team work "Inattention to Results"			

Source: Own contribution

A team that don't focus on results:

- It's easy to be distracted;
 - It rarely beats competition;
 - It stagnates/ do not evolve;
 - It loses the employees oriented to realisations;
 - It encourages team member to focus on their own careers and individual goals;
- A team that focuses on collective results:
- It avoids distractions.
 - It discourages individual behaviors;
 - It maintains the employees oriented to realisations;
 - It enjoys success and suffers acutely due to failure;
 - It benefits from the presence of some people who sacrifice their own goals/

interests for the good of the team;

3. Conclusions

The model presented in this paperwork has a strong practical character, it is based on actual observations and was already implemented in case of national holding to which I referred above with notable results on team effectiveness, observing after the implementation of the decision from the analysis model an increase of labour productivity by 20% and an increase of economic efficiency by 4%.

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Analysis of the Impacts of Foreign Currency Savings

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Abstract

Studying the ways of training, of the influence factors and of the ways to place people's savings by making such research, offers the possibility of scientific development and reasoning of the appropriate model of population on saving in the difficult conditions in which it is now Romania.

Household savings trends are reflected in the standards of living and welfare. Savings, as an influencing factor of the standard of living and welfare depends on the level of inflation, the interest rate liabilities and the income, which suggests that, before drawing any conclusion about saving, changes of the size of people savings should be considered.

In Romania, in the current period, occurs a series of studies and analyzes, in which, statistically, they are assessed and defined multiple concepts of living. These studies were signed by researchers from the National Institute of Statistics, the National Bank and the Deposit Guarantee Fund in the Banking System.

Key Words: savings, currency savings, dynamics, deposits

JEL Classification: D, D1, D13, D14, E2, E21

1. Introduction

Economic reforms in Central and Eastern Europe, launched in early 1990, were not itself a goal, but a necessity. This requirement was imposed by the communist regime collapse, the deepening economic crisis in these countries and the launch of economic growth.

Since the beginning of launching those reforms, the post-communist transformation process proved to be a much more complicated and complex than first thought. Price liberalization, stabilization and privatization were essential for obtaining a market economy, but also sufficient to ensure the success. Long transition process is proved to be economically and socially costly, but also unpredictable as ongoing [1].

The main priority of these countries was the economic growth revival as a sustainable process and with real economic gains. Those countries are characterized by a higher degree of economic freedom and also recorded the highest economic growth rates, thus becoming more prosperous than others [1]. There is a clear and very close connection between the degree of economic freedom and the economy process.

In most of the industrialized countries the domestic savings, especially private ones, played the main role to be the source of investment and economic growth. Foreign resources attracting was important for the economic development and growth. But for this to happen on a large scale, usually it should take the form of capital inflows attracted by profitable investment opportunities [2]. Without taking into account the importance of external assistance, it appears that transition economies will follow that traditional way.

Moreover, while external assistance may involve the foreign policy conditionality when it comes to private savings and improvements in the investment, domestic policy becomes endogenous, assuming that the policy may or even affects the economy and investment behavior.

Economic growth prospects are given by the present characteristics in the process of saving, because present savings can be the

funding source of both innovation for increasing the productivity of capital, and the public debt service.

The economic downturn of recent years has reduced household incomes and therefore their capacity to save, but not equally in all states. In addition, saving is a process that depends on a set of cultural factors which the economic policies may or may not use them effectively [4].

The main sector of a national economy that does the saving is the households one. Therefore amid the current crisis the banks have changed their strategy to attract savings from the population, reducing the interests on deposits in local currency and slowly increasing the ones in foreign currency. Credit institutions now encourage long-term savings in foreign currency, while the analysts recommend *the diversifying of economies* [3].

In other words, saving trends of the population are reflected in the standards of living and welfare. Savings, as an influencing factor of the living standard and welfare, depends on the level of inflation, the interest rate liabilities and income, which suggests that, before drawing any conclusion about saving, savings size changes should be considered [2].

2. Empirical analysis of the determinants of growth in foreign savings

It can be performed an empirical analysis of the determinants of savings in foreign currency dynamics, approximated by currency deposits, formed through the banking system (dv) - thus making abstraction of foreign exchange held "in the mattress", using a SVAR model type (Structural Vector Autoregression model) in which the vector of endogenous variables

$X = [dv \ i_p \ \pi \ e]$ includes the dynamic of currency deposits, the average interest rate on deposits attracted by commercial banks from non-bank customers, inflation and ROL / USD nominal exchange rate dynamics [11] (Data for dynamic currency deposits, the corresponding exchange rate and inflation rate are annualized values, changes in foreign

currency deposits and exchange rate are calculated by the formula:

$$X_t = 1200 * \ln\left(\frac{X_t}{X_{t-1}}\right). \quad \text{Long-}$$

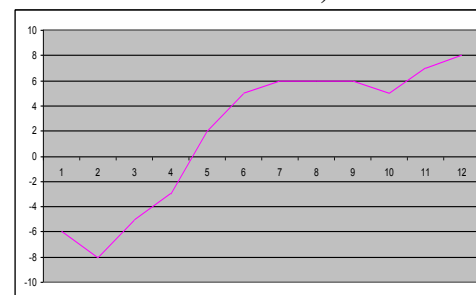
term restrictions considered matrix is:

$$C = \begin{bmatrix} c_{11} & 0 & c_{13} & c_{14} \\ 0 & c_{21} & 0 & c_{24} \\ 0 & 0 & c_{33} & c_{34} \\ 0 & 0 & 0 & c_{44} \end{bmatrix}.$$

The considered analysis period is January 1993 to September 2012 only to highlight the long-term correlations, the involved variables are considered as level, and not as first order differences [5].

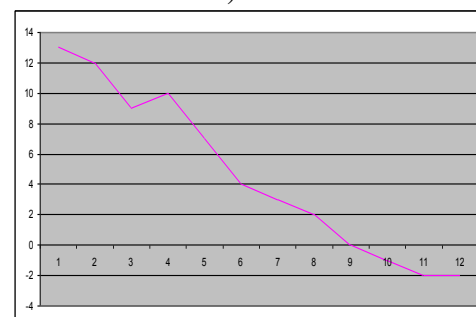
The results obtained are as follows:

Fig. no. 1 - The effects of a currency saving determinants shock on the saving dynamic (factors structural decomposition – cumulative effects) - Inflation



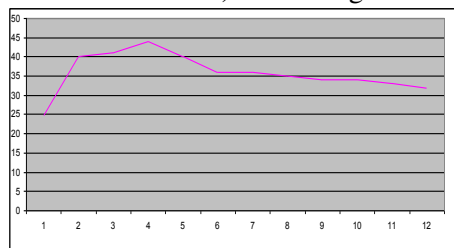
Source: the generalized impulses model-
Generalized One SD Innovation

Fig. no. 2 – The effects of a currency saving determinants shock on the saving dynamic (factors structural decomposition – cumulative effects) - Interest Rate



Source: the generalized impulses model-
Generalized One SD Innovation

Fig. no. 3 – The effects of a currency saving determinants shock on the saving dynamic (factors structural decomposition – cumulative effects) – Exchange Rate



Source: the generalized impulses model-
Generalized One SD Innovation

It may be noted that [12]:

- An inflationary shock causes initially (within 1-2 months) a decrease in the growth of the savings rate in foreign currency, then, within 3-6 months, this shock is the origin of an acceleration of the foreign currency deposits formation (the effects stabilizing after the entire period of two quarters);
- An increase in the nominal interest rate causes an "immediate" decrease in foreign exchange savings rate, its effect being absorbed within about two quarters.
- An external shock involves an "immediate" adjustment of the currency deposits (which adjustment, within 1-2 months, exceeds 25%), its effects being extinguished within the same interval of two quarters.

3. Determinants factors of currency deposits evolution volatility

Also it can be highlighted by means of this pattern the determinants of evolution volatility of currency deposits [6]:

Table no. 1 The contribution of the occurring shocks on the determinants in currency deposits estimation error version (factors structural decomposition)

Period (months)	1	2	3	4	5	6
Nominal interest rate	15.57459	12.12377	12.87719	12.62955	12.74968	12.89614
Inflation rate	3.126029	2.638577	3.028111	3.519113	4.312424	4.958579

Note: percentages

Source: NBR statistics

It may be noted that the factor with the highest contribution in explaining the volatility in foreign exchange saving process (over 60%) is figured by the changing of the nominal exchange rate, followed by the nominal interest rate and only to a limited extent the inflation rate (Which can be explained by persistent inflationary expectations of economic subjects, "sticky" anticipations to the current changes in price dynamics) [13].

Current saving is a source of consumption and future investment financing. We believe that for the presentation of the effects exerted by the changes in previous periods of saving over current consumption and investment, its breakdown is useful according to the sectorial criterion, in economy of firms (S_f), respectively, of households (S_g).

The main "work" assumption is that if the firms savings in foreign are for their future import operating performance (while those in domestic serving for the future expansion investment financing by the acquisition of local resources and capital goods), domestic and foreign economies are used to purchase consumer goods, domestic and foreign, but acquired mainly in domestic (in other words, apart from the phenomenon of dollarization, it is assumed that only a small fraction of household expenditure is made directly in foreign - mostly in some consumer durables (eg. cars, electronics, luxury goods, etc..), mainly due to reduced mobility of the population, customs barriers and imperfect legislative and economic integration in international transactions). To illustrate the factual support of the latter part of this hypothesis, it is interesting to analyze the structure of household consumption. Thus, it can be noted that, within it, the prevailing costs are those of food items purchasing (over 50%) and those related to the purchase of dwellings (20%) [7]:

Table No. 2 – The structure of consumption expenditure of households (%)

Element	2010	2011
Food and Drink	23	22.2
Clothing and Footwear	6.2	6.2
Housing and endowment assets	15.6	16.4

Drugs & Medications	3.8	4.1
Transport and telecommunications	6.5	
Culture, education	4.2	4.4
Other	3.0	3.1

Source: Statistical Yearbook (2011)

If this hypothesis is "reasonably" viable, then the most important consequence of this is that there is a testable **two-way links** between the dynamics of currency and inflation dynamics: **not only** from inflation rate, via real interest rate, **but** from the changes in foreign currency deposits, **via** consumption expenditures of households, to the rate of inflation [8].

4. The connection between the bank deposits dynamics and the inflation ones.

This link between the deposits and inflation dynamic can be illustrated:

- a) Using a model of VEC type (Vector Error Correction Model) that includes a correction mechanism such as $vecm_{\pi} = \pi - dv$

Table no. 3 - co-integration JOHANSEN test (without data trend; constant (no trend) only in co-integration relation, not in the VAR, 4 lags):

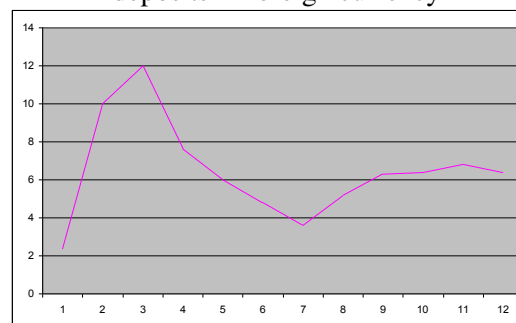
Number of co-integration relations (threshold of 5%)	(Log) likelihood function	Akaike information criterion	Schwarz information criterion
0	-890.8306	17.95704	18.37132
1	-876.2460	17.76725*	18.31098
2	-871.7553	17.77733	18.45053

Significant result for the 5% threshold

It may be noted that in accordance with Akaike criterion between these two variables there is a long term co-integration relation. In these circumstances it can be highlighted that the inflation rate responds " immediately " to

a shock occurred in the foreign currency deposits, this effect reaches a "peak" in about a quarter (about 12%, annualized values), experiences a moderation in within 2 -3 quarters and stabilizes thereafter [9].

Fig no. 4 - The response of inflation to a change in the growth rate of the volume of deposits in foreign currency



- b) Using a test existence of a causal relation of GRANGER type based on a relation of the form:

$$\Delta\pi_t = \alpha_0 + \sum_{i=1}^r \beta_{\pi i} \Delta\pi_{t-i} + \sum_{j=0}^s \beta_{\pi j} \Delta dv_{t-j} + \delta_1 \pi_{t-1} + \delta_2 dv_{t-1} + \varepsilon_t$$

If in the relation (1) the parameters δ_1, δ_2 are significant non-zero, then there is a long-term relation between inflation rate and the foreign currency deposits dynamics (with this dynamic as "decisive") [10].

- c) Using a regression of the type:

$$\pi_t = \delta_1 \pi_{t-1} + \delta_2 dv_{t-1} + \varepsilon_t \quad (2)$$

it can be noted that, according to these results, an increase (delayed by a period) of the rate of formation of deposits in the foreign currency leads, in *caeteris paribus* conditions, to a significant increase (about 35% - annualized values) of the inflation rate, this result is (according to z test) statistically significant [12].

5. Conclusions

In conclusion, these test methods indicates that, statistically, there is a significant correlation between the dynamics of foreign currency and inflation rate that

seems to support the theory postulated correlation.

It can be argued that, because the dynamic of currency deposits have a significant effect, via household consumption, on the dynamics of inflation, it is useful exercising a form of influence over those by the monetary authority (including the application of mandatory reserves, particularly in this line of argument, on the forex deposits of households (advanced analysis ignores the possibility of the development of an indirect effect of the foreign currency deposits on inflation, exercised through exchange rate changes in the volume of foreign currency deposits contribute to changes in supply and demand on the currency market and therefore affect the exchange rate. However, this variable is one of the most important determinants of domestic price dynamics ($\Delta dv \rightarrow \Delta e \rightarrow \Delta \pi$). Consideration of this issue would allow an alter of the conclusion in the sense of widening the recommendation on the overall control of foreign currency deposits, not being, besides other unmentioned reasons, useful in our opinion giving the reserves mechanism up for foreign currency deposits).

Despite the existence of ambiguities and unstable results, theoretical and empirical research in countries in transition to a market economy, seem generally to support some opinions that say that: capital accumulation is the engine of economic growth and that the most of the domestic savings leads to high levels of investment and in this way contribute to long term economic growth.

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A Discussion of Fair Value Accounting and Accounting Measurement Regimes

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Abstract

Accounting is sometimes seen as a veil—as a mere detail of measurement—leaving the economic fundamentals unaffected. The validity of such a view would be overwhelming in the context of completely frictionless competitive markets. Accounting would be irrelevant in such a world, since market prices are fully observable and common knowledge among all. Or, to put it another way, accounting is relevant only because we live in an imperfect world where transaction prices may not correspond to the hypothetical market prices that would prevail in frictionless competitive markets. Therefore, the nature and consequences of the imperfections are key to the debate about mark—to—market / fair value accounting versus historical cost accounting. Proponents of fair value accounting argue that the market price of an asset or liability reflects the amount at which that asset or liability could be bought or sold in a current transaction between willing parties.

Key words: fair value accounting, measurement

JEL: M41, G32

1. Introduction

Recent studies of a financial system consisting of a banking and an insurance sector—environments clearly prone to market imperfections such as illiquid and incomplete markets [1]. They show that fair value accounting need not be welfare—improving because it creates contagion between the banking and insurance sectors. Under historical cost accounting there is no contagion [3].

In times of financial crises, when there is likely to be a liquidity shortage, the interaction among institutions and markets can lead to situations when prices no longer reflect fundamentals but rather the amount of cash (liquidity) available to buyers in the market [11]. Intuitively, whenever there is a shortage of liquidity with incomplete markets, prices of assets should fall low enough in order to provide incentives for investors to hold liquidity so that they can buy the asset.

Given the phenomenon of liquidity pricing, it is perhaps not surprising that the opposition to fair value accounting has been led mainly by the banking and insurance institutions [1]. For both types of financial institutions, a large proportion of their balance sheets consists precisely of illiquid claims such as long term loans, privately placed notes, and structured derivative products. These claims are not standardized and do not trade in deep and liquid markets. Instead, they are typical of many types of assets that trade primarily through over—the—counter markets where prices are determined by the amount of liquidity available in the market. In fact, measurement issues have a far reaching influence on the behavior of financial institutions and determine to a large extent the efficiency of the price mechanism in guiding real decisions.

2. Distinctions of the IFRS -based setting and the institutional details

The current setting that exploits the IFRS (International Financial Reporting Standards) adoption has a valuable distinction from the Australian, United Kingdom (UK) and United States (US) settings used in prior research [3]. The choice between historical

cost and fair value must be stated in the accounting policy section of the annual report following the IFRS adoption and must be applied consistently going forward (analogous to, e.g., revenue recognition or inventory valuation methods). A company that chooses to use fair value must revalue assets *every time* the book value is materially different from the market value (IAS 16 and IAS 40). A company that chooses historical cost *cannot* perform upward revaluations in the future. A switch between historical cost and fair value is considered a voluntary change in accounting principles and needs to be justified to auditors, lenders, equity investors, and potentially to regulators. Therefore, the choice between fair value and historical cost in our setting effectively represents an *ex ante* commitment, and as such is unlikely to be driven by earnings management considerations. Indeed, the early studies argued that discretionary revaluations are related to contracting motives – consistent with the finding that leveraged companies in danger of violating covenants are more likely to revalue assets. The problem with discretionary revaluations is that managers decide whether to revalue assets *ex post* after they know the effect of the fair value estimate on the financial statements. For instance, managers may only revalue assets when they need to manipulate reported performance. Alternatively, managers may revalue assets when reliable fair value estimates are available. Our setting isolates this issue as we examine *ex ante* choices to use fair value with limited *ex post* discretion to change the valuation method. *Ex ante*, the precommitment to contracting (accounting) practices that minimize agency costs is efficient. Thus, pre-commitments to fair value are more likely to be informative about firm-specific net benefits, rather than managerial opportunism, as compared to *ex post* revaluations.

Despite the European Union (EU)'s accounting harmonization that began decades prior to the mandatory IFRS adoption, the UK and Germany arguably have the two most distinct asset valuation traditions in Europe at the time of IFRS adoption. The differences in their accounting traditions are due to institutional differences in economic, governance, and legal systems. Germany was traditionally characterized by the existence of

private companies who raised capital from banks and communicated via private information channels [5]. Accounting was mainly used for profit distribution and tax purposes; hence, accounting regulation was codified and focused mainly on legal entity statements. As revaluations are often in conflict with the objectives of tax authorities and are not available for distribution until realized, German GAAP (General Accepted Accounting Principles) only allowed historical cost accounting. Today in Germany, there is no formal link between legal entity reports and consolidated financial statements. Thus, financial reporting choices in the consolidated statements, including the valuations of non-financial assets, have no tax consequences.

In contrast, the UK's accounting practices have historically developed separately from tax accounting and in the private sector rather than in company law [4]. UK ownership is dispersed, and even middle-sized companies are commonly listed on the London Stock Exchange. Such an ownership structure requires that financial reporting reduces information asymmetry, and in this context revaluations can serve the purpose of conveying information about the assets' current values.

3. Empirical predictions

The choice between fair value and historical cost accounting of accounting standard setters such as the US FASB (Financial Accounting Standards Board) and the International Accounting Standards Board (IASB) is guided by their conceptual frameworks that emphasize and promote the decision-usefulness of accounting information [9]. The decision-usefulness perspective faces a central trade-off between the relevance and the reliability of accounting information [8].

In recent years, both FASB and IASB have emphasized relevance as more important than reliability that manifests itself in a shift towards fair value accounting. This change in focus is reflected, for example, in the conclusion of a discussion of relevance and reliability by L. Todd Johnson, a senior project manager at FASB [10]:

"The Board has required greater use of fair value measurements in financial

statements because it perceives that information as more relevant to investors and creditors than historical cost information. Such measures better reflect the present financial state of reporting entities and better facilitate assessing their past performance and future prospects. In that regard, the Board does not accept the view that reliability should outweigh relevance for financial statement measures."

Fair value measurement is justified on the grounds of being more relevant for the decisions by users of financial statements. For example, revaluations to fair value allow managers to convey their private information on asset values [7].

Fair value is also argued to improve transparency, comparability, and the timeliness of accounting information. In line with the benefits of fair value accounting, many studies on asset revaluations find that fair value possesses superior relevance. These studies find that upward revaluations have a positive association with equity returns in the month of the revaluation and that they have association with long-window stock returns, future cash flows, and the market value of equity. In contrast, historical cost is likely to conceptually dominate fair value on the reliability dimension [11].

An important question that remains unanswered, however, is whether, in a free market for accounting principles, managers choose fair value over historical cost. Managers, who represent outside stakeholders, have economic incentives to respond to market demands and to select a set of accounting principles that reflect the interests of the firms' stakeholders. Thus, the observed choice outcomes represent the market solution to fair value vs. historical cost accounting. IFRS offers an opportunity to examine whether the observed choice by firms' management is consistent with IASB's (and FASB's) shift towards fair value accounting in accounting standards. In such a case, one should expect that the IFRS adoption is associated with a shift towards fair value accounting for non-financial assets.

4. Case study on fair value measurement of goodwill

Acquiring a building on January 1, 2012 which is the book value of 45 million UM

(units of measurement) and a market value of 60 million UM. Amortization period is set at 15 years. Goodwill is amortized over 15 years. After 10 years of use is sold to a third party at a price of 30 million UM.

Year 2012

1. Purchase of building :

Debit:

Buildings 45,000,000

Goodwill 15,000,000

Deductible VAT 14,400,000

Credit:

Providers of property 74,400,000

2. Depreciation of building = 45,000,000

:15 years = 3,000,000

Debit:

Operating expenses on depreciation of property 3,000,000

Credit:

Depreciation of buildings 3,000,000

3. Payment of provider

Debit:

Providers of property 74,400,000

Credit:

Bank 74,400,000

4. Goodwill amortization= 15,000,000 : 15

years = 1,000,000

Debit:

Operating expenses on depreciation of property 1,000,000

Credit:

Depreciation of goodwill 1,000,000

Years 2013 to 2021

5. Depreciation of building:

Debit:

Operating expenses on depreciation of property 3,000,000

Credit:

Depreciation of buildings 3,000,000

6. Goodwill amortization:

Debit:

Operating expenses on depreciation of property 1,000,000

Credit:

Depreciation of goodwill 1,000,000

Year 2021:

7. The sale of the building :

Debit:
Various debtors 37,200,000
Credit:
Income from disposal of assets 30,000,000
VAT collected 7,200,000

8. Removing the accounts of the building:
Depreciated value of the building =
 $3,000,000 \times 10 \text{ years} = 30,000,000$
NonDepreciated value of the building =
 $= 45,000,000 - 30,000,000 = 15,000,000$
Debit:
Depreciation of buildings 30,000,000
Net value of assets disposed 15,000,000
Credit:
Buildings 45,000,000

9. Removing the accounts of the goodwill:
Depreciated value of the goodwill =
 $1,000,000 \times 10 \text{ years} = 10,000,000$
NonDepreciated value of the goodwill =
 $= 15,000,000 - 10,000,000 = 5,000,000$
Debit:
Depreciation of goodwill 10,000,000
Net value of assets disposed 5,000,000
Credit:
Goodwill 15,000,000

5. Conclusions

Whether fair value accounting dominates historical cost accounting in a free market for accounting policies is an important question that has been subject to much controversy among academics and regulators. We study the choice between fair value and historical cost for non- financial assets when market forces, rather than regulators, determine the outcome of this choice. In light of the long-standing debate over fair value accounting, understanding this choice is useful from both regulatory and academic perspectives. Under the assumption of free market discipline, the choices by management should be informative as to whether the net firm-specific economic benefits associated with fair value accounting outweigh those of historical cost. The key advantage of our setting is that IFRS, which provides a choice between historical cost and fair value accounting for non-financial assets, requires pre-commitment to either practice.

Our findings suggest that, for non-financial asset, the market solution for the choice between the two alternative valuation

methods lies with historical cost accounting: firms' managers, who represent outside stakeholders, generally reveal preferences for historical cost accounting for a broad range of non-financial assets. The limited cross-sectional variation in the choice between fair value and historical cost indicates that market forces determine this managerial choice. The evidence broadly suggests that managers' resistance to the use of fair value is likely to be driven by the costs of establishing reliable fair value estimates rather than a disagreement with standard setters on the potential benefits of fair value accounting – firm managers appear to view fair value accounting for non-financial assets as costly.

While markets are generally more effective at resource allocation than regulators, possible externalities and market failure must be considered. Yet, there are several reasons to believe that market failures are not a major concern in our setting. First, we do not see compelling externalities caused by either historical cost or fair value accounting. For example, a positive network externality implies that a choice of fair value by one firm increases the benefit of fair value to other firms. Hence, if positive network effects associated with fair value outweighed firm-specific costs, we would not observe switches from fair value to historical cost in a setting where fair value was used prior to IFRS adoption.

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Financial Risk Management for the Enterprise L'Oreal Paris

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Abstract

By choosing this theme (Financial risk management of an enterprise) I intend to highlight a problem by which understanding can explain the causes of economic success or failure. The choice of research theme regarding the study of risk strategies in companies can be justified by the increasingly higher interest manifested by theoretical and applied studies occurred over time. The basic principle of the paper is to provide a conceptual framework for analyzing and identifying ways of minimizing risks that can disrupt the running processes underlying the activities of firms, organizations, enterprises, companies. The landmarks of the company management, in devising a risk strategy, guides the manager on identifying and correctly assessing the risk and adopting appropriate measures to mitigate and combat the negative effects of its materialization .

Keywords: risk, financial management, enterprise, companies, profitability

Jel Claddification: G2, G3, G32

1. Introduction

Modern society is often described as "risk society", which means that the social production of wealth is accompanied by the social production of risk, therefore businesses operating in such environments are forced to manage various types of risk, in order to develop themselves and increase their efficiency. Thus the exposure to risk is growing.

There are a wide variety of corporate risks, which are analyzed and classified

taking into account the different types of criteria. One of the most important types of corporate risk is financial risk [1].

Risk management includes three phases: analysis, manipulation and monitoring of risks. Therefore, the financial risk analyzed in this paper would be equal to the risk of financing that includes three components [1]:

a. capital structure: risk arising from the use of capital risk to finance part of the company's assets;

b. liquidity risk related to the company's ability to pay its short-term liabilities using assets that can be quickly converted into cash (assets);

c. long-term stability risk related to funding sources used to buy long-term assets (fixed), and long-term risk of insolvency.

It is noteworthy that the financial risk, in this regard, is just part of the overall risk. There are many other types of risk that should be taken into consideration while preparing an integrated approach to the risk management process in the company. Companies should be aware of the risk exposure and should take actions as the planned risk management process in order to maintain an acceptable level of risk. [2].

There are several methods for risk assessment - one of them is financial analysis that can be used both in risk analysis and in risk monitoring phase. Financial analysis is a financial management tool that uses various sources of information on the company's past and current activities as well as present and future financial situation. The most important sources of information used in financial analysis are the financial statements provided by the accounting system. Financial data included in the financial statements can be used to identify the types of risk and their factors [2].

It is noteworthy that financial risk analysis can be performed for the Company's internal and also external parties - that are interested to the assessment of the financial situation of the company (current and future) - mainly these are shareholders and potential investors, including creditors.

2. Financial risk analysis method based on the profitability and leverage.

This critical point is achieved when turnover is equal to total expenditure: $CA = CT$

The bigger CA, the lower operating risk is, and the result is that the unit adapts quickly to changes in the environment by the amount of production obtained [3].

The difference between breakeven and turnover is called *absolute flexibility*, or *margin of safety* (MS) and indicate to what extent can vary the volume of activity, without this oscillation to involve the risk of loss.

The turnover (CA) stands farther on the threshold of profitability, the unit has greater financial stability [4].

Statistical studies shows that economic units can be found in the following situations:

- *unstable* when the CA ranges up to 10% above the breakeven point;
- *Relatively stable* when the AC is below 20% above breakeven;
- *Comfortable* when it exceeds by 20% the breakeven [5].

This method enables the provision of the profile at the level of activity modification.

Margin of safety (MS) is a carefully considered element by banks for a possible credit and for fair decisions substantiation concerning the future development unit [5].

Analysis of financial risk can be addressed by taking into account the financial costs (interest on borrowed capital), which are considered fixed costs at a certain level of activity. It should be noted that interest is assessed as a fixed expense in relation to turnover.

Breakeven can be calculated with the following formula:

$$PR = \frac{F + Dob}{1 - a} ;$$

PR = breakeven;

F = fixed costs;

Dob = interest;

a = coefficient on the share of variable costs in turnover.

Financial risk assessment is done using:

- Position indicator:

- absolut: $CA - PR$

- relativ: $\frac{CA}{CA - PR}$

- elasticity coefficient:

$\frac{\Delta PC}{PC}$

$\frac{\Delta CA}{CA}$;

PC = the current profit;

CA = turnover.

Exploitation leverage can be calculated as the ratio of profit variation to the variation of turnover, so, as the margin profit [6]. This relationship can highlight the influence of the position of the company to break even, on the profit :

$$e = \frac{CA}{CA - \frac{F}{1 - a}}$$

We know that $\frac{F}{1 - a}$ is the breakeven (PR) and then the operating leverage (e) is determined as follows:

$$e = \frac{CA}{CA - PR} ;$$

which shows the dependence of the financial risk to variation in turnover and to its position to the break even, so, the farther turnover is from the threshold of profitability, the less risky the company is (near the breakeven , the company is more risky).

It can be determined the breakeven for 2010 as follows:

- Leverage = 1.7560 = 175.60%

- CA = 19495.80 million EUR

From the formula given above, it follows that:

$$1.756 = 19495.80 / (19495.80 - PR)$$

$$PR = 19495.80 - 19495.80 / 1.756$$

$$PR = 8393.41 \text{ mil. EUR}$$

It is noted that CA is higher than breakeven, which shows great financial stability.

For 2009:

- Leverage: 184.06% = 1.8406

- CA = 17472.60 million EUR

Results: $1.8406 = 17472.60 / (17472.60 - PR)$

PR = 17472.60-17472.60/1.8406
PR = 7979.72 million EUR

Increasing breakeven occurs with increased turnover, which results in a greater removal of these two indicators, leading to an increase in flexibility of the enterprise.

The decrease of the financial risk and the improve of the position of the company becomes relevant, a claim supported by the decrease of the current profit variability depending on the changing the workload.

We note that the margin of safety in absolute size (MSA) is positive in both years, and its condition is improving from 9492.88 million EUR in 2009 to 11102.39 million in 2010.

Safety margin in relative sizes (MSR) increases as follows[7]:

$$\begin{aligned} \text{Msr} &= \text{Msa} / \text{PR} * 100, \text{ so:} \\ \text{Msr}_{2010} &= 11102.39 / 8393.41 * 100 \\ \text{Msr}_{2010} &= 132.27\% \\ \text{Msr}_{2009} &= 9492.88 / 7979.72 * 100 \\ \text{Msr}_{2009} &= 118.96\% \end{aligned}$$

- From 118.96% last year to 132.27% in current year and it is a comfortable situation for the enterprise in terms of financial risk, situation that is improving from one period to another.

Safety index is determined by: CA / PR * 100. Thus:

$$\begin{aligned} - \text{In 2010: } & 19495.80 / 8393.41 * 100 = 232.27\% \\ - \text{In 2009: } & 17472.6 / 7979.72 * 100 = 218.96\% \end{aligned}$$

Is higher than one in both periods and more than the value considered normal by 20%, which is the 218.96%, respectively 232.27%,.

The cosmetics industry being an industry of "capital intensive" is understood a slight reduction in the asset rotation as the activity is extensive. Pleasant surprise, however, commercial margin and organizational efficiency developments, while the group continues to make acquisitions and increase their sales. Unfortunately the net result was a slight decrease in the return on assets which is enhanced by significantly reducing leverage as the company chooses a safer financial strategy but less profitable for shareholders. The value of fiscal leverage (ratio of net profit and the gross profit) is increasing, but close to average for the past three years, so it is insufficient to offset the negative effect of reducing the return on

assets and, especially, the contraction of leverage [8].

3. Factorial explaining of the financial return based on highlight the leverage

Leverage relation helps to explain the level and evolution of financial return, depending on factors such as [7]:

- Borrowing company;
- The company's profitability.

$$R_f = \frac{\text{PC}}{\text{CA}} * \frac{\text{CA}}{\text{AE}} + \frac{\left(\frac{\text{PC}}{\text{CA}} * \frac{\text{CA}}{\text{AE}} - R_d \right) * \text{DAT}}{\text{CPR}}$$

where:

$\frac{\text{PC}}{\text{CA}}$ = current margin rate of accumulation (without interest);

$\frac{\text{CA}}{\text{AE}}$ = rotation rate of economic asset.

There is a slight increase in the current buid margin which by continued efforts of management should enhance its market position and its penetration into new markets.

It can be seen an increase, an acceleration of asset rotation, which leads to increased efficiency of their use by linking fixed assets efficiency to work efficiency, stock rotation and quality management [9].

To achieve the smooth functioning of society with a good return and a smaller financial risk, must be made a financial policy more judiciously.

Return is synthetic defined as the ability of the company to make a profit, necessary both for development and for remuneration of capital.

The profitability analysis is based on "profit and loss" that shows how to reach a certain final patrimonial state, what the streams of income and expenses were.

4. Other risks

It appears that the most important risk group in the researched case refers to: reputational risk (due to potential accidents, PR errors etc.), market risk (the perspective of fungible goods that goes into products), operational risk (in terms of product safety, the environment and the integration of acquired companies in the group), currency risk (over 60% of L'Oreal sales are outside

the euro area), legal risk (especially regarding patents, safety and environmental products and acquisitions) and the risk of seasonality. According to the group reports, the company shows an important concern for the purchase of insurance against risks that management perceives as potentially having a big impact [7].

A second group of risks perceived as having less relevance for L'Oreal at the moment are macroeconomic risk, liquidity risk, credit risk (commercial), interest rate risk (referring to the possibility of increasing the cost of credit) and the risk of natural disasters.

5. Conclusions

In terms of economic and financial the company is profitable, due to the good conduct of its business. After analyzing the work that was done in the previous chapters, we can make a number of conclusions presented as strengths and weaknesses of the business.

Important is that the L'Oreal Romania, and thus L'Oreal Paris, approaches each project with the maximum technicality, respecting in all stages of implementation the safety measures to be taken.

From the analysis of the financial balance sheet made in the paper, it appears that the company has managed to maintain this balance in the utmost, of course having some specific problems to economic imbalances.

The turnover of the company has experienced substantial growth, which is due to the fact that the company has achieved a substantial increase in revenue from core business (the company has a high market share in sales of cosmetics). Improving

turnover was due to the increase in labor productivity and to productive fixed assets yield.

In terms of increasing the share of material costs in total operating costs, it is due in a very small extent to increased production made (the company bearing in mind all the possibilities of reducing the consumption of water, fuel, energy, etc), the main cause of the increased material costs being the price liberalization of raw materials, fuel, etc.

Level of profitability achieved by the company ensures a safe level to support some unfavorable influences. Company's level of profitability is negatively influenced by the financial and the exceptional result, due to long-term debt.

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Evaluation of Knowledge-based Assets in the Modern Economy

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Abstract

A great challenge of modern economy is the valuation of intangible assets and special knowledge asset. Emergence of the modern economy has been accompanied by plans doctrinal formulation of a series of distinctive concepts to justify the company's performance based on a relationship of cause and effect. Cases were identified in the presence of certain resources not recognized in the accounting plan and have been treated as assets. The concept of invisible assets described gathers information based assets, namely: technology, customer trust, image and reputation, organizational culture and management skills. Information is also an important factor in the modern economy of production. It is about both form and substance of intellectual capital as a separate item in the computer. The hardest decision of the assessment remains the choice of the most appropriate methods for valuing assets based on knowledge.

Key words: intellectual capital. Business Intelligence, intangible assets, valuation methods,

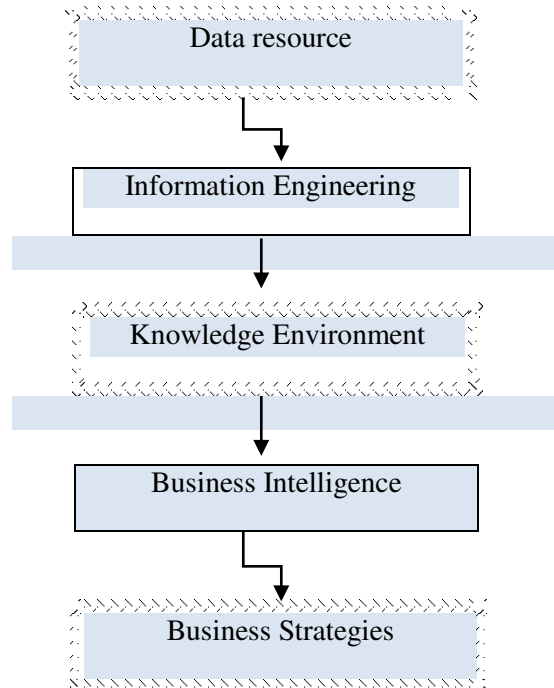
JEL Classification: M40, M41C52

1. Introduction

Created the modern economy based on knowledge assets throughout the article what we call "Business Intelligence", abbreviated (BI). Business Intelligence contains a number of concepts, methods and procedures designed to promote activities that supposes in making business decisions. To be operational BI requires consistent information accurate and refined. BI includes both internal company processes supervision and assembly of data related to the economic environment with primary focus on the

actions of competitors and identify opportunities. Sensitivity imposed by BI system is very high in terms of quality of data processed information. Consequently, BI required from sub-control functions to operate accurately. In addition, external data quality requires an approximation to the precision internal assimilated. Damoradan [1] proposes an information value chain that determines the quality BI, the chain you are shown below:

Table 1



Assembly knowledge (Knowledge Environment) learning capacity is determined for BI systems validity and performance of the organization in general. Time spent learning ensures redundancy elimination, elimination reinventing processes and reduce production costs.

Revealed a BI system is not measured only in terms of its architecture dependent and usefulness in formulating decisions.

Formalizing a BI system requires efficient equalization control systems capable of producing relevant and reliable data, empowering the majority of staff from various departments, the presence of an integrated, synchronous built solid and flexible enough to be adapted to the changes inherent generated by the evolution of the organization and creating a robust evaluation of relevant information from the business. Reaching this level is synonymous with quasi-removal concentration dependent know-how of a group of members of the organization and the organization's immunization default risk of the type of technology, the counterparty or staff. Although conventional methods of assessment does not provide direct solutions for generating consideration of value of components or assembly companies business intelligence - intellectual capital, believes that the importance of producing adequate timing information is recognized by both the Framework for the Preparation and Presentation of Financial Statements IFRS (which sets a limit for the relevant financial information in relation to the completion time of publication against the related reporting period) and the discount for lack of information at the time of purchase of a company. Beyond the implications generated taxonomy modern economy based on observation of phenomena from practical issues and concerns of practitioners to identify intuitive causal relationship between resources and performance companies. Operating in the storage import brand, knowledge penetrates more assiduously need to build theoretically an appropriate management tools and practices developed new elements in order to achieve the strategic goals of interested parties (stakeholders). However, initial field research in the penultimate decade of the last century has been able to allocate attention to the correct target level intermediate passage, in which we stand. Investigation considers the correlation between the value observed in companies (for example, represents the quoted share price) and identify the elements, methods of measurement, management and reporting of field knowledge assets can be an important step in the right direction. reaffirmed that research on intangible assets (which we assimilate those invisible) was

continuously practice guideline. Starovic [2] argues that the interests of practitioners and innovators in this field need to use tools to manage the intangible assets had a role in stimulating research academics. It is therefore apparent that the development of knowledge in the field is very likely to incorporate particular features of practical interests unregulated and largely divergent. It is the road that I have traveled and other related object of our interest as accounting managers who benefited but broader applicability intake and a longer settling time.

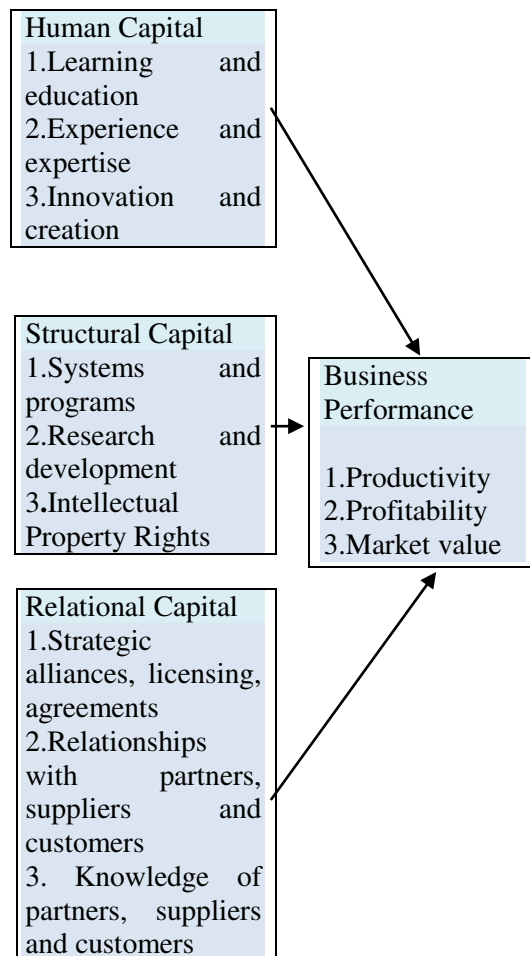
2. Literature Review

Diversity vectors interpretation explains the variety of the content of intellectual capital which include: customer satisfaction, know-how, staff skills, staff attitude, brand recognition, software that definitively quantified through relations to date expressed correspondence between them and a set of resources with existing intangible relatively small part of which is on intangible assets recognized in the balance sheet of companies. Note that subscribe intellectual capital human capital, structural capital and relational capital. Defining human capital content is an object of interest to authors [3] and starting from the structure above and performs the following identifications: Individual human capital is the ability, knowledge, know-how, skills, experience [4], but is regarded as the most risky capital because it is not incorporated in the company's assets but is owned by members. A further surprising but based on the items listed above is the health of members of the organization [5], the proposal arriving in Finland where issues relating to health and work environment are related to the concept of intellectual capital [6]. Influence of intellectual capital is identified through it's staff's abilities, its satisfaction and stability, which ensures longevity knowledge they produce employees for the benefit of the company [7]. Therefore, human capital provides insight into competencies [8] personnel involved in the operation.

In our opinion, the formulation of a system of components of intellectual capital should start from the premise isolation elements that may have direct influence on

performance, relieved of disturbance caused by other factors (components). Such an approach is synonymous with a comprehensive proposal for value whose quantify the combined influence company value individually but operate independently having the capacity to produce measurable influence. The model used for validation is shown in the figure below:

Figure 5. Components of intellectual capital



3. Identification of intellectual assets

In OECD Countries Investing in knowledge and knowledge production (eg research and development) increased significantly in recent decades reaching to equal investment in tangible fixed assets. St - Pierre [7] establishes a horizon full and also more specifically transferring in plane shapes and generators while integrating fully in the value of intangible assets. Importance of such an approach is that higher pragmatism starts from realistic assumptions: in the last decade the company's market value was reflected in

the proportion of more than 20% of the value calculated based on the financial statements that percentage actually decreased below the 10% for companies whose operations are based on knowledge. Even if you identify a single cause of this phenomenon and placing its exclusive sphere unaccounted intangibles is certainly a fallacy we can not share his opinion on the importance of reconsidering the breast companies on generating value systems and discrimination between factors contribute to added value. A recommendation on the capitalization of all costs that contributed to the formation of identifiable intangible element when there is some data to support that these costs will lead to economic benefits "provided" is a positive step but not enough. In our opinion this practice is but a palliation with strong side effects, omission of a discriminatory process based on principles favoring realizing more than a situation like WORLD.COM. Therefore, in order to recognize the incorporation of resources within the company it should meet certain conditions, such as:

-January, they use the parameters near the maximum generating capacity advantages of operations;

-February, existence of a significant probability of generating, directly, future benefits (calculated over the entire estimated duration of use) or, indirectly, reduce operating costs beyond the cost of purchasing and maintaining them or getting a new positive contribution resources;

Lack of entropic effects on the combination with other resources or, in the absence of appropriate assessment tools entropy, the lack of redundancy in relation to the recognition of other resources;

-April, existing principles of production, use and control of resources previously validated within the organization or within a similar organization.

4. Evaluation of knowledge

In a statement about what type of intellectual capital accounting suggests that it would be appropriate because numerical information related to financial management were the ones who dominated the management for a period of several decades. There is a need extending their application,

and the human resources and intellectual capital. Cited authors opt detrimental numerical representation similar to surging managerial accounting, a type of measurement that can be adapted to the company and as a method to monitor the performance of the organization. We argue that intellectual capital statements (ICS) and Skandia Navigator combining quantification, visualization and reporting can help assess the value creating capacity of organizations suggesting that rather a process than a stock item. Intellectual capital is reflected the network of relationships and separately they lose value. Note that performance networking companies in the "new economy" of the distinctive elements that contribute to generating value in the present context has created a real fervor materialization methods for quantifying the resources used by companies (current knowledge). Emphasize that the analysis of existing models for measuring knowledge-based resources, despite abundant circulating in the literature or practice of methods is based on a strong need to connect the measurement process with the management of these resources. Understanding how a system performance indicators directs specific actions and behavior to achieve desired results and the need turning neither communication by policymakers underpins the development and implementation of useful models of measurement. Absence of certainty in matters of future benefits, individualization and lack of transparency difficulty or inability to correctly determine the costs involved are barriers to capital assets recognition elements companies. Solving this dilemma lies still in the classical approach to assessment and report accounting processes in their scope. Ensuring future benefits does not remove the company of the classical methods of assessment but would enroll in a clear space based approach came intersection with commensurate using the principles of fair value. In continental Europe a possible explanation spaced further evaluation reluctant reconsideration regarding intangible assets is found among the recipients in the banking, finance economy as the main limitation from their tendency to reduce risk.

As stated previously, the many methods of measuring intellectual capital and diffuse relevant classification and another attribute

of the current research, namely the widespread applicability of commonly accepted methods and modern enough to be likely to be covered that would require management and the accounting rigor and accountability effort of stakeholders. We believe that in spite of the installation of the product repositioning financial crisis started in 2008. The benefits of fair value accounting have not been completely eliminated, deductive arguments of our study on a sample of 21 large companies in the ICT sector, presented throughout this chapter and its results recorded following the impairment of intangible assets. Period that began in the fall of 2012 gave us such platform to determine these influences and reactions related business. Influences of multi-scale measurement and administration of major G20 countries have led to a significant illiquidity pandemic that result in changes including procedures caliber actors of all financial and accounting profession. In its financial audit also found whose main concern is found in the expression of the going concern audited companies, the most appropriate evaluation methods and presentation of items in their financial statements. Companies in the areas of software and e-commerce, IT and telecommunications equipment, in which one of the key factors is the ability of innovative financial performance, the result of research and development required in-depth analysis in this period of turbulence. These areas are characterized by a high frequency increased competitiveness resulting from the launch of new products. In this context detach three essential elements:

- a) providing liquidity for operations research and development,
- b) the ability to secure the matrix proceeds in the context of a consumer altered customer of reduced their income and
- c) reflected in the balance sheet values of intangible assets as close to their fair value.

The areas mentioned above, integrated ICT sector have been both the main engine of the global economy and what topics for over two decades, called "new economy". But they just assumed vanguard role and application of principles of financial performance evaluation outmoded led to an enthusiasm too soar with major impact on related markets indices especially overseas.

In these circumstances it would seem that the emphasis on accrual and only subtle tonality free cash flow difficulties in the context of an economy that no longer meet the classical rules. Thus, companies whose activities could be classified as those of the "new economy" by non-incorporation, accounting and regulatory facilitators prudential invisible assets produced mirage performance indicators ROA type with very high values resulting in trading its own shares per very high compared to companies in economy class, with sympathy in this way most investors. Intellectual capital evaluation methods need to explain the difference between the subject's market value and its net book value. This is a numbers perspective oriented value creation in the classical methods of evaluation. For this reason between intellectual capital and the amount of goodwill and intangible assets recognized a relationship of equality given that the price paid for the company is the correct expression of the market value. Assessment of intellectual capital recognition among these essential elements:

1.Observations behavior characteristics of intellectual capital which depreciates with use, in contrast to physical capital but a concept close depreciation by obsolescence;

2.Observations behavior characteristics of knowledge, which differs from the work by storing feature in abilities and skills of employees who become owners of means of production represented knowledge. However, they are willing to cede property rights relating to the Company that if it can not preserve them can at least be used only for a limited period of time. Justification variety of methods proposed for evaluating intellectual capital comes from nature and the information used in the management of the enterprise. This information is characterized, in most situations, the absence of a structure.

Imperfections different methods of valuation of assets based on knowledge resulting primarily from the inability to provide necessary dualism consistent measurement and management bases on value creation management. Secondly, the absence of intra portability leads to a lack of relevant evaluation processes of companies and thirdly performance scholars could not be correlated to the acceptable limits of a confidence interval to quantify the presence

of elements of intellectual capital. Invalidation credibility and usefulness of these methods came from the general public including (along with the reluctance of the accounting profession), which noted the events of 2000 and 2001 the U.S. stock market [9], given the concerns of the determination of methods for quantification of assets based knowledge recorded an almost 10 years old .

5.Conclusions

Knowledge is potent and important evaluation tools commensurate volatility realistic and solid benchmarks as reference. Proposes the following definition of "knowledge management" is a set of processes and practices used by organizations to increase value by improving efficiency, generation and application of intellectual capital. Over the last decades, however, the portfolio misinterpretation knowledge by reporting it as a finished assembly and establishing a management system similar physical assets led to misunderstandings multiplicative nature of its precepts and increasing returns. An important step towards a coherent knowledge management is the acceptance of its distinguishing according to the ability to be between them. Tacit knowledge management is often considered the most difficult component, some companies significant endeavoring to formalizing the transfer. The benefit of such an approach can not be evaluated but, in many cases, the classical foundations of profitability. For this reason the evaluation and management of knowledge applicable to the maintenance and development of intellectual capital follows a different pattern described by processes that include:

- Procurement activities and knowledge creation,
- Activities that encourage the dissemination of knowledge within an organizations
- Activities that enable the transfer of knowledge between cognitive systems organizations and beyond, Coding and structure-activity knowledge-based layouts recognizable by its recipients,
- Active storage in databases, eg intranet sites, and
- Use activities that do not involve consumption but rather can be additional

source of knowledge generation. A fact generator performance knowledge also macroeconomic, structural investment represents three categories: higher education, research and software development. OECD countries recognize the influence of this factor in GDP growth also reporting progress and innovation through patent number.

Making an evaluation model involving operations that uses knowledge taxonomy and social implications of their use is a significant move to quantify knowledge-based assets while management, including at the micro level. Regarding relations with the accounting profession, knowledge management involves an expansion of their responsibilities through increased attention to links with other departments in the company and appreciation of their role in achieving strategic objectives. Thus, it becomes increasingly clear that the role of the accounting profession can play in formulating performance evaluation tools in achieving strategic objectives and establish systems. A good management of knowledge to maximize existing resources in the "new economy" turning their direct influence in intangible assets in the financial performance of the company is nothing but the consistent application of a BI system echoed directly or indirectly as a breeder perception from stakeholders associated with a higher level of credibility which would lead to a triple effect on the value of: increasing sales, reducing costs and increasing EGR. The way to achieve that kind of management would have a foundation built on specific internal organization but whose set of parameters could be readable by any interested party. Focusing on specific organizations would be equivalent to the traditional separation of copying competing initiatives that would lead to dynamic innovative processes that guarantee the success of protection against market volatility and to ensure competitive advantages.

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Taxation and Tax Code in Romania

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Abstract

Romania adopted Tax Code establishing the legal framework for taxes and social security contributions. These are revenues to the state budget, local budgets, social security, and social insurance fund budget for health and unemployment insurance fund to pay salaries. This specifies VAT taxpayers are required to pay these taxes and social contributions, the calculation and payment thereof. This legislation includes the modification of these taxes and social contributions. Tax Code allows the Ministry of Finance to develop detailed rules, instructions and orders to implement this code and how to avoid double taxation.

Key words: Financial Law, Currency, Financial legislation, Tax Code, Tax rules;
JEL Classification: Law and Economics General; K 30

1. Introduction.

In any state, a large part of national income serves to cover the expenses necessary to perform its functions and duties. The core functions of the state are achieved through a complex and varied institutions, authorities, agencies and bodies. For the maintenance and operation of the army, police, gendarmerie, national security, justice, administrative apparatus, schools and churches, the state allocates large sums of money and important material resources each year. These sums of money are collected yearly from citizens and companies by paying taxes. Using financial resources thus collected finance process occurs through public spending. Finance public expenditure occurs within legal relations of funding. These relations are established between the state authorities (authorizing officers) and

recipients of public funds. Finance public expenditure, public expenditure requires the approval of projects, grant funds approved control usability of these funds and administrative sanctioning powers and suspension of funding in breach of financial domains. Such units financed entitled to request and obtain the amounts needed to equip the buildings, facilities, vehicles. Money is spent during specific activity. Beneficiaries must use public funds as intended approved, justify expenditures. In all cases, the effective collection of taxes is essential.

2. Taxes in Romania.

Taxes mentioned by Tax Code of Romania are the following [1]:

- a) income tax ;
- b) enterprises' income tax ;
- c) tax on income obtained from Romania by non-residents;
- d) tax offices ;
- e) value added tax ;
- f) duty ;
- g) local taxes;
- h) inter-community taxes;
- i) European yearly contributions;
- j) special funds;
- k) other special financial resources;

Social contributions covered by this code are the following:

- a) social security contributions owed to the state social insurance ;
- b) health insurance contributions owed to the National Fund for Health Insurance ;
- c) contribution holidays and health insurance benefits owed by the employer budget of the National Health Insurance ;
- d) unemployment insurance or contributions owed to the general unemployment insurance ;
- e) contribution to insurance against accidents at work and occupational

diseases due to employer social security budget ;

f) contribution to the Guarantee Fund for the payment of salary debts owed by individuals and businesses that have the quality of employer .

3. Principles of taxation in Romania

Taxes covered by the Tax Code of Romania are based on the following principles [2]:

a) tax neutrality measures in relation to various categories of investors and shareholders with ownership, ensuring equal conditions investors, Romanian and foreign capital;

b) certainty of taxation by establishing clear legal norms that do not lead to arbitrary interpretations and the time, manner and amount of payment to be precisely determined for each payer that they can follow and understand the tax burden they bear and can lead to financial management influence their decisions on their tax burden ;

c) the individual tax fairness by imposing different incomes depending on their size ;

d) imposing efficiency by ensuring long-term stability of the tax code so these provisions do not lead to adverse retroactive effect for individuals and businesses in relation to taxation in force upon adoption by them of major investment decisions. Romanian Fiscal Code is amended and supplemented only by law, promoted, usually 6 months before entry into force. Ministry of Finance is in charge drafting necessary rules for the uniform application of the tax code.

For the purposes of this Code, rules mean methodological rules, instructions and orders. Orders and instructions are dedicated to the uniform application of this Code shall be issued by Finance Minister and published in the Official Gazette. Orders and instructions regarding management procedures of taxes covered by this code, the general consolidated budget shall be issued by the President of the National Agency for Fiscal Administration and published in the Official Gazette. Annually, the Ministry of Finance collects and systematizes all the rules in force relating to the provisions of this code and

makes it official collection available to others for publication. For proper collection of taxes Ministry of Finance established a Central Fiscal Commission. It is responsible for making decisions on uniform application of this Code. Regulation of organization and functioning of the Central Tax Commission shall be approved by the Minister of Public Finance. Central Fiscal Committee is coordinated by the Secretary of State in the Ministry of Finance responsible for policies and tax laws. Central Tax Commission decisions are approved by the Minister of Public Finance. General rules on taxes and fees are similar with other countries, member states of European Union [3]:

- Taxes and charges are payable in the currency of Romania.

- Amounts included on a tax return is expressed in national currency of Romania.

- Amounts denominated in a foreign currency shall be converted into national currency of Romania, as follows:

- a) if a person self in a foreign country and this activity keeps accounts in foreign currency of the taxable profit or net income from self-employment tax paid and foreign state shall be converted into national currency of Romania by using an average currency exchange rates for the period to which the taxable profit or net income. The Romanian currency is "*leul*";

- b) in any other case, the amount shall be converted into national currency of Romania using the exchange rate at the date of the amounts received or paid or such other date provided for in the rules.

The exchange rate used to convert the Romanian currency amounts in foreign currency, the exchange rate is set by the National Bank of Romania periodically. Eventually exceptions are expressly provided in rules and regulations mentioned in Romanian law.

- Taxable income includes income in cash or in kind. Where income is in nature form, its value is determined by the quantity and the market price for goods or services.

4. Local taxes in Romania.

According to the law concerning local administration, local public authorities local and county councils are organized and operate on the principle of local autonomy.

These councils work considering the eligibility of public authorities taking in account the necessity of best performances in the area of local management. There are created controlling departments in each financial bodies.

These controlling departments are usually placed in the head offices of these bodies (there is a head office or a control department on a management's side) as a controlling department. Using the controlling, the management of financial administration can effectively fulfill its role, which can be observed through several most important directives such as managing through defining the clear goals - from the top to the bottom and vice versa.[4]. Constitutional law granted local authorities wide powers and responsibilities for solving local problems. Local and county councils are responsible for organizing and executing civil works and municipal services and network to develop education, health, culture and art . Another very important task of the local authorities is increasing urbanization of the cities and towns. All these tasks cannot be accomplished without the financial resources managed by the local authorities.

The Constitution provides means for the establishment of local budgets available to local and county councils. Partially, creation of these budgets is possible because of the setting of the local taxes. In fact, local taxes represent the largest share in the total income of local budgets. Local taxes and duties are governed and administrated mainly by local law. Constitution allows local and county councils to establish other fees, except those regulated by law. These fees are for newly created public services within the county, in order to meet the needs of residents. These special taxes are extra budgetary manages the local councils and the districts of Bucharest, the remaining funds shall be transferred by the end of next year with the same destination. Failure to comply with the financial law in this area and other financial matters attracts disciplinary, administrative or criminal case and material responsibility [5].Regarding disciplinary will be applicable to officials of the territorial body of the Ministry of Finance or the local council, which is responsible for the collection and tracking

of local taxes. This responsibility can only be a material liability. The deed must be committed in fulfilling the duties or be the result of poor performance of these attributions. Administrative or criminal liability may be involved both in load operations and the taxpayers if they have committed misdemeanors or infractions [6].

5. Conclusions.

After the fall of communism in Central and Eastern European countries have been fundamental changes. In this transformation process was gradually abandoned in favor of decentralization. The state's main provider of services, it only serves to coordinate the work of public institutions. The state is one that formulates and monitors its implementation strategy. The state no longer directly intervenes every time. Every state establishes performance criteria to be met by those who provide the service. In addition, delegates certain responsibilities to the local level in terms of providing funds and resources. Financial resources of each public administration will not come exclusively from the center using yearly collecting of taxes [7].

Constitutional foundation and consecration of the principle of decentralization of administrative power from the central government to the local community is stated by Constitutional Law, ensuring in this way the local autonomy over time. Today, in Romania, take place an important process of decentralization of the financial authorities, process to be continued, as well, after the creation of the new administrative organization of the state.

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Tax Fraud in Romania

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Abstract

In a permanent effort to reduce the annual taxes paid to the state, the taxpayer use different methods. Some of these are legal methods and are permitted by law. Others are illegal methods punishable by Romanian criminal law. Among the most common methods to avoid paying taxes is found fraud. Tax fraud is the omission of highlighting in the books or in other legal documents, commercial operations or revenues incurred. Tax fraud can occur as highlighting, accounting documents and other legal documents. Other method is to hide the commercial transactions or other operations issuing fictitious evidence. Finally, it is tax fraud the altering, destroying or concealing accounting documents, electronic memoirs or electronic cash registers or other means of technical data storage.

Key words: Financial Law, Currency, Financial legislation, Tax Fraud, Tax rules;

JEL Classification: Law and Economics General; K 30

1. Introduction.

Tax evasion is a common crime in Romania today. Following the prejudice of the public budgets by avoiding tax obligations or obtain undue refund money to those budgets. Romania has serious problems. Tax evasion can be achieved by interposing some people in the process of the correct tax procedure. In this way, it prevents the collection of receivables funds owed to state or local government units. Economic and financial crime and fraud are influenced by several important factors. Among the most important are the myriad

of relationships that determine taxpayer and tax obligations to try to circumvent them. Another important element is the legislative instability and excessive bureaucracy of the legislative and financial system. This phenomenon is favored by the parallelism between tasks of different law enforcement bodies. Last but not least, the European legislative approach is quite different [1]. Romanian legislator was inspired by the law of that states where tax evasion is considered criminal offence. It is possible to reduce or increase the punishment, according to the extent of the damage and the behavior of the criminal under investigation. Romanian tax legislation provides strong measures to prevent and combat tax evasion crimes and their related crimes. First, there are appreciating many facts as tax evasion. Secondly, there are a lot of facts related to offenses of tax evasion. For those found guilty, Romanian law provides for several forms of punishment:

- imprisonment;
- prohibition of certain rights;
- fine (measurement of reduction of sentence);
- administrative penalty to be entered in the criminal record;

Romanian law provides for a number of conditions that removes the punishment of the investigation. There are reasons to reduce penalties for tax evasion offenses and related.

2. Acts that are appreciated as offenses of tax evasion.

Since tax evasion actions aimed at social relationships on public finances, these offenses are considered very dangerous. Committing such acts affect both state and local communities. These crimes are permanently targeting the public money. These facts follow losses of revenue which

must raise the taxes. In this way are affected central and local budgets and are created big problems running the rule of law. Regarding the subjects of committing this crime they can be taxpayers and officials gathering public funds or other public taxes. Officials mentioned should be specialists in public finance or accounting. These responsibilities may be collection of taxes or tax evaluation. As the subject of crime can be accountants or managers of companies. Law no. 241/2005 states that subject can be any person or entity that owns and put into circulation tax documents. Subject may be the person issuing and distributing false tax documents. Always passive subject of acts of tax evasion will be the state. Offense of tax evasion can be committed in any forms of popular participation in doctrine - coauthor, instigation or complicity. By this, the state seeks compensation for the damage to the state budget. Offense of tax evasion is therefore dangerous goods (felony result). It's about the damage that can be caused of any of the public budgets. Shares that are considered acts of evasion can be committed only with intent directly or indirectly. Purpose of committing the offenses of active subject is to evade the payment of budgetary obligations. Actual method of crime is different. Law no. 241/2005 on preventing and combating tax evasion mentions in detail the facts that are appreciated as offenses.

According to Roman law, are considered crimes following facts:

- withholding property or taxable source.
- emphasizing the failure in the accounting or other legal documents, commercial operations or revenues incurred.
- highlighting in the books and other legal documents of the company, the expenditure not to highlight the operations of other real or fictitious transactions [2].
- alteration, destruction or concealment of accounting documents, memoirs of electronic fiscal devices or other means of data storage.
- keeping of double accounting, using documents or other means of data storage.
- avoiding making financial checks through withholding or inaccurate declaration on primary or secondary offices of the persons tested.

- substitution, degradation or alienation by the debtor or by third persons, goods seized legally.

- issuing and distributing, buying, completing or accepting of the false tax documents.

- avoidance of tax payment by transfer shares held in a limited liability company, for this purpose .

The facts mentioned are seriously punished with imprisonment from two years to eight years and interdiction of certain rights. At first glance, the sentence does not express tinted seriousness of those concerns [3]. If by the works mentioned, there was an injury above 500,000 Euros, the minimum penalty provided by law and its maximum is increased by 3 years. In this case the punishment would be imprisonment from 5 to 11 years and denial of civil rights.

3. Penal causes that prevent and punish criminals causes the reduction of sentences.

Law no. 241 of 2005 is provided some causes leading to reduced penalties. Causes are due to how damage is recovered in a certain phase of the trial. Article 10 of Law no. 241 of 2005, provides that where an offense of tax evasion, whether in the criminal investigation or trial, until the first hearing , the accused fully covers the damage, limits the punishment provided by law for the offense committed , reduce by half, Penalty is reduced from 2-8 years to 1 - 4 years. Punishment of criminal damage recovery perpetrator was backed by the state produced by full coverage of the damage. If the damage is up to EUR 100,000 fine penalty may apply. So the penalty is left to the court, depending on other factors would be a circumstantial the situation. Cause of punishment refers to a situation where the damage is up to 50,000 euros and has been recovered. In this situation have to be applied an administrative penalty, which is recorded in the criminal record. However, cases concerning the reduction of the sentence and punishment of cases, does not apply if the offender has committed an offense in the past 5 years. Moreover, if a judgment becomes final, should be mentioned in Notarial Office of Trade Register.

4. Offences related to tax evasion.

Law no. 241/15.07.2005 provides a series of crimes that are not considered tax evasion but in connection with the crime of tax evasion. An offense punishable with a fine is the deed of the taxpayer who intentionally did not rebuild destroyed accounting documents, within the time entered in the records of control. May be considered an offense three times unjustified refusal of a person to present to the competent bodies, legal documents and assets of the estate, in order to prevent financial checks. Prevention, in any form, the competent bodies to enter, as provided by law, in establishments, in order to perform verifications financial, tax and customs, is considered to be an offense punishable by imprisonment from 6 months to 3 years or fine. It is considered an offense and shall be punished by imprisonment from one year to three years or a fine, withholding with intention within 30 days of the due date, the amounts of taxes. Circulation, without right, stamps, bands and standard forms used in tax special regime constitutes an offense punishable with imprisonment from 2 to 7 years and interdiction of certain rights. It is considered an offense punishable by imprisonment from 3 years to 12 years and the prohibition of printing or movement rights, science, stamps, parcel or printed forms used in the field of taxation with special falsified issues. It is considered an offense and shall be punished by imprisonment from 3 years to 10 years and the prohibition of certain rights, obtaining, without right, of sums of money by way of reimbursement or refund of the general consolidated budget, or compensation owed to the general consolidated budget. It is considered an offense and shall be punished by imprisonment from 5 years to 15 years and the prohibition of certain rights, association to commit the offense aforesaid [4]. These crimes targeting consolidated state budget and serious affect the amount of public money. Also, these crimes reduce the local budgets by fraudulent activities and by not paying taxes that are due to the local budgets [5]. Analyzing the Romanian legislation and its measures it is easily observed that main aim is to stimulate

collecting tax debts by reducing punishment.

5. Conclusions.

After the fall of communism in Central and Eastern European countries have been fundamental changes. In this transformation process was gradually abandoned the strict control of the state upon economic sector and tax fraud significantly increased[6]. Due to the poor control of the state in the financial area Romania suffered significant financial losses during the last decades. Romania loses about 50 million lei daily due to tax evasion, according to data released at the end of the first half of this year by the National Statistics Institute. The present situation is caused by smuggling cigarettes, alcohol, luxury products and energy products.

Evasion of the entire economy reached 15% of GDP, being, at the present moment about 20 billion euros lost yearly, underscores Romanian authorities. If in addition to this phenomenon it is taking in account the losses due to the malfunction of the tax collecting system, it is clear that the state lost more than 40 billion euros annually. This means that the underground economy in Romania represents almost 30% of GDP.

Following the national priorities the National Tax Fraud aims to make the first step of tax administration modernization project, scheduled to be implemented step by step until 2018. The main partner will be the World Bank and the first results are expected to show up in the summer of 2015. Also, in 2015, the IRS will acquire a delivery system for the administration of income. The project is worth about 50 millions of euro. Today, in Romania, take place an important process of decentralization of the financial authorities, process to be continued, as well, after the creation of the new administrative organization of the state. After this moment the Romanian authorities are confident that the order will be reintroduced within financial system.

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The Interest of Shareholders in Terms of IFRS vs. U.S. GAAP

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Abstract

Found transfer to the emerging markets by investments, is requiring knowledge about the world's two main accounting systems: Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). IFRS is used in the European Union and many other countries although GAAP system is used principally in the United States. Many countries have their own accounting systems, although most conform to one main system or the other as they work to keep their markets modern.

All accounting systems follow double-entry practices that categorize transactions as revenue or expenses, assets or liabilities. In the paper we intend to underline differences between the two primary accounting systems that may affect the results. We appreciate that the understanding about both GAAP and IFRS, it can make a better evaluation of numbers from companies that follow neither system.

Keywords: Accounting system; IFRS; GAAP; evaluation; differences

JEL Classification: M410.

1. Introduction

Generally accepted accounting principles (GAAP) it is referring to the standard guidelines for financial accounting used principally in the United States. GAAP is also known as accounting standards or standard accounting practice. US-generally accepted accounting principles (US-GAAP) [1] include the standards, conventions, and rules that accountants follow in recording and summarizing and in the preparation of

financial statements. Isignificant differences between IFRS reported measures and US-GAAP

GAAP are set by the Financial Accounting Standards Board (FASB), an organization of accountants, financial analysts, and regulators who draw up accounting practices to meet ongoing changes in the markets. Every time some new issue comes up, the FASB studies the problem, develops a proposed accounting procedure, and sends it for review and comment to different users of financial statements, including corporations and analysts.

GAAP allow for:

- Smooth presentation of earnings: One of the hallmarks of GAAP is an emphasis on smooth earnings results from year to year. The idea is to give investors a sense of normalized results rather than the actual cash in and cash out. For example, taxes are reported based on statutory rates, no matter what a company actually paid. Capital purchases may be depreciated over several years instead of taken as expenses in the year acquired. Although the results are designed to be smoothed, they fluctuate from quarter to quarter and from year to year. The idea isn't to make earnings look pretty so much as to help investors understand what average capital spending or average taxation should be.
- Disclosure: A company needs to explain its assumptions for different expenses. All the gory information is in the footnotes to the financial statements. Under U.S. GAAP, companies are required to disclose information about their accounting choices and their expenses in the footnotes. The notes

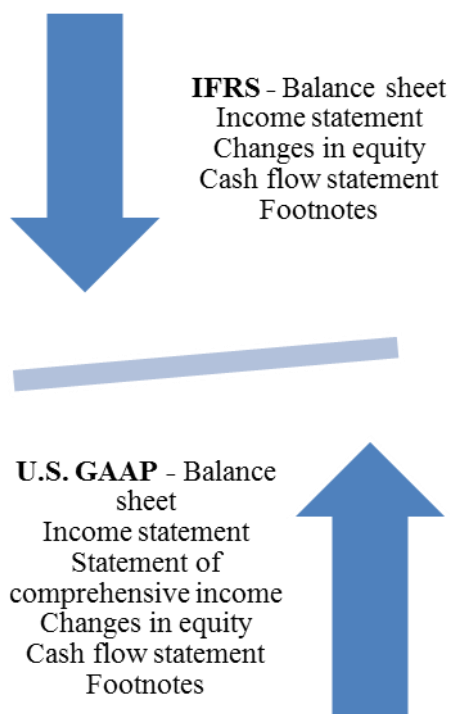
aren't easy to read, but they're key to understanding the business and its financial statements

2. Comparing GAAP and International Financial Reporting Standards

The IFRS were established in 2001 and adopted by the European Union in 2005. The hope is that all the world's businesses will move to these standards to help investors and financiers all over the world better understand the financial situation of companies they invest in, do business with, or extend credit to. Also, a standard system is an incentive for newly capitalist nations, especially China, to develop accounting that meets world standards.

The philosophy behind IFRS is similar to GAAP, but there are some key differences, as: documents included in the financial statements (Figure 1)

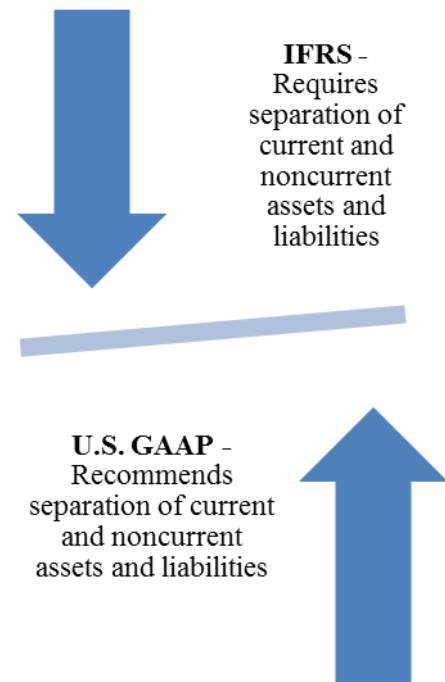
Figure 1. Differences between IFRS and U.S. GAAP - Documents included in the financial statements



Source: Own processing

Other differences are referring to balance sheet (Figure 2).

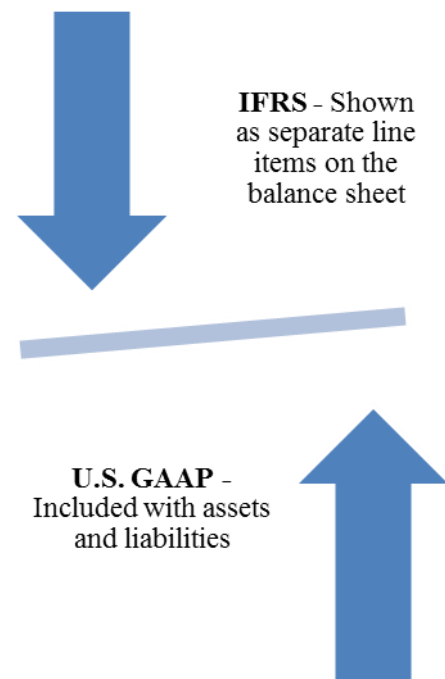
Figure 2. Differences between IFRS and U.S. GAAP - balance sheet



Source: Own processing

Other differences are referring to deferred taxes (Figure 3).

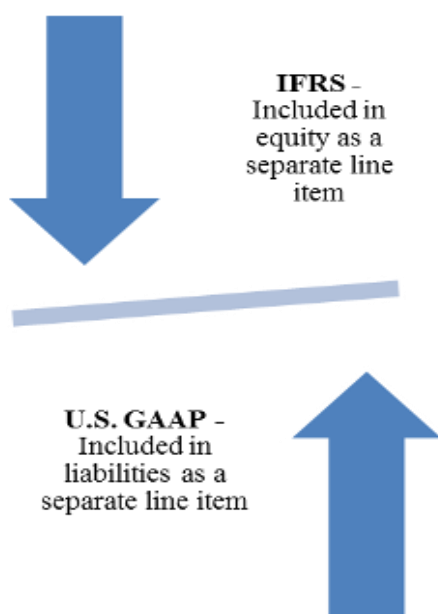
Figure 3. Differences between IFRS and U.S. GAAP - deferred taxes



Source: Own processing

Minority interests (usually ownership positions by significant but not majority investors) represent other difference between IFRS and U.S. GAAP (Figure 4).

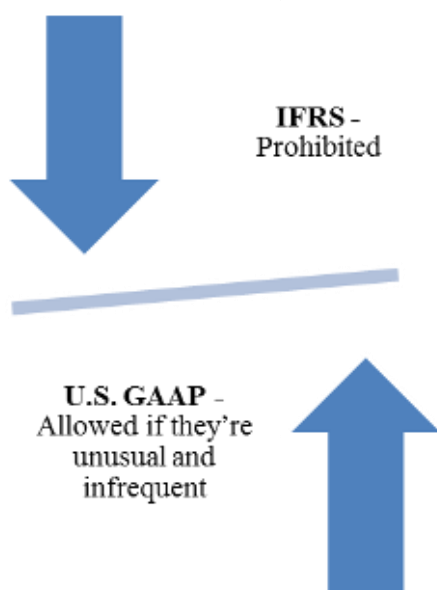
Figure 4. Differences between IFRS and U.S. GAAP - deferred taxes



Source: Own processing

Referring at extraordinary items (events that don't occur on a regular basis) we can observe also some differences (Figure 5).

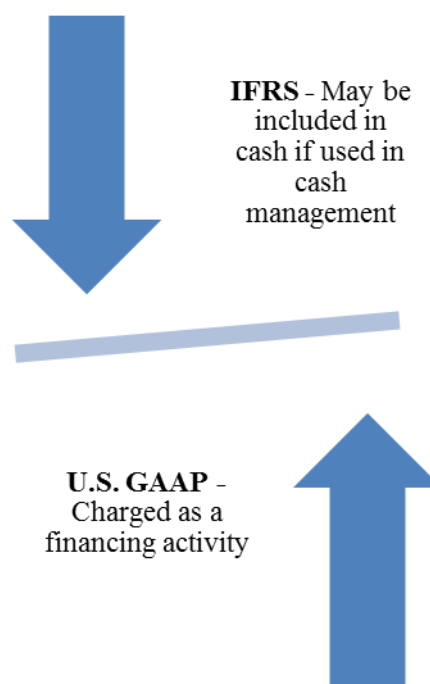
Figure 5. Differences between IFRS and U.S. GAAP - extraordinary items



Source: Own processing

If we are talking about bank overdrafts, by philosophy of IFRS they may be included in cash if used in cash management meanwhile by philosophy U.S. GAAP they are charging as a financing activity (Figure 6).

Figure 6. Differences between IFRS and U.S. GAAP - bank overdrafts



Source: Own processing

3. An alternative accounting framework for entities IFRS for small and medium-sized entities

In July 2009, the IASB released IFRS for Small and Medium-sized Entities (SMEs), which provides an alternative accounting framework for entities meeting certain eligibility criteria. IFRS for SMEs is a self-contained, comprehensive set of standards specifically designed for entities that do not have public accountability. [2]

The IASB has determined that any entity that does not have public accountability may use IFRS for SMEs. An entity has public accountability if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market
- or if it holds assets in a fiduciary capacity

for a broad group of outsiders, such as a bank, insurance entity, pension fund, or securities broker/dealer. The definition of a SME is, therefore, based on the nature of the entity rather than on its size.

In opinion of Kaiser, J.G. [2] to clarify, a subsidiary of a listed company that uses full IFRS is eligible to use IFRS for SMEs provided that the subsidiary itself is not publicly accountable. However, for consolidation purposes, a subsidiary using IFRS for SMEs would need to convert its financial statements to full IFRS, as the two accounting frameworks are not completely compatible for consolidation.

Beyond the scope of eligibility determined by the IASB, companies are also subject to the laws of their local jurisdiction. Many countries require statutory reporting, and each country will individually decide whether IFRS for SMEs is an acceptable basis for such reporting. Some countries that use full IFRS for public company reporting are considering proposals to replace their local GAAP with IFRS for SMEs or have already replaced them with a standard similar to IFRS for SMEs (e.g., the United Kingdom), while others currently have no plans to allow use of IFRS for SMEs for statutory purposes (e.g., France). Companies will need to understand on a country-by-country basis where IFRS for SMEs will be allowed or required for statutory reporting.

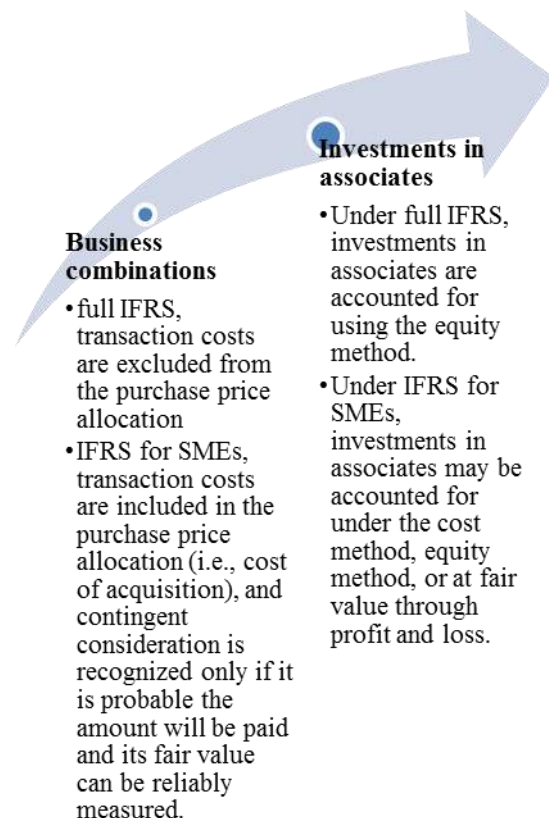
4. Differences between full IFRS and IFRS for SMEs

IFRS for SMEs retains many of the principles of full IFRS but simplifies a number of areas that are generally less complicated or not relevant for small and medium-sized entities. In addition, IFRS for SMEs significantly streamlines the volume and depth of disclosures required by full IFRS, yielding a complement of disclosures that are more user-friendly for private entity stakeholders. [2]

Certain areas deemed less relevant to SMEs, including earnings per share, segment reporting, insurance, and interim financial reporting, are omitted from the IFRS for SMEs guidance. In other instances, certain full IFRS principles are simplified to be more relevant and less cumbersome for private entities to apply.

Some examples of the differences between full IFRS and IFRS for SMEs are indicated in the following figure:

Figure 6. Differences between IFRS and U.S. GAAP - bank overdrafts



Source: Own processing

5. Differences between US GAAP and IFRS for SMEs

In areas where US GAAP and IFRS are mostly converged (e.g., business combinations), the differences between US GAAP and IFRS for SMEs likely will seem similar to the differences noted above between full IFRS and IFRS for SMEs. However, there are other examples of differences between US GAAP and IFRS for SMEs:

Inventory—Under US GAAP, last in, first out (LIFO) is an acceptable method of valuing inventory. In addition, impairments to inventory value are permanent. Under IFRS for SMEs, use of LIFO is not allowed, and impairments of inventory may be reversed under certain circumstances.

Provisions—Under US GAAP, a provision is recorded if it is probable

(generally regarded as 75 percent or greater) that an outflow will occur. If no best estimate of the outflow is determinable but a range of possibilities exists, the lowest point on the range is the value that should be recorded. Under IFRS for SMEs, a provision is recorded if it is more likely than not (generally considered to be greater than 50 percent) that an outflow will occur. If no best estimate of the outflow is determinable but a range of possibilities exists, the midpoint should be recorded.

6. Conclusion

Convergence continued to be a high priority on the agendas of both the US Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (collectively, the Boards) in 2012. [3]. However, the convergence process is designed to address only the most significant differences and/or areas that the Boards have identified as having the greatest need for improvement. While the converged standards will be more similar, differences will continue to exist between US GAAP as promulgated by the FASB and International Financial Reporting Standards (IFRS) as promulgated by the IASB.

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The Euro Changeover Monetary Strategies of the European States that Joined the European Union: Bulgaria, Romania, Hungary, Czech Republic and Poland

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Abstract

One of the most ambitious projects undertaken by the European Union focuses on its own expansion, through the reunification of the European continent, its people and legislative framework. The desire to become members of the European Union has led to decisions on democracy and market economy and encouraged the continuation of the tendency to reform. These new states had to undertake a series of reforms in the legislation in order to align to the requirements of the Maastricht criteria for adopting euro and becoming members of the European Monetary Union, for completing their integration process.

Key words: convergence criteria, eurozone, Eastern-European countries monetary strategies.

JEL Classification: E23, E24, E27, E31, E37, E43, E47.

1. Introduction

The 12 new countries which entered the European Union in 2004 and 2007 are currently facing this situation. The EU accession of the new 12 states was a major political and economic event. The ECB, in cooperation with the central banks of the new acceding countries tried to ensure their smooth integration into the system. As a preparatory measure, the governors of the central banks of these countries have been invited since 2003 to attend the General Council meetings as observers, while the monetary experts also participated as observers in all the meetings of the European Central Banks committees of the year 2003. The ECB found itself in a position

which demanded to communicate much more with these countries than it did in the case of Denmark, in order to help them maintain their exchange rate.

Initially, the experts feared that the euro currency could destabilize and therefore cloud the monetary policy results obtained so far. These new states had to undertake a series of reforms in the legislation in order to align to the requirements of the ECB. Also, it was necessary that the independence of the national central banks should be recognized and the reference to the term "Eurosystem" should be introduced.

In this paper I aim to achieving a pragmatic and analytical study about the applied monetary policy, thus highlighting the strategies of some Central and Eastern countries that want to adopt the euro.

2 The euro changeover: strategies of the Central and Eastern European countries

The Czech Republic took part in the third stage of the EMU. It is vital to have a strategy when adopting the euro currency. The timing of the accession depends on the real speed of the convergence of the Czech economy [1].

The monetary policy adopted by the Czech Republic is primarily oriented towards ensuring the macroeconomic stabilization, towards the achieving of a strong disinflation process, while ensuring an external balance.

In order to accede to the euro area as quickly as possible, the Czech Republic should make efforts to meet the criterion of sustainability of public finances by adopting some measures: which aim at strengthening the fiscal discipline, at reducing the public sector deficit, especially in the structural sector and at creating budget surpluses during

the periods of accelerated economic growth, in order to reduce the public deficit in a sustainable manner, less than 3% in a relatively short time frame [1].

In the case of the Czech Republic, there are three stages in the drafting of the monetary policy strategy that can be highlighted. These are the following:

a) the first strategy involves the fusion of the monetary policy which is based on maintaining a fixed exchange rate with the policy that aims at controlling the growth rate of the money supply;

b) the second phase was initiated in 1997, at this stage the Czech National Bank took into consideration the monetary anchor;

c) the third stage targeted the inflation.

The Czech National Bank (CNB) shall support the general economic policies of the government that would lead to a sustainable economic growth. A prerequisite for the implementation of the monetary policy leading to the main objective, namely, price stability, is the independence of the central banks.

In December 1997, the CNB Bank Board decided to change the monetary policy regime and in early 1998 it switched to inflation targeting. This process does not involve any change in the objective, only in the way of accomplishing it [2].

Since 2008 the economic growth rate has slowed down, and in 2009 entered into recession due to the global economic crisis, the economy has slowly recovered in the coming years due to exports.

The Czech Republic was included in the category of countries with an excessive deficit. For the year 2013, the Czech Republic has to reduce its budget deficit to below the level of 3%.

Regarding the national currency, it has gradually appreciated against the euro in 2010 and stabilized during 2011, experiencing depreciation towards the end of the year. Long term interest rates were, on average, estimated at the value of 3.5 %, lower than that of 5.8 %. These interest rates have registered a moderate decline in recent years.

The evolution of the real and nominal economic indices should be considered in conjunction with the evolution of the structural indicators, which describe, on the whole, the weak development in terms of

quality. Thus, the delays in the modernization of the transport infrastructure negatively affect the labor mobility and development of the business field. In the absence of any remediation in the education system and research policies, the low level of development of the research-innovation infrastructure, the low share of expenditure devoted to this aspect and the poor cooperation of this business with enterprises will create in the future problems related to the improvement of the competitiveness with effects in terms of sustainable development of the national economy [3].

Creating an environment conducive to sustainable convergence in the Czech Republic requires among other things, maintaining a monetary policy oriented towards price stability, improving the internal fiscal framework and implementation of the fiscal consolidation measures that are comprehensive and credible. The fiscal consolidation requires the implementation of new measures in addition to those already approved, and maintaining a prudent policy regarding the medium-term expenditure. The Czech legislation does not fulfill all the requirements regarding the independence of the central banks, confidentiality, prohibition of monetary financing and legal integration into the Eurosystem central bank. The Czech Republic's membership of the EU is a derogation and, therefore, it must meet the accession requirements set out in Article 131 of the Treaty [3].

Poland, unlike other countries in Central and Eastern Europe in the transition process, has been rocked from the beginning by a powerful inflationist phenomenon. This phenomenon has practically compelled the Polish authorities to speed up the implementation of a program of macroeconomic stabilization.

Since 1999, the direct inflation target strategy was used in the implementation of monetary policy. Since the beginning of 2004, the National Bank of Poland has pursued a continuous inflation target of 2.5 %, with a permissible fluctuation band of ± 1 percentage point. The National Bank of Poland has kept the interest rates at a level consistent with the inflation target adopted by influencing the level of nominal short-term interest rates on the money market. The money market rates affect the deposits and

loans of the commercial banks and thus the size of the loans, of the demand in the economy and the inflation rate [4].

The program oriented in the direction of price stability is based on the following aspects:

a) two nominal anchors, represented by the fixed exchange rate and wage level in the economy;

b) two monetary anchors represented by the control over the supply of money and interest rates, control over the growth of the money supply in the economy which should ensure the maintenance of the stability of the exchange rate, the BNP interventions being based on the interest rate. The high level of the inflation rate in conjunction with price liberalization, which led to new inflationary pressures, pressures generated by the restructuring process of the economy (process which has been slower than expected), forced BNP to adopt an interest rate based on the need to practice a real positive interest rate to enable the remonetisation of the economy. The response of the economy to the BNP handling of the interest rates led to adopting the interest rate control against the control of the growth rate of the monetary base. All these aspects made it possible for Poland to enter, in 1992 into the phase of a rapid economic growth, combined with a substantial reduction in inflation, the privatization and economic restructuring process being accompanied by a wide development of all the economic segments and economic market institutions [5].

In recent years, Poland has had an inflation rate that has fluctuated between 1.3 % and 4.2 %, mainly due to the impact of the exchange rate and foreign prices. After a period of low inflation in 2005 and 2006, the inflation rate increased significantly in 2008, to a level of 4.2%, remaining at a high level in 2009, and then gradually decreased.

Poland is subject to an excessive deficit procedure, recording in 2011 a value of 5.1% of GDP, well above the allowed limit of 3%. The public debt is below the indicative threshold of 60 %, being of 56.3 %. This country must ensure the budget deficit reduction in accordance to the requirements of the Treaty.

The exchange rate of the Polish zloty against the euro was characterized by a high

volatility due to the monetary policy adopted by the National Bank of Poland.

During the financial crisis in Poland, long-term interest rates have been volatile, leveling off in 2010, the value being equal to the reference level of 5.8%.

In order to create an environment conducive to convergence, the recommendations for this country are to maintain price stability in the medium term. Poland is one of the countries which managed to cope with the financial crisis however there are several fiscal and structural problems that must be solved. In the fiscal area it is required a shift from the consolidation based on income tax to a more detailed approach based on spendings, in order to reduce the deficit and increase the public debt limit.

In Romania, the overall objective of the National Bank of Romania (NBR) is to achieve and maintain price stability, but it also supports the general economic policy of the state.

In 2000, Romania presents its first strategy program, which consists of several steps, which are related to the:

- desired level of inflation;
- the nature of monetary strategies adopted in order to achieve the ultimate objective of the monetary policy;
- the situation of the balance of the external payments.

In terms of legislative harmonization according to the European conditions, a first step has been achieved by developing new laws that regulate the activity of the Central Bank, which accurately stated the ultimate goal of the monetary policy – ensuring price stability - but at the same time it highlighted the ban on monitoring the central bank budget deficit (by purchasing directly from the primary market of government securities) [6].

Among the accomplishments so far achieved in the monetary and banking restructuring system the following aspects can be listed:

a) the alignment of the Banking law: Banking Law no. 58/1998, Law no. 88/1997 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System, Law no. 83/1998 on the bankruptcy of banking society, Regulation no. 1/2000 on the central bank's money market operations,

Regulation no. 4/1998 on the minimum compulsory reserve requirements.

b) the Central Bank intervention in order to ensure a uniform framework for the banking activities which resulted in a series of laws that targeted the investigation of monetary policy decisions: rules on the minimum capital of the banks (nr.1/1996) rules on loan classification and the establishment of specific risk provisions, rules on supervision of commercial banks ' foreign exchange position (no. 15/1995) and the rules on liquidity (no. 10/1996).

c) the modernization of the bank records (Order 344/1997 NBR).

d) the modernization of the payment system;

e) the structural changes in the banking system by diversifying the activities, products and banking services.

f) the operational changes in banks needed to integrate the system structure of banks in the European Central Banks System [3].

In Romania the annual inflation as measured by consumer prices declined in the period 2005 - 2006, but in 2007 the downward trend was reversed. A major role in the evolution of the inflation was played by the unit labor costs, excise adjustments as well as the exchange rate changes. The dynamics of the inflation was also caused by the turmoil of the economy during 2004 - 2008, followed by a contraction in the economic activity in the period 2009 - 2010 and by recovery in the years 2011-2012.

Romania is among the countries with an excessive budget deficit, but the public debt value is lower than the indicative threshold of 60%. Romania must ensure the sustainable reduction of the budget deficit below the allowed value of 3% and has to honor the commitments promised in the financial assistance program from the EU and IMF.

Regarding the exchange rate plan, it would be controlled being closely monitored by the NBR, in order to ensure ascertain stability in time, which would annually allow an appreciation of the exchange rate of 2%, 3%. The support offered for the exchange rate is provided by the existence of foreign exchange reserves of the National Bank of Romania, which enable it to carry out technical operations on the currency market.

In recent years, long-term interest rates in Romania tended to fluctuate around the value of 7% with a margin of ± 5 percentage points [7].

In Romania, it is necessary to achieve a better cooperation between the components of the macroeconomic policy, the monetary policy restrictive measures requiring a strong support, primarily from the fiscal policy of the state.

The main objective of the National Bank of Hungary is to achieve and maintain price stability in order to ensure a sustainable and stable growth.

Even though at the beginning of the transition Hungary benefited from the lowest rate of inflation, the final objective of the Central Bank also focused on reducing this tendency in order to achieve price stability. At the same time, the NBH has focused its efforts on ensuring external stability through the current account of the payment balance.

Since the beginning of the transition period, the National Bank of Hungary was based on a targeting strategy oriented towards the exchange rate, this regime registering developments in this field which vary depending on domestic and international economic situation. The process started to use fixed exchange rate linked to a mass of currencies consisting of USD and DEM in equal proportions. What affected the economy was the exchange rate rigidity, which caused pressures on the balance of payments. A devaluation of the Hungarian currency rate (forint) was announced, which has led to an improvement of the credibility of the adopted monetary policy, eliminating the pressure on inflation. Since 1999 the structure of the currency mass has changed (EURO - 70%, USD - 30 %), and in the year 2000 the Hungarian currency was closely linked to the European currency [8].

It can be said that the strategy based on the nominal anchor (the exchange rate) has had the longest lifespan in Hungary, compared to other countries that have adopted the same strategy.

The retrospective analysis on a longer period shows that Hungary had an inflation rate that fluctuated between the values of 3.5% and 7.9 % in the last 10 years. A major role was played by the frequent changes in rates of indirect taxes and administered prices.

The upside risks of the inflation outlook refer to higher commodity prices. The gap recovery process will have a major impact on inflation and nominal exchange rate.

Regarding the public finances, Hungary is part of the countries which are subject to the excessive deficit procedure, according to the EU Council. The debt ratio to GDP was significantly superior to the reference value. The improvement of the fiscal position was due to temporary revenue measures, mainly associated to the transfer of assets from the pension funds to the private pension system in the state pension system.

In the period 2011-2012 the Hungarian forint did not participate in ERM II. The International financial assistance program developed by the EU and IMF has helped reduce the pressure on the Hungarian currency. On the other hand, the breakdown of negotiations between the Hungary authorities and the EU and IMF regarding the granting of a new financial package in the second half of 2011 contributed to the depreciation of the forint in the second half of 2011, thus creating the possibility that the following discussion might increase the volatility of the forint [7].

One of the problems that the Hungarian authorities seem to face is their difficulty in predicting, it refers to the date of the euro introduction [3]. The high level of the net external liabilities of Hungary shows the importance of the fiscal and structural policies in order to support the external sustainability. Creating an environment conducive to convergence requires a stability-oriented monetary policy.

In Bulgaria, the retrospective analysis shows that the annual inflation measured by consumer prices had a volatile character, ranging between 2.3%-12% in the last ten years. Looking at recent developments, the annual inflation rate has generally followed a downward trend after the peak of 4.6 % recorded in March 2011, standing at 1.7% in March 2012. The decline in inflation was due to falling prices for food and energy products, while also reflecting the base effect associated to the increase tobacco taxes in early 2010. The latest available inflation forecasts provided by the European Commission indicate its growth up to 3.3% in 2013. With the increasing pace of economic recovery in the context of a fixed exchange

rate, the appreciation trend of the real exchange rate is likely to manifest itself in higher inflation values. In conclusion, although the annual average rate of inflation is now below the reference level, there are still concerns about its sustainability [9].

In 2012, Bulgaria registered a budget deficit of 0.8% of GDP, below the reference value of 3%. The public gross debt ratio to GDP was of 18.5%, significantly below the benchmark level of 60%. For 2013 the European Commission projected the decrease of the budget deficit and an increase of the public debt ratio to GDP.

During the reporting period of two years, the lev did not participate in ERM II, but it was rooted to the euro in the context of the currency board arrangement adopted in July 1997.

In the last years, long-term interest rates were, on average, at a value of 4.5 %, close to the reference value of the eurozone related to the criterion on the convergence on interest rates.

Creating an environment conducive to sustainable convergence in Bulgaria requires the implementation of economic policies in order to ensure the macroeconomic stability, including sustainable price stability. It is necessary to continue the process of fiscal consolidation by reducing public spending and implementation of reforms in the tax administration sector. The legislation does not meet all requirements for central bank independence, the financing prohibition and legal integration into the Eurosystem [9].

3. Convergence current state

Given their accession strategies for the eurozone, the convergence criteria for these five analysed countries are presented in the table no.1.

Analysing the data table, we can underline that Bulgaria is fulfilling the Maastricht criteria, except the long-term interest rate that is a little bit higher than the eurozone average, but rather close to it. Bulgarian numbers are the lowest among these analysed countries.

The maximum inflation is around eurozone average (the average of the best performing three countries regarding their inflation rate + 1.5%) and the maximum long-term interest rate is also around the

eurozone average (the average of the best performing three countries regarding the long-term interest rate + 2%).

So, it seems that the Monetary Council performs very well in Bulgaria, even in the crisis period. Bulgaria has a fix exchange rate, but also its real interest rate variation in 2012 was around 1%. The inflation rate here faced its lowest level among those five analysed countries. Romania, Poland and

Hungary don't fulfill the long-term interest rate criteria. They borrowed greatly in the crisis context. Hungary exceeds also the maximum admitted public debt and Poland is close to 60%.

Czech Republic and Poland also exceed the maximum level of budgetary debt of 3%. They overcame crisis using their public expenses.

Table 1. Maastricht Criteria for Est-European Countries in 2012

Country	Exchange rate variation	Public debt/GDP	Public Deficit/GDP	Inflation	Long-term interest rate
	%	%	%	%	%
Romania	5.2	37.9	-3	3.4	6.68
Bulgaria	Fix exchange rate	18.5	-0.8	2.4	4.5
Czech Republic	2.26	46.2	-4.4	3.5	2.8
Hungary	3.65	79.8	-2	5.7	7.89
Poland	2.43	55.60	-3.9	3.7	5
Euro zone	-	-	-	2.5	3.9

Source: European Comission data base, 2012 [10].

In the crisis frame, four analysed countries, except Bulgaria, exceeded the maximum admitted inflation rate, but the year 2013 is more promising for all the countries in this area and also for reducing their public deficits.

Hungary and Poland don't fulfill three of these nominal convergence criteria, Romania and Czech Republic don't fulfill two of them and Bulgaria leads this group of analysed countries.

Still, if in the nominal convergence area Bulgaria and Romania seem to perform better than the other three countries, the last ones perform better in the real convergence area: economic growth, stability of their institutions, unemployment rate, gross capital formation, labour productivity and their economic structures are more similar to the eurozone ones.

4. Conclusions

According to the last Convergence Report in 2012, in many countries, sustainable policy adjustments are needed, taking into account a number of factors relevant to the economic integration and convergence. A high degree of public and private

indebtedness, may affect the sustainable increase in production.

It is also necessary a limitation of the wage increases and the boosting of productivity, in order to support competitiveness. More countries should settle the mismatches in labor skills and encourage the participation in the labor market;

In all analyzed countries in this region it is important to improve of the business environment.

They have to supervise the banking sector and finance development of local currency markets.

The convergence process of the income levels in most analyzed countries will generate additional pressures.

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The Impact of Research and Innovation Activity in a Knowledge Society

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Abstract

The knowledge society is the stage where mankind is found and aims to raise the living standards of population but also to increase the level of knowledge. To achieve this latter goal, the states of the world, and especially those in the European Union, must ensure an adequate funding for its realization, and therefore in 2011 it was decided at EU level the achievement of an Innovation Union, in which are to be involved all the European countries, while to stimulate and finance research and innovation the Horizon 2020 program was proposed.

Key words: research, innovation, financing, knowledge society.

JEL Code: G28, G29, O30, O31.

1. Introduction

There were all the prerequisites, that the XXI century will be a century of science and technology, a century in which investment in research and technological development will increase its efficiency, and these will give us a more dynamic future, with constantly evolving priorities.

Thus, the main objectives which are expected at international level for the next period can be summarized as follows:

- Eradicating extreme hunger and poverty;
- Reducing child mortality;
- Realization in all countries of the education at primary level;
- Improving the conditions of health of mother and child;
- Combating diseases of present civilization, such as AIDS and malaria;
- Sustainable development in environmental conditions, and

- Conducting a global partnership for development.

While some goals are bold enough, in order to meet them is needed a substantial reorientation of development policies that are focused on the sources of economic growth, using new scientific and technical knowledge as well as the development of appropriate structural adjustments. All states will have to recognize the benefits of advances made in science, technology as well as development strategies generated by the new developments in system of knowledge.

It should not be overlooked, that there are states that still distinguish between industrial policies, which focus on building capacity, and policies that generate new knowledge to support research- development. Combining these two approaches is designed to focus attention on existing technologies while laying the foundations for long-term research-development. [1]

2. The knowledge society

Knowledge society is a formal association of people with common interests who seek to combine knowledge from specific areas of interest, thus contributing to knowledge. Knowledge as a result of perception, learning and reasoning, constitutes the major component of any activity and in particular, of the socio-economic ones. Activities in the spheres of economic, social, cultural and other human activities are highly dependent on information and knowledge, which represent results, but also raw material of these processes. [2]

Society has always relied on knowledge, even if promoted by empirical methods such as observations and experiences that led to generalizations passed down from generation to generation. Mutations produced in contemporary society consists in the introduction of new technologies, which removes the barriers of space, transmission,

storage, sharing and storing information and knowledge, providing a favorable environment for fertilization of ideas, leading to increased potential for knowledge generation and transformed it into the most important asset of contemporary society. [3]

It is now a certainty that knowledge organizations emphasize, not only new phenomenology, but also induce a different view on how to conceive and practice management. Because new types of actors, but also roles, appear, because the typology of management practices is changing radically, it was found that the activities related to the production of knowledge (innovation), its dissemination (communication) and its acquisition (learning) are not compatible with an authoritarian leading or an hierarchical strict and comprehensive control.

On the contrary, their subtle character blurs the distinction between the formal and informal side, while, the outside official controls that became inoperative, are no longer justified. In other words, the separation between management and execution is irrelevant because, as of now, the act of management focuses on developing problems of strategic vision and on facilitating coordinated action of relevant and cooperative actors, which are self-responsible, including in terms decision. [4]

Thus, economic and social development depends in a decisive way of knowledge, in its various forms, upon production, acquisition and use of knowledge. Scientific research and technological development, in particular, is the heart that provides life and social functioning of the entire body. Increasingly, more activities in the field reflect the convergence of social order and the need to meet it, especially the progress of work, various activities and new lifestyle. [5]

Basic research is now carried out in a diversified institutional framework: universities, research institutes, companies and consortiums thereof. In some cases it can be transferred very rapidly in the correct application. On the other hand, it can lead to unexpected applications years later and in areas relatively distant from the original.

Currently the private sector finances supports more than half and two thirds from research and technological development in Europe. Private investment in research and development in Europe, after a relative decrease, register again, an increase in the recent years. Multinationals and international

investments have remained high and even increased. Due to globalization of the economy, these companies have developed strategies for research and development on an international scale, with alliances, mergers and acquisitions that have increased in each sector.[6]

It follows that investment in research and development from the private sector in Europe is lower than that of competitors in the United States and Asia, due, in particular, to lower research efforts of SMEs. In Europe, these trends are essentially represented by the companies that make or use technology and whose future depends on their own capacity to develop. But, only a limited number of small businesses exploit the potential of high technologies, while establishing companies that sell the results of research and development is still at low levels in Europe. [7]; [8]

On the other hand, European financial market did not sufficiently discovered the economic value of investment in knowledge. Even if it started to grow, the amount of venture capital focused on innovation is still limited in Europe. Such capital investment in the high-tech sectors and in the creation of such companies is much lower than in the U.S. So the climate for private investment in research in Europe needs, greatly, to be improved. [1]

3. „Horizon 2020” programme for research and innovation stimulation

European Union in the context of the transition to the knowledge society aims to provide a framework for a smart, sustainable and inclusive growth. Knowledge society and innovation involves the integration of new technological infrastructure, the processes of research, development and innovations, as well as the educational ones, contribute directly to the development of intellectual capital, the main resource of current society. Knowledge generation, based on stimulating the use of intellectual capital is the key factor to increase competitiveness, to ensure sustainable growth and to increase social integration level. To achieve these strategic objectives, the European Union stated some precise targets. Because research and innovation targets set for 2020 includes the 3% of GDP for supporting this field, and for the field of education represents the diminishing school dropout to below 10% and the increasing number of tertiary graduates

in the age group 30-34 years to 40% of the total population.

EU strategy provides better exploitation of the potential of economic growth, having as main priorities: research, development and innovation, as well as improving the educational process. The specific program for the research and innovation (Horizon 2020) provides:

- ✓ transforming the European Union into an Innovation Union;
- ✓ improving cooperation between the business environment the academic one by creating „Alliances based on knowledge „;
- ✓ creating new partnerships between universities, research entities and companies in the business sector (communities based on knowledge and innovation);
- ✓ improvement of research and innovation systems, especially of private ones.

The strategic framework on research and innovation 2014-2020 is correlated with the Union Strategy for 2020, following: ensuring excellence in science, providing industry leadership (including active support for the SMEs), providing an adequate response to societal challenges. To finance the „Horizon 2020” program, funds worth 80 billion are provided to implement these policies, which demonstrates their importance. [9]

4. Stimulating entrepreneurial initiative

In times of rapid technological change, the need to prevent technological accidents at all stages (research, experiment, industrial use, consumption) should be well balanced with the need to maintain the pace of development and not to increase the already high costs of the more radical innovation. [10]

Trade agreements between countries can have, also, lasting consequences for the locations of new industries. Mobilizing private finance for innovation system depends largely on the sophistication of financial market mechanisms for risk assessment of failures cost innovation and presentation. In most countries these market mechanisms are still immature. This creates financial bottlenecks that affect more advanced innovations that go beyond market borders, than the modest, incremental, innovations.

Resources released by these blockages can launch new businesses, so to resume the

business cycle. This creates a challenge for governments, especially in countries where entrepreneurship in large business organizations and / or „governmental entrepreneurship” have traditionally played a leading role in the generation and exploitation of technological progress.[11] [12]

The main conditions that must be fulfilled for the entrepreneurial engine to operate efficiently are:

- A financial education;
- The proper functioning of the products;
- An appropriate regulatory framework for business: creating, trading, closing businesses,
- Development of entrepreneurial training and management skills;
- Facilitate SMEs' access to new technologies and information.[13]

Financial markets can provide value and appreciation to the specific knowledge of the company, to a certain extent by share price, but this do not evaluate good the intangible assets. Labor market assigns value to knowledge embedded in individuals, certificates of education and training systems through awarded higher wages or business opportunities.[14]; [15]

Another concern is the interactions between labor market and social esteem for determining long-term effectiveness, efficiency of human capital, regarding the formation and its allocation on the attractiveness of engineering or scientific careers.[16]; [17]

Government can intervene through its macroeconomic management: interest rate has an impact on the current value of knowledge embedded in capital goods and, more generally, on private investment in long-term research. Thus, when production is financed as a public good, is supported and researched as good for business and training, infrastructures that increase the profitability of some private investment in knowledge are achieved. [18]; [19]

5. Conclusions

Scientific research should not be regarded as definitive completed once obtaining final results. They concern, as task, as achievement for the moment, only reaching the objectives pursued at the beginning of research. But beyond these targets are foreseen other matters, most of which are new, that appear as possible

and / or necessary future research topics. Because of this, research results can be used either immediately applied in a practical sense or in a theoretically sense. In the latter case, they will be prerequisites for future research. [20]

At this point mankind is in the third revolution that is driven by THE knowledge-based service sector. Although, over time, the laws of economics have not changed, however, the economy itself has changed in a fundamental way. There are several important aspects of the knowledge economy, which is also called, „the new economy”, that are different and are marked differently from, „the old economy”. These differences between the two as „economies” can be compared with the differences that led to the transition from the agrarian economy of the nineteenth century to the twentieth-century industrial economy. Thus, if in the industrial economy capital was more important than land, in „the new economy” innovation through knowledge is the most important aspect. Currently most aspects of the economy are characterized by it. In the global knowledge economy, the advantage of some nations over others will result, not only from the use of natural resources owned or by cheap work force, but also from their ability to assert their intellectual capital.

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Specific Features of Bank Financing for Companies in Restructuring Procedures

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Abstract

In the context of the restructuring process, the rapid responsiveness of companies to adapt to the requirements and conditions of the economic environment becomes essential for survival and even for growth. In this economic environment, banks need to understand that the relationship with borrowers must be carried by different rules than those for common situations. In this regard, the bank's policy must be one that encourages cashing loans, understanding the fact that the main asset is the client, encouraging even partial payments rigidity not being recommended. This paper aims to reveal the solutions developed by support lenders like banks for the firms in restructuring procedures, focusing on their specific elements, while illustrating their advantages and disadvantages .

Key words: banks, restructuring procedures, risk;

J.E.L. classification: G21, G34, G32

1. Introduction

The relationship between borrowers and lenders involve multiple risks and for this reason the approach of this relationship is based on various assumptions. One hypothesis mentioned in the literature is the monitoring assumption [1]. According to the monitoring hypothesis, the lenders who maintain a close relationship with clients in difficulty can reduce the information asymmetry, resulting in reducing potential capital constraints of companies. These valuable monitoring services help

companies in difficulty to overcome the problems and improve their long-term performance.

Monitoring role of private creditors suggests the existence of a positive relationship between the degree of achievement of the monitoring activities and the performance of firms in difficulty. Studies have shown that companies have better access to financing when they have close ties with their creditors in this context monitoring hypothesis assuming a situation where the loan amount does not decrease after the restructuring process.

Another hypothesis is represented by the conflict of interest hypothesis . Based on this hypothesis debtor- creditor relationship functions are seriously affected in times of financial difficulty of the debtor, the creditor behavior being aimed mainly to recover his claim and not for the increase in firm's value. In this context, creditors may refuse to renew existing loans and may adversely affect the companies capitalization in terms of their assets.

We analyze the relationship of banks with firms in difficulty under the circumstances described above. The current context in which more and more companies need financing even if they are in a restructuring situation, requires an open attitude from the banks, this imposing special products and specialized staff for counseling and management of these relationships.

Consequently, the techniques applied by banks for companies that have implemented restructuring procedures must provide a functional balance between costs and benefits.

2.Credit standards

In the current economic conditions the change of the regulatory framework in all economic fields was most often a barrier for companies in obtaining financing. The recession has led to tighter credit conditions and sometimes inaccessibility to bank financing. Relationship with banks has changed as a result of the current economic context. Consequently, the growth rate of the loan portfolio decreased, banks have turned to loan products for certain sectors (agriculture, pre-export financing) and business needs: working capital, financing of investments, financing costs and stocks, factoring, etc..

Both companies and financiers are interested in optimizing working capital and in this context, credit risk coverage (individual and global) constitutes a permanent preoccupation of bank financiers. Credit risk must be managed together with its associated risks, namely interest rate risk and currency risk. The success of the relationship between banks and firms depends on the financial discipline, especially in the sense of discipline of repayment, based on a good knowledge of the client, adequate funding business type and customer type. The bank's approach must be adapted to the client's features and business plan must be credible and with some degree of certainty, taking into account: the market potential and market positioning of the company, company management, guarantees [2].

When the debtor is confronted with financial difficulties, having at the same time large financing needs, his credibility in the relationship with his creditors becomes questionable and the principles of payment discipline no longer apply. A study of CNIPMMR mentioning a Eurofound document reflects two factors that affect the relationship between a company and the banks: access to finance (dependent on the fulfillment of certain criteria) and high interest rates charged.

Table 1. Difficulty factors for firms in restructuring procedures in relation to funders

Difficulty	2005	2007	2009
Access to finance	38.51%	23.08%	30.51%
High interest rates	41.27%	33.36%	25.86%

Source : CNIPMMR

The current economic climate is considered to be tough for business, the most affected being SMEs [3]. Studies conducted by the National Bank of Romania, aiming to better understand the relationships between creditors and debtors highlighted that the access to finance for SMEs is still restrictive for both short-term financing and for the medium and long term, these developments being registered under the non performing loans rate increase for SMEs and reduced capacity to honor financial obligations to creditors as a result of difficulties in collecting receivables. According to Simona Milos [4] the role of banks in restructuring insolvent companies is almost nonexistent, due to the fact that lending standards severely limits funding insolvent firms, although Law no. 85/2006 [5] on insolvency proceedings contains provisions that will stimulate banks to participate in the restructuring of insolvent companies by introducing the superpriority of the distribution of amounts representing the debtor grants as part of the reorganization plan.

If the bank lenders are open to lending firms in restructuring procedures are encouraged the reorganization situations. One of the reasons why bank creditors supports the reorganization is that the guarantees constituted can not cover claims due to the devaluation of properties in current market conditions. Another reason is the desire of keeping a customer who continues to pay interests during the current reorganization plan. This situation perfectly reveals the monitoring hypothesis. Banks' attitude is influenced by the fact that the sale of assets in case of bankruptcy is very difficult, and the price obtained is very small compared to the value of the asset. On the other hand, reorganization gives creditors the chance to sell an asset in service, or even a business, not just a building or equipment and this operation is not limited in time. Lenders can expect the buyer to provide the desired price, thus obtaining a higher price than in the case of bankruptcy.

The reasons for bank lenders to prefer reorganization option instead of bankruptcy

can be summarized by the following considerations:

- Decrease in properties under warranty ;
- Maintain a client during and after the reorganization process;
- Payment of current interest;
- Extension of the period in which they can capitalize certain assets in the hope of a recovery in the market .

Generally, for a lender the restructuring process of a debtor impose the restructuring of credit contracts. The restructuring of credit contracts can be initiated both at the client's request , which has to recognize the impossibility to repay the loan in the terms established by the existing credit agreement and at the request of the bank, which has evaluated its customer's difficulties in repayment of its duty [6]. In any situation, to be able to restructure credit agreements, customers must prove that they are facing financial difficulties and they must commit that they will comply with the new requirements set out in credit agreements. The current financing of a debtor in a restructuring procedure is not a classic funding, but a "restructured funding". In most of the cases, the debtor can not fit the traditional lending conditions and needs specific products or if not, at least specific conditions.

The purpose of a loan during a restructuring process is to allow the borrower to modify the agreement with creditor banks, especially concerning loans characteristics (interest, duration, grace period)

The restructuring of credit contracts cannot become a means for companies to avoid continuously the insolvency stage. After settling the new terms of loans, as a result of the implementation of a specific restructuring scheme, the borrower must have the ability to repay the amounts due under the new parameters for reimbursement which become normal parameters [6] .

3. Risk analysis

Running a relationship with a customer in a restructuring procedure is a difficult situation for banks, as it imposes a process of adaptation to new conditions and a more prudent behavior. During the restructuring

process the risk analysis will include the following main criteria:

- Assessment of the behavior and activities performed by the customer;
- Evaluation of client's ability to pay (analysis of the ongoing contracts and cash flow adjustment in accordance with the market and the industry);
- Economic and financial analysis of the financial statements presented by the client;
- Classification criteria, based on economic and financial analysis result conducted under new conditions;
- Client's ability to pay arrears recorded and to keep the revenue at an appropriate level of compliance of the new repayment schedule.

The criteria imposed by banks for restructuring a loan are that the borrowers must prove worsening economic and financial situation, this creating difficulties in repaying the debts on credit facilities granted by the bank. In this context a possible loan restructuring will lead to an improved economic and financial situation of the company, and the possibility of repayment.

Analyzing the benefits of loan restructuring solutions we can come to the following conclusions:

- They allow a grace period of up to 12 months, during which the customer can pay only interest and related fees;
- Due debts can be included in the loan balance;
- At the written request of the customer, restructured repayment can be made in advance, in whole or in part, at any time during the grace period;
- As a result of rescheduling, the classification of credit in terms of loan duration can be changed (eg. short-term loans can be converted into medium-term loans, long term);
- If restructuring two or more loans with different loan durations, the debtor can choose the product with the highest credit period;
- If the client registers debts older than 90 days, they may be included in the value of the restructured loan.

One aspect that should be analyzed more carefully is the situation of credit on the terms of the insolvency procedure. Based on these considerations, it is often the borrower

option to open insolvency procedures in order to block individual enforcement proceedings initiated by the bank and force the bank to come in this way to the negotiating table [4]. At the same time there are situations in which the debtor and creditor banks agree to request the opening of insolvency proceedings in substantiating the idea of a reorganization plan that allows covering a large proportion of the bank's claim. After opening the insolvency proceedings, the flow of the accessories of the loan will be stopped .

Law on insolvency proceedings entitles the debtor to request the opening of insolvency proceedings even if the insolvency is not installed , it is not obvious, but imminent [4].

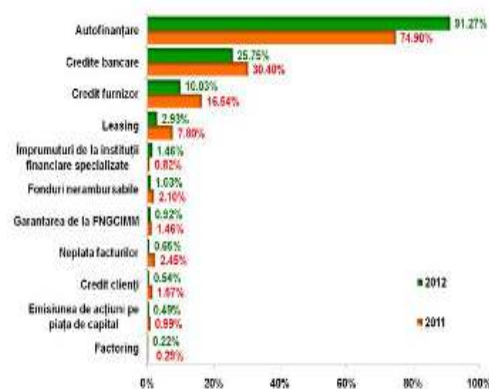
Another issue that must be considered when studying the restructuring problem is the problem of SMEs and the difficulties faced by them in being financed. For this category, self-financing remains the main source of assuring the required capital. According to a study made by CNIMMR, 91.27 % of SMEs use self financing. The survey was conducted on a sample of 1,858 entrepreneurs - nationally representative , including SMEs in all size classes , from all regions and industries.

SMEs financing problem can be summarized by the following aspects:

- limited access to bank loans, consisting of: more stringent requirements, including personal guarantees to obtain financing from credit institutions ; increased interest rates , leading to a higher degree of formality of the terms and conditions that do not concern the price, including personal guarantees ;
- difficulties in dealing with banks concerning: lack of transparency on bank specific criteria for funding applications; lack of information on the total cost of credit; failure to state reasons appropriate and constructive rejection of loan applications; excessive bureaucracy; inability to easily compare credit costs available at various banks.

A graph illustrating the financial structure of firms in this category could be the following:

Figure 1. SMEs financing structure in Romania



Source: www.immromania.ro

In order to achieve a better collaboration between borrowers and lenders and to increase the accessibility of bank loans CNIMMR launched a series of proposals aimed to establish constructive relationships between banks and firms, especially of SMEs type .These proposals include several aspects:

- the use of qualitative ratings as a tool to complement standard quantitative assessment of the creditworthiness of SMEs.
- increased transparency and competition in the banking sector by ensuring the publication of key indicators at the individual level scales.
- simplification of administrative burdens: the elimination of additional declarative obligations by limiting the documents and information required by the bank;
- supporting access to advice tailored to the specific needs of SMEs and development programs " investment readiness " for SMEs, including EU funding;
- collaboration and constant communication between the banking organizations and employers' confederations;

3. Specific Loan Products

The analysis of the restructuring process in Romania highlighted the structural point of view , that banks resorted mainly to the restructuring of foreign currency loans (66.8 % of total segment) , aspect that requires credit risk management with increased attention to currency risk (part of it) and the interest rate risk in volatile market conditions.

Referring to these restructuring arrangements applied by the banks for the customers, we achieve the following

summary:

- rescheduling one or more outstanding loans rates without exceeding the original duration of credit ; rescheduling of credit means changing due date and/or amount payable to one or more credit rates that will be paid, but not exceeding the original maturity of the loan;
- rescheduling the loan; through this restructuring plan , the company may change due dates/amounts of one or more installments to be paid, exceeding the deadline for repayment of the loan. It also may mean restructuring scheme framing loan in another category, but not to exceed the maximum initial loan.
- restructuring of the current loans and outstanding credit by providing a new loan; another potential restructuring scheme is the refinancing of the credit, a method according to which the bank will grant a new loan in order to repay amounts that were due on the loan agreement date. The new scheme is intended for refinancing of one or more existing loans, according to the specific situation of the company.
- granting short-term credit facilities untill cashing of the receivables due from third parties, and for paying the budgets of state debt or debts to the suppliers;
- settling monthly payment amounts for loans classified as nonperforming and whose recovery was triggered by foreclosure legal proceedings under the Code of Civil Procedure and the Law no. 99/1999. According to practitioners, even non-performing loans can be restructured, either through refinancing (if the borrower meets the conditions imposed by credit policy of banks) by rescheduling loan under the control of the banking executor.

Romanian Civil Code contains other restructuring opportunities. Such potential solution is the assignment of debt, which is an agreement under which the bank sends its claim to another individual or entity, together with all its guarantees. Another possible solution is represented by subrogation, in which case the bank is replaced by a third person by paying customer debt And actually acquires the creditor's rights .

Besides these two solutions adopted by banks on a relatively large scale there are two other solutions mentioned by the

Financial Stability Report of the National Bank of Romania [7], namely: assignment of receivables and debts canceling operations . These measures, though effective in cleaning up balance sheets have mixed effects on banking business as a whole. The first is the positive effect of improving bank's image in the Romanian banking sector. In addition to the positive effects mentioned, there are possible negative effects.

In addition to the solutions presented in the table above, banks have the option of a guarantor , which means finding a guarantor who helps pay rates and to amend the credit agreement.

According to the Financial Stability Report issued by the National Bank of Romania, rescheduling of loans, although it is one of the most used method of restructuring, has not proved effective in improving payment behavior of borrowers.

Another approach in the relationship between debtors and creditors is the debtors pre -pack solution. By this solution, company representatives and those of the banks meet to find a solution to repay a portion of debt. In this context, the insolvency can be overcome much easier and much faster.

We believe that, if the recommendations CNIMMR [8], mentioned earlier in this paper, would become a guide or a tool in financial relations, the results of the restructuring process would be better. From the companies' point of view, the diagnosis performed in the Romanian economy demonstrates their ability to cope with downturn . Even in a study of Roland Berger Strategy Consultants [9], is mentioned the improvement of the competitiveness of firms, after implementing a restructuring process (52% of companies surveyed) .

4.Conclusions

The analysis of specific financing solutions implemented by companies that are restructuring, brings to the fore the importance of establishing different rules in times of restructuring than in normal situations . Bank policy should be one that encourages cashing loans. This is the reason why stiffness in restructuring is not recommended. Consequently, banks should

encourage clients to make even partial payments, understanding that the main asset is the client . The success of restructuring process in terms of a manageable credit risk can be achieved by maintaining orderly credit conditions . These conditions require the bank lending strategies and implementation of arrangements aimed at preventing a disorderly financial deleveraging.

Continuing the same idea should be encouraged long- term relationships and creditors must deal with more trust the companies with financial difficulties. A liquidity problem is not necessarily a failure or a bankruptcy situation and can be a success in the future. In this context, the restructuring must be addressed both by companies and by creditors as stages of business development and as a starting point for a new business strategy .

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Financial Security of Ukraine in the Post-crisis World

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Abstract

Characteristics of financial security indicators and essential risks and threats of economic security of the state are derived in financial sphere with their potential negative influence on the Ukraine's economy. Different approaches to measuring the level of financial security as a key component of the system of maintaining economic security are offered.

Key words: financial security, indicators, risks and threats to the security, evaluating methods, economic security of Ukraine.

J.E.L. classification: G2

1. Introduction

Problems of socio-economic development of society, monitoring and control for achieving security at the macro level and the management of this process need a clear definition of key principles. Economic security is a key criterion for evaluating the effectiveness of public policies and activities of state authorities in the reformation and development of the economic system of the state and, in particular, changes in regulation of the financial sector.

2. Theoretical definitions

State financial security is characterized by certain indexes - indicators, each of which has its limit (minimum or maximum) value. Those indicators are named by A.Sukhorukov [1] as "threshold", the deviation of the actual value of the threshold indicator indicates the need to prevent or eliminate the causes of these deviations.

Thresholds are defined depending on the specifics of the phenomenon, mainly they are determined by the expert. Thresholds of financial security for Ukraine can also be

accepted as values of the corresponding indicators.

3. Methodological aspects

Economic security is modified under the influence of political, socio-economic and socio-cultural factors, and its main task is to establish permissible limits of deviation values of the indicators and determine the limits, violations of which threaten economic security. The set of indicators as characteristics of the state of financial sector, according to M.Yermoshenko [2], is an important input information that is the basis for the strategic planning of financial security. In the system of economic security the following main indicators are distinguished:

- the level and quality of life,
- inflation,
- the rate of unemployment,
- economic growth,
- the budget deficit,
- public debt,
- gold reserves,
- shadow economy,
- environmental conditions, etc.

V.Shlemko and I.Binko [3] identify 12 key indicators that reflect the actual state of economic development. The Concept of Economic Security of Ukraine, preceding the Law of Ukraine "On National Security", presents a calculation of the integral index of economic security and its prognosis. This became the basis for the development of the methodology for determining the level of economic security of Ukraine, which established a list of core indicators of Ukraine's economic security, their optimal thresholds and limit values, and the methods of calculating the integral index of economic security.

Indicators of financial security (as a component of economic security) reflect the various levels of management (people,

households, businesses, organizations and institutions, economic complex, regions, banking, stock market, state) or its constituents.

The main challenges in ensuring the financial security of Ukraine are:

- 1) lack of financial resources in businesses for the reproductive process,
- 2) the incompleteness of law in the financial sector,

- 3) the weakness of the monetary system;
- 4) lack of a coherent strategy for foreign investment,
- 5) low level of industrial relations and social orientation of the economy,
- 6) imbalance in foreign trade structure, a significant amount of debt.

Table 1. Indicators of financial security of the state (Ukraine)

No	Indicators	Threshold
Budget security		
1.	The ratio of the deficit of the state budget surplus to GDP, %	≤ 3
2.	Covering the fiscal deficit through foreign borrowing,%	≤ 30
3.	The ratio of the deficit or surplus of the trade balance to total foreign trade, %	≤ 5
4.	The amount of transfers from the state budget,% of GDP	$\leq 10-15$
5.	The amplitude of expenditure per capita between regions of Ukraine,%	$\leq 20-30$
Security of money market and inflation processes		
6.	The ratio of monetary aggregate M3 to GDP (monetization), %	≤ 50
7.	The ratio of GDP to the money (M2 velocity of circulation), the number of revolutions	≤ 2
8.	The cash amount,% of GDP	≤ 4
9.	Inflation rate (prior year), %	≤ 107
Currency security		
10.	The rate of change of the index of hryvnya rate against the U.S. dollar to the previous period, %	≥ 6
11.	The ratio of foreign currency deposits to total deposits (dollarization), %	≥ 25
Debt security		
12.	The ratio of total debt to GDP, %	≤ 55
13.	The ratio of total external debt to GDP, %	≤ 25
14.	The ratio of public debt to annual exports of goods and services, %	≤ 70
15.	The ratio of domestic debt to GDP, %	≤ 30
16.	The ratio of debt to reserves	≤ 50
17.	The ratio of public debt service to export volumes	≤ 50
Stock Market security		
18.	The ratio of the equity of nominal market capitalization to GDP, %	60-90
19.	The yield of government bonds, %	3-4
Bank security		
20.	The share of foreign banking capital in the total banking capital, %	≤ 30
21.	The volume of bank lending to the real economy,% of GDP	≥ 30
22.	The level of the informal sector,% of GDP	≤ 50

Sources: author's evaluations, Ministry of Economy of Ukraine, and [4]

Continuous monitoring of indicators of financial security (monetization of GDP, fiscal deficit, the degree of dollarization of the national economy, the velocity of currency, inflation rate over previous year, the interest rate on bank loans, foreign exchange rate, the share of taxes in GDP) is essential for its security.

To improve the system of financial security (financial security indicators and their thresholds are in Table 1) the indicators of the financial security of Ukraine, should be completed by the following indicators:

- 1) the ratio of debt to gold provisions - Section 16, Table 1,

2) the ratio of public debt service to export volumes - Section 17,

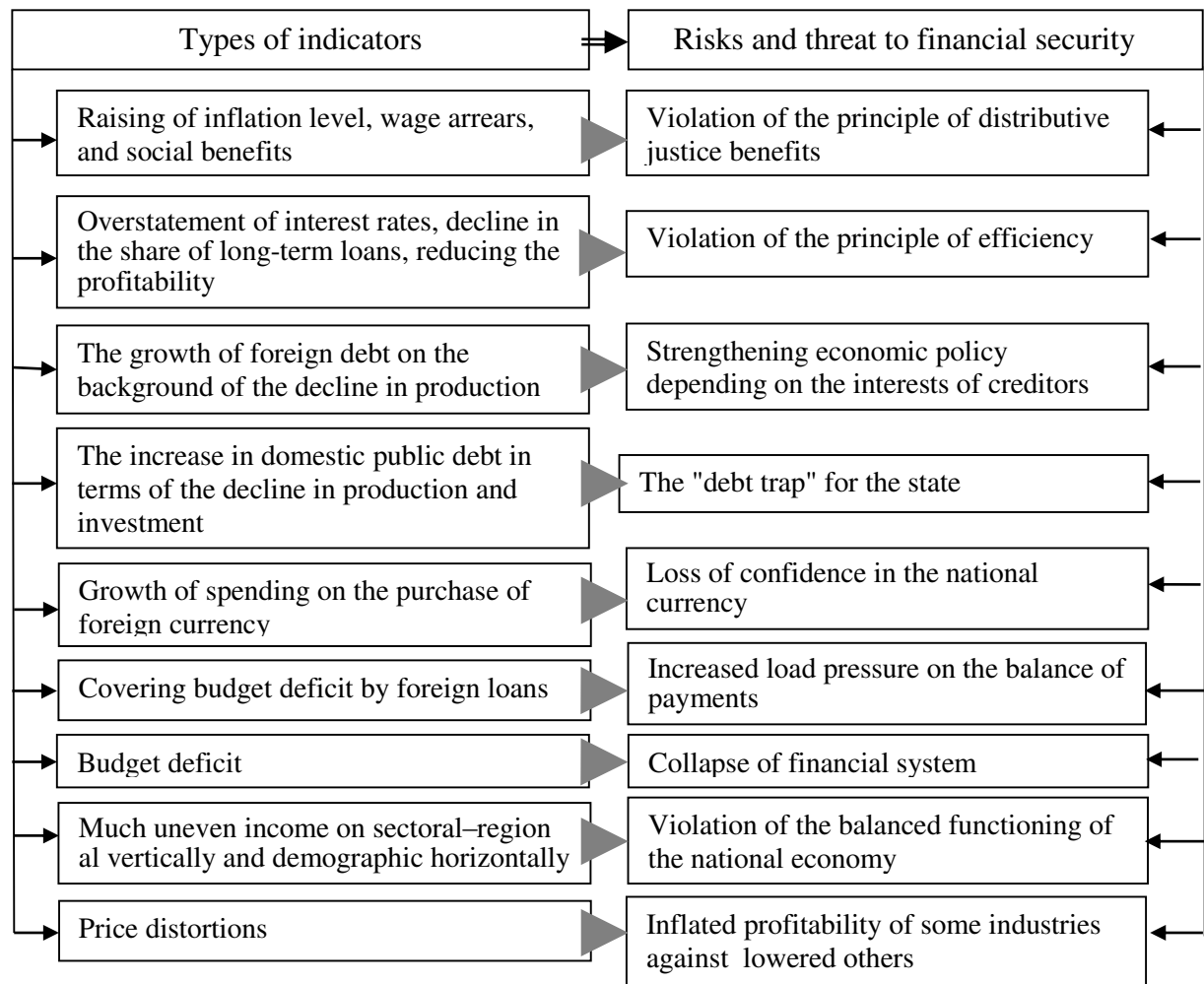
3) the level of the informal sector,% of GDP - Section 22, Table 1.

The stability of the financial system is determined by the main following factors: inflation, volumes of domestic and foreign debt, the state budget execution,

monetization of the economy, the cost of bank loans, sufficient international reserves of National Bank. Violation of the dynamics of these indicators cause risks, and sometimes threats to financial security.

A list of potential threats to the economic security of the state caused by excessing indicative thresholds is shown in Fig. 1.

Figure 1. Risks and threats of some indicators to the financial security of the state



Source: author's evaluation

The shortcomings of the budget process, which contribute to the outflow of budget funds into the "shadow" sector, and are directly related to the political process in the country are:

1) unsatisfactory justification revenue and expenditure entries;

2) violation of the law in the formation and implementation of state and local budgets;

3) imperfect mechanism for the allocation of cash flow while planning budget allocations;

4) insufficient level of control over the proper and effective use of public funds.

Regarding the upcoming presidential elections (end of 2014), it should be noted that in Ukraine risks of financial stability are caused:

- structural weaknesses of the domestic economy, which makes it vulnerable to potential shocks;

- jumps in prices for particular goods, including fuel and energy resources, increase tariffs for housing and communal services (threatens the emergence of social protests);

- unfolding crisis of public finances by continuing the policy of debt financing expenditures;

- negative institutional features of the national economy – the presence of corruption, bureaucracy, shadow economy, which according to experts, Standard & Poor's, kept in early 2012 at 50%, insecurity of property rights.

These risks are particularly dangerous when retracting finances (budget, in particular) to solve political problems, especially in post-crises period and before elections.

On neutralizing threats the status of protection of national interests can be achieved. The level of threats to financial security is often determined by assessment of integral index, and other prevalent techniques. Some scientists, including O.Kovalenko - as an alternative way to assess the level of financial security consider the use of methods of classical probability theory [6]. According to this theory, the probability of an event (in this case - the existence of threats) is the ratio of the number of equally plausible alternatives (of hazards and potential threats) that contribute to the occurrence of the event (state of danger), against the number of all possible options. The methodology to determine the level of economic security of Ukraine includes 35 indicators of financial security, therefore, the probability of exceeding the thresholds is also 35:

$$\Omega = \{\omega_1, \omega_2, \dots, \omega_n, \dots\} = \{1, 2, 3, 4, 5, 6, \dots, 35\}, \quad (1)$$

where Ω - discrete space of elementary events; ω_i - an event that reflects the excess of a threshold indicator of financial security. If each event ω_i corresponds negative number p_i (probability ω_i), the probability of a threat to financial security can be calculated according to the formula:

$$p(A) = \sum_{\omega_i \in A} p_i, \quad (2)$$

where A - a random event (a threat to the financial security), and A of Ω (every element of A is also an element of Ω). Note that the probability of threats is in the range 0

$\leq P(A) \leq 1$. To assess the level of financial security in Ukraine this way it can be assumed that every event $\omega_i = i$ and is equally possible, and its probability is $1/35$. The model of a threat by some indicators, according to this approach looks like: $A = \{10, 16\}$, then $p(A) = 1/35 + 1/35 = 0.057 \dots$, where 10, 16 - number of indicators in the list of the "Methodology", ie the rate of inflation (10) and the ratio of total debt to GDP, % (16). Thus, the probability of threats to these indicators is 0,057.... Considering the three states of the economy as a critical danger, crisis and catastrophic, similar, to each type of threat three levels of impact on financial security can be defined [5]. This allows to get a set of indicators, each of which reflects the expectation of a certain threat:

$$M(x) = \sum_{i=1}^{n(jk)} p_{ijk} x_{ijk}, \quad (3)$$

where $M(x)$ - the expected value of a random variable (threat), p_{ijk} - and the likelihood of that threat- j - k -wrong intensity of impact degree, x_{ijk} - the possible values of a random variable.

4. Conclusions

This assessment, taking as a basis the fixed probability of threats on each indicator, is not significant. The calculation of the actual value needs analysis threshold indicators of financial security of Ukraine in the temporal context. Regarding the definition of intensity and magnitude of the effect of threats we should refer to the methods of expert analysis. Using the method of assessing the level of financial security is proposed by O.Kovalenko [6] as an additional mechanism for measuring the degree of threat, facilitating increase of the effectiveness of measures to strengthen the financial security of the state. Application of the theory of probability allows to prevent a threat and take appropriate measures for their reduction, avoidance or elimination.

Economic security is a key criterion for evaluating the effectiveness of public policy in the reform of the economic system and the state, and in particular, changes in regulation of the financial sector. Appropriate level of financial security is provided by monitoring and determining the major threats to the timely development and implementation of

practical measures to reduce or eliminate the negative impact of threats.

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Economic Risks during the Current Economic Crisis

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Abstract

Today's business environment is constantly changing. We are witnessing a very unpredictable and volatile economic context which faces a number of serious risks. Market's participants view risks as a necessary evil and therefore they should find out effective solutions for minimising them. Risk identification and assessment become the main mechanisms for managers all over the world in their fight for determining risk responses. Risk assessment could be seen as a systemic process used for identifying and evaluating the events that interfere in the achievement of companies' objectives, having positive or negative consequences. Especially during this period of the economic crisis, the risk assessment process should be refreshed in order to deliver the best possible solutions able to ensure companies' survival on market.

Key words: risk, decision making process, risk management, factors, business environment

J.E.L. Classification: A1; G00; M00; M2

1. Introduction

Any action of decisional factors implies the problem of risks involved and of the disturbing factors at the level of organizations' activities. Therefore, managers should take into consideration a great number of factors influencing their tasks and plans. Risks cannot be avoided permanently but they could be diminished or even seen as determining lower costs.[1]

2. The importance of a good knowledge of risks

A good knowledge of risks represents a

decisive factor in making right decisions or in planning the future activity. Starting from the origin of the word "risk", we notice that in ancient Greece, this word is translated at the beginning through "root" and then through "a rock out of the sea". It is easy to understand that this word was used by navigators and it meant "a danger to be avoided".

From the origin of the Italian words: "risico", "risco", of the Spanish ones: "riesco", "riezco" and of the French "risqué", the word was added the sense of "to cut", "to graft". This means that "risk" involves the action to cut something in order to allow the growth of some other thing which should be able to eliminate the negative effects of disturbing or causing the bankrupt of a business.

At this point we consider necessary for companies to find out new opportunities and advantages and even "to press their luck". However, we could equate the word "risk" with other new meanings such as: "to dare", "to undertake" or "hope for success".

Translating this word from the Chinese language, we observe that this means "crisis". Within the Chinese calligraphy, two characters distinguish prevalently: one representing "danger", "crossroads" and the other meaning "opportunity".

Currently, from the economic, political and social perspectives, we could state that the feeling of uncertainty is linked to plans and policies corresponding to all levels. For each initiative there is a possible risk but meanwhile, this risk could be also seen as a true opportunity. In our opinion, a safe investment for these days is that connected to the staff of each entity. In addition, we could make other investments such as those in services, in material and in assets whenever the market prices are low.

Risks could also be synonymous to "danger" or "threat".

In terms of their impact, risks could be at

a global level or at an entity level.[8]

Regardless of the risks we are talking about, they influence each other and they are interrelated.

However, we should take into account that, in human society, the greatest risk is linked to people, because they influence directly the way by which risks are managed and decisions are taken.

Risk assessment should be made in a broader context and we consider necessary to be careful and treat differently the various participants at the creation of risks.[2]

3. Risks' identification and their assessment

In making decisions, we could be in one of the three different positions:

- Full ignorance – uncertainty model;
- Risky situation – probabilistic model;
- Full knowledge – deterministic model.

Risks can be characterized by risk levels which could be determined and calculated.

Risk limits consist of the inherent imperfections of every method as well as of the subjectivity of the person perceiving risks. These limits also depend on the signals of a problem before the appearance of the event as well as on the accuracy of the person involved in distinguishing those signals.

The decisions could be influenced by the period of time designed for making them.

The information on the event should be sent immediately after the signal in order to better identify the causes of the danger and the solutions for preventing it.[1]

In order to help the risk identification and assessment process, managers should start with the following questions:

- *What can go wrong?*
- *What could be done for preventing risks?*
- *What could be done if it happens?*

A good idea could be that of developing a risk plan including three steps:

- Danger perception;
- Identification of danger's real causes;
- Identification of effective solutions for preventing risks.

Once risks have been identified and assessed, all risk management techniques fall into one of the four major categories:

- Avoidance or elimination of risks;

- Reduction of risks;
- Sharing or risk transferring;
- Retention.

However, from our research study, we could state that there is no possibility for managers to foresee an ideal use of these mentioned strategies.

4. Categories of risks

Risks can be broken into the following two categories: *internal risks* and *external risks*.

The internal risks category supposes the area where the risk management of an organization could be seen as sufficient to mitigating or eliminating risks. They could be also understood as preventable risks arising from the events taking place within an organization. The internal risks are controllable and they could be avoided or even eliminated.

The internal risks include:

- Marketing risk;
- Financial risk;
- Contractual risk;
- Risk due to the employees' migration;
- Risk due to the insufficiency of capital invested;
- Investment strategic risk;
- Risk due to the financial jam;
- Risk related to revenues' collection from the uncertain clients;

The external risks arise from the outside of an organization. The sources of these risks involve major macroeconomic shifts.[6] Unlike the internal risks, the external ones are out of companies' control. However, from our research work, we find out that the organizations could still manage the external risks by generating a plan for mitigating the bad consequences of such inopportune events.

Among the external risks, there are the following ones:

- Political risk;
- Economic risk;
- Socio-cultural risk;
- Country risk;
- Risk of natural disasters;
- Risk of changing the consumers' demand;
- Competition risk;

Thus, we could state that at present,

business risks take a number of forms. In order to face them effectively, managers are supposed to understand the nature and causes of those risks as well as the possible solutions which could be taken for reducing risks' negative effects. Managers could also arrive to transform risk in good opportunities for their companies.

5. Factors influencing risks

Risk factor is a collectively name for circumstances affecting the likelihood or the impact of a risk. There are many different and interrelated causes of problems and also desired outcomes.[7]

The factors influencing risks are divided in two major categories.

The first category of factors involves managers' excess of confidence or even their no confidence in their own abilities. We could add to this factor the insufficient data for making good decisions and also managers' appetite to start their actions too early or too late.

The second category of factors influencing risks refers to the errors determined by the cause-effect law.

Among the above mentioned errors, we highlight the following ones:

- Errors caused by the prediction of some analysts without checking out how many other predictions have been unfulfilled before;
- Errors due to some people's conception that certain events purely random could be controlled;
- Errors due to the linear illusion, based on forecasts;
- Analyst's errors in memorising and emphasizing only the current events, without giving the appropriate importance to those events that happened in the past;
- Errors due to the assessment of performances or failures having internal or external causes;
- Errors due to the assign of performances or failures to a single person;
- Errors due to some illusions expressed after a certain event has happened;
- Errors due to the fact that the decision makers have different attitudes according to the situations. If things go well, they prove a reluctant attitude. If things go

wrong, they show a fearful attitude;

- Errors due to the person's touching point without taking into consideration the specific circumstances;
- Errors due to emotional activities.

6. Risk management

Risk management involves the identification, assessment and prioritization of risks. These actions are followed by a coordinated and economical application of resources in order to minimize, monitor and even prevent future unfortunate events.

The purpose of risk management is to generate ideas and promote good practices for the persons involved in business environment. In the world of finance, risk management refers to the practice of identifying potential risks, analyzing their impact and finding solutions for reducing the risk curve. [4]

Risk management represents a complex process involving different steps which should all be taken into consideration by managers. These steps include: identification of risks; identification of causes; identification of controls; establishment of consequences; addition of other control measures; decision making. [5]

In any business, managers follow the achievement of their expectations which, in practice, could be realized or not.[6]

For such a purpose, managers have to take into account some important measures such as:

- The reduction of the number of errors and their cause-effect relation which means that managers should go to the root of the error;
- The use of different techniques for stimulating their creativity, by means of finding out various solutions for the identified deviations (in an effective period of time);
- The use of mathematical methods by which forecasts are prioritized, selected and corrected according to the real life and to the social, technical and economic systems;
- The elimination of fear within the decision making process;
- The attention to the information which should not be incomplete or ambiguous;

- The general understanding that experts should agree on the establishment of solutions.[3]

diagnosticarea și evaluarea întreprinderii,
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7. Conclusion

Every business faces a number of challenges and a various degree of risk. Our research findings demonstrate that some risks are easily managed, while others are uncontrollable. There are situations in the life of businesses which could threaten their survival.

The main conclusion of our research findings assumes that the success of any action depends on taking risks. Using a lot of different techniques for optimizing decisions under risky circumstances, we would be able to foresee even more options for crossing the various obstacles and barriers threatening the organizations.

Risk management is nowadays an increasingly important business driver. Companies have become more interested in measuring risks which are currently seen as the engine of strategic decisions. The global financial crisis has demonstrated the importance of adequate risk management. Therefore, we consider that our paper concerns a critical issue for the period we face. Organizations need to understand the overall level of risks in order to establish the survival strategies.

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Internal Audit and Added Value for Companies

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Abstract

The complexity of business nowadays underlines the importance of the internal audit function in organizations.

Because of the market volatility, high degree of complexity, regulatory and political changes, the risk is increasing, and companies need to determine proper strategies for internal audit in order to create value for the companies.

The present article intends to shed light on the importance and the ability of internal audit to create value for companies. Also, it briefly presents the role of internal audit in islamic zone.

Key words: internal audit, value added, islamic finance

J.E.L Classification: M34, G21

1. Introduction

The changing environment offers opportunities but also risks, with the possibility to decrease or enhance value.[1]

It is important what is the company's risk attitude. A proper risk management does not mean only preventing value destruction; it should be a catalyst for value creation. [2]

We can consider the risk as the „uncertainty to achieve business objectives, the term including the potential for gain and exposure to loss.” [2]

Internal audit function has a strong position in the company and throughout years broadened its scope. It is very important for the health of the company, and „it is

strategically located to the point where there intersect the interests of the management, board of directors and other stakeholders”.[3]

2.1. The changing role of internal audit

According to The Chartered Institute of Internal Auditors, internal auditing is „an independent, objective assurance and consulting activity designed to add value and improve an organisations operations, by improving the effectiveness of risk management, control and governance processes”.[4]

Internal audit designs and operates the effectiveness of processes of the organisation and the internal governance structures. Munteanu et al.consider that internal audit „provides safety assurance and also guides the management for a proper functioning of the organizational system”.[5]

A benefit for the companies that have an internal audit function is that external auditors can choose to rely on the efforts and work of the internal auditors when conducting their audit. This ought to be equivalent with minimizing external audit fees because the external auditors should obtain directly a reduction in the evidence. Actually, the works of internal auditors becomes reliable after they understand the accomplishment of certain criteria. Management does not limitate the internal auditors' works, "there exist direct and free channels of communication to the external auditor, the nature and extent of internal audit department responsibilities is appropriate". Also, the level of education and professional experience of the internal

auditors should be adequate for this activity in order to ensure effectiveness of the internal audit function is proper.[6].

The regulations underline the importance of internal audit function within the organisation, but it is interesting to observe the way that the management of the companies perceives it. In this regard, the findings of a survey conducted by KPMG are that 16 percent of 91 audit committee, management and chief audit executives consider internal auditor as being „policemen” and „a necessary evil” for the company while 43 percent considered their presence and activity within the organization as being favourable.

KPMG head of risk consulting Irving Low considered that although in the past internal audit function used to focus on operational and compliance areas, the tendency is to put the accent on „enterprise risk, information technology, fraud investigation and governance”. [7]

It appears that internal audit should have a proper position inside the company. The management and other stakeholders should acknowledge the changing role of internal audit: from the tradition role to the value added ability. Internal audit should be seen as a value adding resource, not a policeman and the compliance based approach should become process driven and value added approach. This activity must become „business objective oriented, not purely finance orientated” like in the past.[8]

2.2. The scope of the internal audit

The enlarged scope of the Internal audit, operating effectiveness of the processes of the entities, supports operational and strategic decision making. Internal audit has to determine the preoccupation of the Board of the Company for risk appetite. Enterprise Risk Management defines risk appetite as being the „the level of risk that results in no more than a 0.5 percent chance of failure over a one-year time horizon”. [9]

Internal audit should evaluate the limits of the risk appetite, the activities and reporting of the company. Another responsibility is to check if „decision making and processes are according to the ethics, values, policies of the entity and the risk appetite”. [10]

2.3. The need to emphasize the value of internal audit

Because there is not a clear and direct relationship between the existence of internal audit function and the level of profit, cash and shareholders’ wealth, this activity sometimes needs to underline its relevance inside the company so that the management will acknowledge its significance and importance.

Showing the value created by the internal audit is a difficult issue, because this activity is less visible, when comparing it to commercial or operational activity whose value is easier to identify: price, quality and because it directly affects the turnover and the profit of the company.

Taking into account the lack of visibility of the contribution of internal audit to the wealth of the company, this activity has to demonstrate and emphasize its value, taking into consideration that it has a support and control function.

Fig.1 : Maximizing internal audit value



Source: PriceWaterHouseCoopers, “Reaching greater heights: Are you prepared for the journey?”, *State of the internal audit profession study*, 2013, Available at <http://www.pwc-2013-state-of-internal-audit-survey.pdf>

A PriceWaterHouseCoopers study shows that board members and management have different perceptions of the value and performance of internal audit. It seems that board members tend to believe internal audit generates value to the company, more than management considers.[11] For a proper mechanism of creating value, internal audit should increase its capabilities, by preparing an adequate plan.

2.4. The Internal Audit Activity's place in the value chain

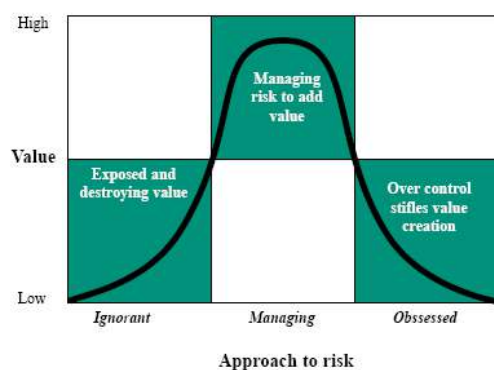
Any company comprises a set of activities that assure its existence. Important is to understand the value chain and the place of internal audit in this chain. Michael Porter's generic value chain highlights that a firm comprises two main categories of activities that generate value. The primary activities include "purchasing, inventory management, materials handling, production, warehousing and distribution, sales and marketing, dealer support and customer service". [12]

There is a need for supporting activities, such as infrastructure activities, meaning planning, finance, legal services, in order to create value. Another supporting activity is a technology, which encompasses research and development diligence, human resource management and development and, last but not the least the internal audit activity. This activity has increased importance in the value chain, having the ability to provide support for all activities in the value chain. [13]

2.5. Adding value to the company

There is a relationship between the approach to risk and value as the picture below can show:

Fig 2. How approach to risk influences the value



Source: KPMG, „Internal control: A practical Guide”, 1999.

When the management of the company defines strategy and objectives in order to reach an optimal equilibrium, its value maximizes.

There are certain steps taken by internal audit in order to capture and communicate the value that adds to an entity. We can understand the risks and opportunities of the business as long as we identify the stakeholder value drivers and needs

One of the internal audit's objectives is to assist and support management in the pursuit of value for money. When internal auditors discover and have knowledge of evidence of malpractice and fraud within the company, they should announce the appropriate level of management. [10]

Internal audit provides value added by creation of opportunities and a decrease in losses which avoided due to its actions. Recommendations from the internal auditors may be focused on expense reduction, cost savings in order to satisfy financial targets.

It increases the effectiveness of entities policies and creates confidence through ensuring transparency in organizational activities.[15]. To be more specific, if the internal auditors discover a double payment they can take measures for recovering the amount, which means an increase in cash and in the value of the company.

2.6. Internal audit in Islamic world

In the Islamic zone, there is a holistic approach to life and social justice in Islam and accounting [16]. The compliance of a bank with the principles of Shari'ah, the Islamic law, in all its relations and transactions represents the distinguishing element between an Islamic Bank and a Conventional one. Islamic finance industry continues to extend, in „North America, United States of America, Europe, Japan, Africa, Middle East”. [17]

The value of internal audit in Islamic banks can be considered as being even higher than the one associated with conventional banks, meaning other banks than Islamic ones, taking into account that „Islamic banks must focus on improving their strategy and performance in order to compete with conventional banks”.[17]

Specific to Islamic banks is the existence of internal Sharia Audit, whose main role is to ensure the achieving of Shariah's objectives. [18]. The Shariah principles forbid interest and the Islamic banking system has to respect this. The banks

act like investors for their clients, basing the activity on schemes of profit and loss sharing.[19]

Islamic banks seem to be more concerned on corporate social responsibility and ethics. [20]

The internal audit in Islamic banks creates value because it guarantees the respect of Shariah rules and increases the stakeholders' trust. Otherwise this banking system would lose its credibility and would lead to a decrease in the number of clients.

3. Conclusion

The capacity of understanding the power of internal audit department and function is translated into the ability of the company to adapt in the face of significant changes.

The complexity of business nowadays highlights the importance of the internal audit function in organizations.

There is a gap between the value that internal audit can create and its perceived value, which should be replaced.

There is needed a shift in internal audit role from tradition role to value added role.

Internal audit has the capacity to represent one of the most significant and value added services available to the Board of the company, being an important piece in the puzzle of the value, including in islamic world.

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Economic and Financial Analysis – Integrated Part of the Economic and Social Dimension through the Specter of the Positive Theory of Accounting

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Abstract

Financial analysis was always considered a reliable instrument for companies, knowing a multitude of changes over time in accordance to the social, economic or governance demands.

The purpose of this paper is the interdisciplinary description of elements in financial analysis, highlighting its role starting from the assumption that financial analysis information was a necessary stage in enterprise business continuity, and then turned into an integral part in social and economic dynamics, reaching eventually to be an impact factor for economic development.

Keywords: economic and financial analysis, accounting, positive economics, impact factor, enterprises.

J.E.L Classification: B26, F00, M41.

1. Introduction

The economic and financial analysis, judged through our perspective, represents the tools that mark the foundation of managers', shareholders and more's operational decisions and always gathers together in an easily adaptable form.

Even though shifts appear in the macro environment in which it activates, the financial and economic analysis can borrow and use information and sets of indicators owed by other areas or complementary

disciplines in order to obtain highly accurate results.

At all times it is wished the methodological improvement of the areas of analysis in order to compile a rapid, competitive and performing demarche.

2. Paper content

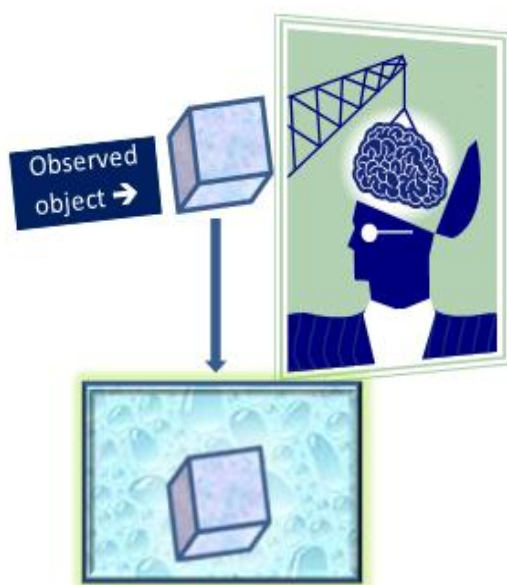
Starting from the idea that states that positivism is the current that describes „the observational facts as source of knowledge, without ignoring though the importance of judgment” [1], we can state that the whole operational phenomenon developed by the demarches of economic and financial analysis substantiates the relationship between the economic and social dimension and the economic and financial analysis as an essential practice in any society.

Citing the original nature of research and starting from the affirmation that „positive is the same thing as real and useful” [2] we propose the following steps that are made by the accumulation of information throughout the positive current:

- Observing the reality through an objective filter using the thinking as an activation point of creating the component elements of gained experiences;
- The theorizing of already owed information and overlapping it with the observed phenomenon;
- The identification and measurement of the characteristics that get out of line from the specificity of the

- observable dimension;
- The elimination of the subjective tag that comes into the constructivist hypothesis incidence;
- Edifying issuance of a report of investigation for the obtained information;
- Extrapolation of the results when it is possible – here, the exemplification of a similar multi component system.

Figure no.1 Representation of the positive current through the exclusive human vision



Source: designed by authors

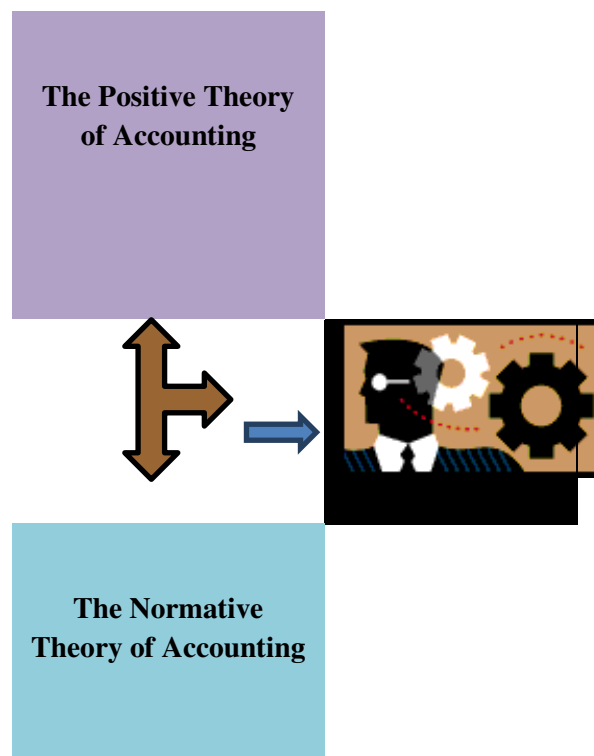
The connection between the economic and financial analysis and accounting has ancient roots into the social evolution of computing systems, being tried many times, since ages, to theorize the exchange relationships, the income and expenses flows and the flexibility created by the macro environment.

The economic and financial analysis is an instrumentation of high passage through objectifying the financial statements' results, being an essential mechanism for the entity.

The positive theory of accounting has known several and various reviews, the purpose being the removal of wrong

perceptions regarding the methodology, highlighting the tight bond between the theory empirical tests and reduction of measurement errors [3].

Figure no. 2. The theorized flux of information through the managerial judgment



Source: designed by authors

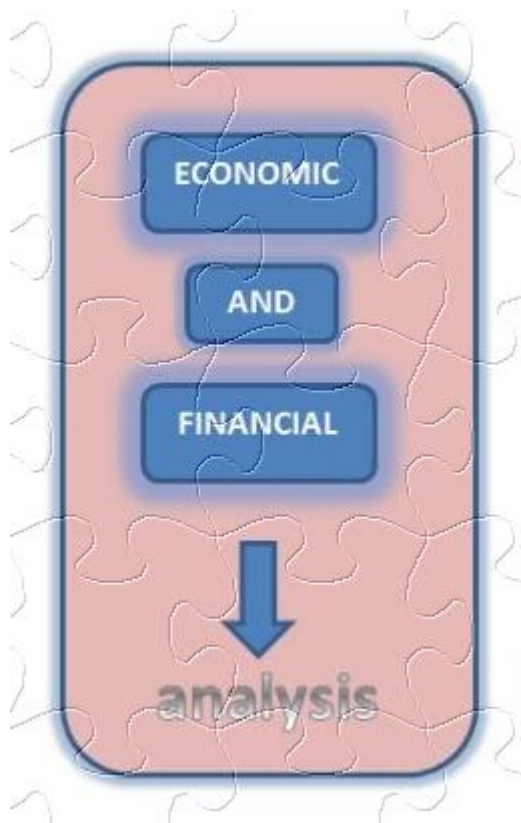
Starting from an antithetical notions framework since the beginnings, these concepts exist together both as normative theory and as positive theory of accounting [4].

The historical factors have generated the appearance of great necessity for fundamental writings on the economic information perspective and the global level harmonization of the utility of the financial statements, fact that lead to the concretization of some important researches in the area [5].

The positive theory of accounting is the theory that has as main purpose the explanation of the accounting corpus as a science and as practice in order to evidence the meaning that all operations have, starting from each integrated element of the **economic and social dimension** including even the human resources that monitor and

act accordingly to the guiding principles.

Figure no. 3 Social and economic dimension of economic and financial analysis



Source: designed by authors

Analysis as a discipline has distributed on several direction of planning and functioning inside an entity from which we name the economic side with the radiography mainly of expenses, the financial side that includes an assembly of indicators that certify the positioning of an entity on the market and a side that should be more capitalized, namely the strategic side that gathers all the demarches inside the entity and filters them throughout the decisional mechanism.

Applying a screening built on the positive nature of the objective parameters over those types of analysis, including its subdivisions, we can extract a result of a precise activated mechanism of accurate characteristics.

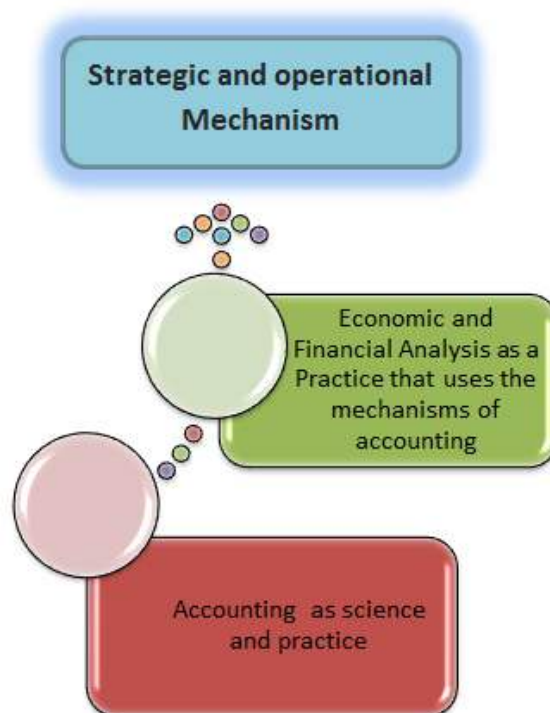
This kind of generic radiography of the activity of an entity allows us to dissociate the frame-elements that can be determined in a plastic manner from the elements that appear as a preliminary step of the positive demarche.

After the accentuation of a reality with explicit causality, introducing the judgment overlapped on the normative theories represents mainly an advantage that gives the manager a unique manner to operationally act as a result of execution of all types of analyses.

If we stage the structure of the economic and social dimension in which an entity is framed we can observe that there is a start point of „positive screening” – concept proposed by the authors and a terminus point materialized under a global vision of a constructivist judgment.

The starting point accessed by the „positive screening” has a semi-limited feature if we extrapolate the judgments made on a global level, meaning that the start point of an economic and social dimension is governed by rules and rigors imposed and certain laws in force.

Figure no. 4. The operational and strategic mechanism – result of binding accounting with the economic and financial analysis



3. Conclusions

The economic and financial analysis situated in the space of the positive theory of accounting highlights both a structure relationship from part to whole and a defragmentation strictly related to the elements of information framework in which both disciplines function.

The relationship between the economic and financial analysis and accounting represents a complementarity placed in the actual economic and social dimension and has an undeniable historical feature.

Assembling a correlative binding of the two disciplines through the positive theory is wished to give a designing of some phenomenon with the self-existence at the time when the bond between them is expressed by objective descriptive factors.

Although at all times the construction of a solid mechanism implies comparative standard with reasoning both inductive as at deductive, through the present paper we aimed to realize a review of the economic and financial analysis placed into a positive space.

Thereby, we actually underlined the features of a real macro environment without

professional and objective behavior and without the practice of experience in the inside to outside work in organizing an entity's functions. Description of structural elements and the objectivity of created situations reflect a positive environment that can represent easily a prior stage to various constructivist researches with results that can take normative forms.

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The Romanian Banking System's Efficiency

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Abstract

This paper is a review of the literature on the concept of efficiency, especially in the banking system of our country expressing our opinion regarding the banking system in Romania at the beginning of the global crisis. Data were collected for the period December 2008 - June 2013.

Key words: bank, profitability, effectiveness, DEA, Romania

J.E.L. classification: M41, G21

1. Introduction

According to the Explanatory Dictionary of the Romanian Language, "performance" is defined as a particularly good result achieved by someone or something (engine, device, person, etc.).

Nowadays, the concept of performance is a synthesis of the general interest in improving socio-economic situation of individual or group. Over time, the concept of performance has taken different forms such as productivity [1], adaptability [2], effectiveness [3], etc.

Used more and more for a wide range of activities, the concept of performance is associated with success, growth, effort, and so on [4]. When referring to banking activity, performance is defined by creating profit with an optimal ratio between cost and benefits.

The performance of banking system reflects the effectiveness mobilization and allocation of capital in general, but also in particular. For this purpose, banks have to mobilize domestic savings, to allocate funds for investment that contributes to structural changes in economy and increase

productivity, to facilitate payments in order that the market can operate at low costs and to find fair correlations between efforts and effects, therefore efficiency and effectiveness.

Analysis of performance and effectiveness of the banking system in Romania is of vital importance both in terms of macroeconomic and microeconomic [5]. From the micro perspective of the Bank, efficiency is crucial given the appearance of market competition, increase of performance being somehow "imposed" by the existence of foreign banks in an European Union country in transition, requiring improvements in areas such as regulation and supervision prudential. From macro perspective, the banking system efficiency has influence on financial intermediation and on the stability of the entire financial system, as long as banks are the "backbone" of the financial markets in the European Union [6]. This suggests that improving bank performance indicates a better allocation of financial resources and therefore increase of investment favors an increase of institutional performance.

Currently, it can be observed the existence of concerns relating to the quantification of the efficiency of the banking system and testing its ability to provide important signals concerning a potential deterioration in the banking activity.

A number of authors have projected the efficiency in terms of the performance with which is administered the banking activity (engl. quality of management), considering that it is a good measure of the quality designated by the rating system as «quality management».

The literature proposes three kinds of methods for the determination of effectiveness: [7]

- Reports method concerning the evaluation indicators, without, however to provide a comprehensive overview of the efficiency – it is specific for analyses characterized by a single input and a single output. It is recommended to use with caution, because the way of determining the indicators do not allow for the integration of a mix of input and output variables.
- Parametric Methods such as Stochastic Frontier Approach (SFA), Thick Frontier Approach (TFA) and Free Distribution Approach (DFA). These approaches quantify the economic efficiency and optimum choice to assume the level and structure of input and output variables based on reactions at adjustment of market prices. The objective of economic efficiency is to minimize the cost or to maximize the revenue. Economic efficiency implies the coexistence of technical efficiency and efficient allocation. Each of the three methods requires a specific structure of efficient frontier. It is, however, the main shortcoming because, if the structure is incorrectly specified, the estimates obtained for efficiency are no longer valid.
- Nonparametric Methods that include Data Envelopment Analysis (DEA) and Free Disposal Huli (FDH) used to provide a quantitative dimension to technical efficiency. This includes minimizing the value of the inputs for a given level of the outputs or maximizing the outputs in terms of maintaining constant the inputs. Due to the undeniable advantages of DEA method, but also due to some constraints on the availability of data on a wide horizon of the time, I considered it to be the most suitable method to provide a quantitative dimension to the efficiency of the banking system.

2. DEA methodology

In recent years, DEA became an instrument of analysis widely used in evaluating the relative effectiveness of a homogeneous set of decisional units. The application range of this method has widened considerably, enabling performance evaluation both for the intangible aspects of quality, of the economic environment, such

as services offered by public administrations, as well as a diverse range of entities such as credit institutions, hospitals, schools and University departments, economic agents, Defense Base (terrestrial, marine, air), non-profit organizations.

Data Envelopment Analysis is based on linear programming technique that does not require the definition of a functional relationship between the input and output variables.

Unlike statistical approaches, characterized by a central trend, which evaluates each entity compared to a mean value, DEA is an endpoint method that compares each entity only with the best representatives. Therefore, assess the relative efficiency for each unit from the count. The term relative efficiency has important connotations. Such an entity that is identified as being effective for a particular data set or a group of analysis can prove ineffective if we modify the data set or the composition of the group.

Surveyed entities are called decision making units (DMU). A DMU can be considered efficient if is on the efficient frontier, in other words if the score of efficiency generated by the model is equal to 1. Determination of individual efficiency score involves solving a problem of linear programming for each DMU. Thus, the efficiency of a DMU that uses n input variables to generate m outputs is quantified as the ratio between the sums of weighted outputs and weighted sums of inputs as well. [7]

$$DMU_j = \frac{u_1 y_{1j} + u_2 y_{2j} + \dots + u_m y_{mj}}{z_1 x_{1j} + z_2 x_{2j} + \dots + z_n x_{nj}}$$

where: u_1 = rate of output 1;

y_{1j} = the value of output 1, DMU_j;

z_1 = rate of input 1;

x_{1j} input 1 = the value of input 1 corresponding to DMU_j.

The set of specific weights to each DMU is the optimum solution of a linear optimization problem and is selected to ensure the maximization of efficiency of an entity. The flexibility to allocate the m rate weight in the DEA method allow for each DMU set of values to present it in the most favorable light. This feature of the DEA has

generated plenty of controversy. Charnes, Cooper and Rhodes, the authors of DEA model, argue that in this way can be detected much more accurate the inefficient entities. If this assumption does not obtain an advantageous score as close to 1, means that there is clearly an ineffective situation.

3. The Romanian banking system's efficiency

This scientific goal has a heuristic nature because there is no predetermined structure, generally accepted of models subject to test by the DEA. In conclusion, the components of a model will be adapted to the specific economic entities analyzed, as well as its basic objective. In the same time, efficiency scores obtained are not a unique solution, valid, but overall a satisfactory solution, credible for the given context, exploratory in nature, designed to extract new information, latent existing in the original variables.

In the research conducted, we have implemented a DEA model type BCC (Banker, Charnes, Cooper) because it allows to use scale variables yields. Mathematical model (by considering the hypothesis of a model geared to maximizing results) is: [7]

$$\max \Theta = \alpha + s + e$$

with restrictions

$$\sum_k \mu_k y_{ik} = \alpha y_{io} + s_i, i=1,2,\dots,I$$

$$\sum_k \beta_k x_{ik} = x_{io} - e_j, j=1,2,\dots,J$$

$$s_i \geq 0, i=1,2,\dots,I$$

$$e_j \geq 0, j=1,2,\dots,J$$

$$\beta_k, \mu_k \geq 0, k=1,2,\dots,n$$

Θ = efficiency score for each DMU.

k = the number of entities included in the DMU analysis;

i = number of variables (outputs) considered;

j =number of input variables (inputs) considered;

μ = rate assigned to each outcome variables, DMU;

β =rate attributed to input variables, corresponding to each DMU.

y = vector of output variables;

x = vector of input variables;

α = parameter which reflects the value that shall be increased by the vector output variables, in terms of maintaining relatively constant level of input variables;

s =parameter that quantifies the shortcomings in achieving the result variable;

e = parameter which reflect excessive use of input j .

We calculated in this study the Romanian banking system efficiency through the ability to ensure an increase in lending activity on the basis of compliance with the best practices lending outlined by the regulations of the BNR and the internal rules of each credit institution that does not expose them to a deterioration in the quality of the credit portfolio and to limit propagation in the real sector through the credit channel of global imbalances between currency supply and demand, between consumer goods supply and demand.

We considered that the model according to which it will assess the effectiveness of the banking system would be of type input-oriented, aiming at minimizing the input variables, in terms of maintaining a given level of output variable resulted. As input variables, I considered the share of bad loans in the total credit, loans, and as output variables are ROA and the report between credits and deposits.

The two input variables have been selected in the intent to report the damage to the quality of the credit portfolio and increased expansion episodes of lending activity and as a measure of the efficiency with which bank assets are managed using variables ROA and report credits /deposits. In estimating the model, we choose for the assumption of variable scale yields.

The results obtained by using DEA method on variables described above are summarized in table 1.

Table 1: The results obtained by the DEA method

Nr. Crt.	DMU	Efficiency score
1	dec.2008	861.31%
2	mar.2009	104.50%
3	iun.2009	96.85%
4	sep.2009	95.56%

5	dec.2009	92.62%
6	mar.2010	92.85%
7	iun.2010	92.27%
8	sep.2010	91.57%
9	dec.2010	93.80%
10	mar.2011	97.41%
11	iun.2011	98.37%
12	sep.2011	96.85%
13	dec.2011	95.52%
14	mar.2012	98.62%
15	iun.2012	100.89%
16	sep. 2012	99.68%
17	dec. 2012	97.66%
18	mar. 2013	98.48%
19	iun. 2013	98.68%

Source: own calculations using EMS version 1.3

In the assumption of orientation based on minimizing inputs, is considered that bank activity recorded the highest level of efficiency within the time when efficiency score was equal to 1. It is noted that during the reporting period December 2008 to June 2013 a lower efficiency score of 1 means an ineffective in optimizing asset management process, but are very close to 1. The opposite evolution of indicators isn't surprising, considering the effects of the economic and global crisis.

4. Conclusions

The main arguments in favor of using DEA as a tool for evaluating the performance of an entity are: [7]

- allows testing of models of the type multi inputs - multi outputs;
- does not require the definition of a functional relationship between the input and output variables;
- the estimates generated are not affected by the problem of multi co-linearity or strong correlation between explanatory variables;
- the variables can be expressed in different units of measure;
- each DMU's performance is compared to that of other members of the group. DEA generates for each DMU ineffective set of

reference called "peer group" that includes only those entities that have an efficient structure of the input variables and output similar to that of inefficient entity examined.

The application of DEA method must take into account a number of limits:

- being a technical point, the variables quantization errors can significantly influence the results obtained;
- allows the estimation of the relative efficiency of the Group and not towards a theoretical maximum;
- statistical hypothesis tests are difficult to apply, because the DEA is a technique non-parametric;
- for input-oriented models all the observations are assumed to be below the efficient frontier, and in the case of output-oriented over the border; In addition, errors captures just the inefficiency;
- DEA method involves solving a linear optimization problems for each entity. If the number of surveyed entities exceeds 100, the time for assessing the efficiency score will increase significantly.

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Certain Aspects of Administrative and Financial Decentralization, Vital Condition of the Development of Public Administration

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Abstract

Public finances as goods data are meant to provide optimum conditions in terms of optimal use of the financial resources of citizens-taxpayers-final consumers. If it is quite complicated to determine the financial resources required at singular, individual level, then it is all the more difficult to the group level or, in other words, at the macroeconomic level in order to achieve this aim. Through public finance it must be ensured, if it could be possible this aim, a specific fiscal equity that can be assimilated by all members of society, through proper redistribution of gross domestic product.

Keywords: decentralization, financial autonomy, financial strategies.

J.E.L. Classification: G30, H70

1. Introduction

One of the priority themes in the present context is the issue of financial decentralization, the level of autonomy of a public authority at the local level.

The continuation of the decentralization process at a more concrete and realistic pace is argued that until now it is the most important condition for the success of reform in public administration in Romania. [1]

Having a long tradition in the last period, the Government had made significant changes designed to ensure genuine democracy of our State administration. All States are faced with trying to compensate for a certain necessity of reduction and control of government spending with greater financial autonomy to the public authorities at the local level. In this regard, the need for

reform would be to obtain an equitable and efficient distribution of financial resources between the different levels of public administration. [2]

It can be asserted that the administrative work, from the point of view of administrative activities, the decentralization can be devoid of content and become dangerous if the decentralization of financial support will not provide the new responsibilities for the public authorities at the local level.

In general, a corporation, regardless of the degree of development, is in a constant change, adapting to the influences of all types, which is vital to the citizen.

Public administration (serving the citizen, in particular, local authorities are closest to the citizen-as applicable the principle according to which the problems encountered at some point in an organization or system, are resolved at the closest level of decision-making) must permanently adapt to the satisfaction of the needs of the citizens and use the financial resources optimally, if possible, since they were entrusted with this, and, in turn, they receive the power of elected politicians both at central level and at the local level.

Without the financial decentralization we may not be talking about any kind of decentralization, the delegation of powers for the local public administration will have no effect without setting a clear and workable mechanism of financial coverage. [3]

The aim of decentralization is providing public services of higher quality at a lower price, while upgrading the structures that provide these services to citizens, the Government being obliged to provide public services in the interest of the governed.

2. Why decentralization?

Decentralization of power and local self-government is one of the priorities of the current Government. Moreover, obtaining foreign technical assistance is conditional in the promotion of decentralization reform. [4]

The main objective of decentralization is to provide public services of higher quality at a lower price while upgrading the structures that provide these services. So far, there have been some actions of decentralization, but they were sporadic, selective and non-systematic, the formulation of responses to external strings attached, rather than pursuing a strategic objective of reform of the State politics and society. Decentralization was tolerated only to the extent that its effects had not contradicted the hierarchical model of the State administration, the only structure vested with powers in the economic and administrative processes.

Although it started later than it was necessary, the administrative decentralization made in the last period, in particular after the accession of Romania to the European Union, registered important steps in the rhythm and content. [5] It should be noted the impact of the financial decentralization and disproportions between the urban and rural areas, based on a better budgetary balance (fundamental principle in financial decentralization, according to law No. 273/2006 on local public finances).

The instability of the legal framework, the unclear indefinite responsibilities transferred to local authorities, the decrease in the number of relationships of authority and the increasing the number of cooperative relations between the different levels of State Organization, a control exerted ex-ante by the central powers (the ability of the Government to veto the measures local authorities in decentralized system, using an ex-post control and verification of compliance with the legal framework), assigning responsibilities without adequate allocation of financial resources, however, and competence are a series of problems that we try to find the best solutions for better meeting the needs locally.

Devolution is based on the premise that the local public administration authorities are better able to respond to the needs of citizens, knowing their issues more deeply, but also

the best way to resolve them. The decentralization means decisions regarding the citizen, making decisions more appropriate to his needs. A whole range of public services are provided efficiently at local level. Pre-university education, social assistance, water supply and road infrastructure are just some of the public services for which local public administration authorities are given to take decisions concerning the allocation of resources. [6]

Devolution is not an end in itself, but a way to deliver more efficient public services, in accordance with the requirements and preferences of the recipients. No centralized system can meet the needs of our local communities as well as local authorities. At the same time, the Government will keep its structures, in most areas, only powers of regulation, inspection and control.

Devolution is defined as the transfer of authority from the central to the local authorities, its competencies, as well as the necessary financial resources. There is decentralization when the skills are passed on to local authorities-municipalities, county councils or local councils and are accompanied by the corresponding budget appropriations. Although this principle underlies the law on administrative decentralization, it is not respected. That's why, with the delimitation of competence, it should be approved also the financial coverage.

Modernization of administration and increasing the capacity of administrative territorial units

Modernization of administration is needed, if we are to harness the funds, which were recently opened. [7] If we fail to strengthen the administrative capacity, which we intend to achieve through the process of decentralization, also through other elements of reform then it will not be possible.

3. How will it achieve decentralization?

The decentralization process will occur in a few steps:

1. **The stage of institutionalization.** At this stage the Commission will be created and in different working groups, which will have the powers to coordinate this process. One half of this Committee will be made up of representatives of the central authorities,

the other half of local authorities and civil society. And because the success of decentralization depends largely on how the trial will be held, the Government, through the State Chancellery, promotes a form of public consultation with all the actors and partners involved in the reform process.

2. The conceptualization stage. The working parties assisted by the development partners and the civil society representatives will analyze the existing situation and propose a strategy supported by a concrete plan of action, which will be the subject of consultations and debates. This strategy should give us questions answered: where (by whom) we go with the delegation of powers? How do we make financial transfers? [8]

Thus, we will adopt a strategy's initial framework, identifying priorities, stages of decentralization.

3. Stage of implementation. It will include the preparation of plans for decentralization by sector, areas and their implementation. After that it will be selected through a series of pilot centers, which will start testing strategies for decentralization.

4. Stage of modernization of the public administration is to start immediately at all levels.

-Improving administrative capacity must take place on an ongoing basis and continuously. In this regard, we have sufficient support from the donors.

-Regardless of political affiliation or relationship between local public authorities, the citizen must be recipient of legal actions and rule.

-Considering the fact that the decentralization reform delayed is enormous, ascending pace in imposing a timetable for this reform. Decentralization must be an objective of national interest this year, an objective to be achieved by the entire political class. [9]

As regards the degree of decentralization of the State, financial relations between the State and the local authorities at the local level are multiple and complex.

The administrative and financial decentralization should be a priority in the current Government through the completion of a rigorous calendar that contains the allocation of responsibilities between the Central Government and regional and local

administration, making the transfer of powers in the context of a stable and transparent process, avoiding financial imbalances and ensuring the continuity of the provision of public services. [10]

In order to achieve the best of the decentralization process is necessary to amend all the laws concerning local public administration, starting with the law, the pillar of local public administration 215/2001, law No. 273/2006 on local public finances, law No. 95/2006 of Decentralization, law No. 340/2006 of prefect's institution, law No. 393/2004 the status of local elected politicians, law No. 315/2004 regional development, and others, as well as creating the necessary institutional framework for decentralization. [11]

The financial decentralization process will have to be carried out on three levels:

-at the local level (municipalities, cities, municipalities);

- at the county level;

-at regional level - so that the decentralized services in most counties to become institutions of interest or local county in coordination or subordination to local authorities. [12]

Organization of the transfer of powers, responsibilities and competences between the Government, the regions and counties will be transparent on the basis of public debates, in collaboration with the media, an elite NGO contributing sites and other interested public institutions and, very importantly, keeping the correct and accurate, as citizens.

4. Financial Strategies at regional and local level

Financial Strategies must aim with the optimal allocation of financial resources: regional planning and development of collaborative working between technical and professional education at the regional level, the development of regional interest in programs for agricultural development in order to encourage the access of Romanian products on the internal and external markets, including through the creation of regional brands, managing social protection programs, environmental protection, management of emergency situations-all at the regional level, etc. Regional development goals will follow as to have at the level of each region to be at

least one regional hospital (with high-performance medicine), regional intervention system in emergency situations, road and railway infrastructure upgraded, an international airport, a regional polyvalent sport centre of international standing. [13] It is expected more of what it needed, also a regional business center, one European-level cultural, a university accredited at the international level. In this regard, the central authorities should draw all the projects of national public policies, and regional and local authorities will work out its own programs, while respecting the framework and standards, the criteria and standards established by the national public policies.

The decentralization process will be achieved through the provision of adequate financial resources and the competence transferred. [14]

In essence, the financial decentralization objectives aimed at efficient allocation of financial resources, equitable provision of public goods in the various geographical areas, ensuring macroeconomic stability and promoting the economic growth.

5. Conclusions

The major requirement for the Romanian reform throughout the process of adapting to the European Union requirements and structures has been improving and modernizing the public administration, with everything that entails, from organizing itself to public administration on the services, etc., the proper allocation of powers, powers of civil servants and other participants in the process of administering public money at both horizontal and vertical level. Also, it can be appreciate the fact that an increase in the quality of public services rendered to the community can be achieved, firstly, by giving them the authority closest to the citizen, taxpayer, taking into account the

principle according to which the problems encountered at some point in an organization or system, are resolved at the closest level of decision-making, as an essential principle in the relationship between the citizen and the whole administrative unit.

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The Volatility of International Prices During the Crisis

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Abstract

This crisis imposes with its amplitude and the foreseen duration in time, a strict reconsideration of the whole economico-social system and especially of the financial one. One of the most sensitive aspects is the one of the stability of raw material and agricultural products prices. Volatility prices and its effects upon food safety is a complex matter with drastic effects on short and long term, with a negative impact on the consumers and manufacturers from the developed countries or country which are developing. Another distinction is made between the set of necessary measures in order to prevent volatility and the one to reduce its consequences. The conclusion is that, in the conditions of strong ties on the international market and national markets to solve the problem would take a coordinated effort at a global level.

Keywords: volatility, implied volatility, derivative financial instruments, inflation, over-the-counter

J.E.L. Classification: F30, G01

1. Introduction

The market appears after the confrontation of the aggregated request and offer of the individual titles (products) that each of them lead to a certain level of rentability and risk. At its turn, the market establishes by aggregation a general level of rentability and risk, and defending an *interaction* with different degrees between the general (the market) and particular (title, product) [1]. The interaction between national markets is tighter and as a direct effect is the propagation on a world wide scale of the associated productivity and risks. *Volatility* (β) is a statistic indicator that measures the productivity dispersion of an investment

(product) and expresses the risk that it may modify the value (price)[2]. Knowing the value of the β coefficient is extremely important on a market considering its „wave” evolution: increasing, depression, decreasing. The intensity of the correlation between personal productivity and that of the market determines the volatility of the title or of the product’s price. The most common types of correlation are the positive ones, the variation of the individual profitability being determined both by the systemic risk and the specific one in different combinations. It is necessary to do a distinction from the inflation concept that defines a general disequilibrium of the economy. It is more often accepted the idea that negative effects of the inflation upon the economic growth *derives* from its volatility. Not all price variations present problems, when prices reflect the foundation of the market or when it reflects a temporary situation. Price variations become to be problematic when these are high and cannot be anticipated and, as a follow up, a certain level of uncertainty would be created, sometimes next to panic. In such a situation the manufacturers, the traders, the consumers and governments will make decisions with a low level of productivity. An accentuated volatility and on a long term are incalculable consequences. Price variation of agricultural products affect food security and as a result education and health for most of the population[3]. From a traders’ point of view, low prices threaten long term viability, especially investments. For these reasons, extreme volatility of prices becomes a state intervention problem, especially when manufacturers and consumers reaction possibilities are exceeded. The volatility of 2007-2008 period, drastically affected poor consumers and manufacturers from developing countries. The mentioned period must be seriously analysed because in 2011 the prices of raw materials registered sudden

increases and this tendency is present even now. Special attention must be paid to *implied volatility*, that reflects the expectations of the market participants regarding the way in which prices may evolve and especially the productivity dispersion of future contracts for the next six months that can be found at the basis of the expected value. The importance of the concept is the fact that the manifestation of the market is essentially determined by the expectations, most times to the detriment of the fundamental economic data. From 1990, the implicit volatility, especially for agricultural products, has increased significantly in an ascending trend. In a generic way, implied volatility increases reflect the way in which market conditions and unpredictable events are turned into uncertainty for market participants. The prices considerably increased in the years 2006 and 2007, reaching in the second half of 2007 for certain products and in the first half of 2008 difficult to anticipate levels. Tensions appeared again on the market in the year 2010 and registered sudden increases for certain types of food. Until the beginning of 2011, the prices for the food products have reached again the level from 2008. World wide prices are transmitted towards internal markets according to their integration level. Another important factor, that influences price transmission is the market structure that can be competitive or monopolistic. *For the developing markets the reduced capacity to absorb internal shocks caused by unfavorable weather conditions, natural disasters, limited access to technology, the poor infrastructure that may increase the transport costs, the lack of credit or insurance markets lead to an important increase of internal prices in comparison with the international market*[3].

2. Shock of the price evolution of raw materials.

The price of the oil, metals and other agroalimentary products considerably grew in the period 2008 – 2010. During 2010, the oil prices were also influenced by the OPEC resolution to reduce the production while the increasing price of the metals and agroalimentary products reflected, probably, the ongoing request from the emergent

economies, the insufficient offer and the reduced stocks. The impact upon consuming prices exercised by a shock at the level of raw material prices may be classified in direct and indirect I and II level effects[4].

Ist level effects determines price increasing, but does not exercise long term inflationary pressures. The *direct* ones value the impact that basic raw material prices variations exercise upon consuming prices of food and energy products and the *indirect* ones consider the consuming prices variation as a consequence of the impact exercised by the variation of raw material prices variation upon manufacturing costs.

IInd level effects, include the participants reaction at the establishing prices and wages process at the exercised shock by the raw material prices. The actions done by the economic agents in order to compensate real income losses caused by previous inflationist shocks may affect the inflationist anticipations and may continuously influence the price and wages establishing behaviour. The probability that an exercise shock by raw material prices to lead towards second level effects depend on various factors, including the cycling position of economy and of labour force market, by the inflationist anticipatory answer, etc. *The oil price fluctuations* have a direct impact upon inflation through energetic products prices. The direct effect of shock propagation exercised by the oil price upon consuming price of energetic products is, generally, considered, as being complete, rapid and symmetric. Due to the fact that consuming prices of the energetic products, especially of fuel for the means of transport and home heating, also depend on factors such as profit margins and distribution costs of the refining industry, but also the significant level of the excises, *the elasticity of the propagation process* is well tied up with the level of oil prices. For example, at the price of 20 euros/baril, the answer of the energetic products prices, at an increasing cotation with 10% for oil is of approximate 16%, and at the level of 60 euros/baril of approximate 33%.

3. Volatility effects of food prices upon macroeconomic equilibrium.

At a macro level, it is futile to make a distinction *between long and short term effects* of raw material prices volatility, as well as between *importing and exporting countries*. Most targeted countries by the volatility of agricultural prices are those *developing* that are dependent of basic agricultural products for a great part of their exporting income or for those for which food product imports are significative in the payment balance. For the *exporting* countries where agriculture is the majority economic sector, *extremely low prices* will immediately have a negative impact upon payments determining the decreasing of investments and affects the usage of the production capacities which affects on a long term the economic increasing. The *importing* countries that face *high prices* register a deterioration of the price balance. *Fiscal measures, such as import fees decreasing and food products fees, subsidizing food products, also increased the request for the risk administration instruments*[3]. Mainly, developed countries considered safety mechanisms already existing, while the on developing countries considered new measures. Thus, 43 on developing countries reduced the import fees, 25 forbid exports or increased fees. An important number of countries have *supported the manufacturers* with the aim to compensate fast increasing costs. *Export restrictions* had strong destabilizing effects on international markets, the extreme volatility and the upgoing price movement was amplified.

4. Influence factors of food products prices volatility.

Today's extreme volatility, appeared after a long period of price stability, imposes an deep analysis if it is only a temporary episode as a result of the factors combination that lead to the crisis or it appeared from the present substance of the world economy. Clarifying the situation is very important considering the *impact* upon raising prices for food security. Major influence factors are:

- The agricultural production varies from one period to another for natural causes;
- The elasticity of the request is very low due to the fact that a great deal of the consumers have low incomes;

- The cyclic character of the productivity that leads to a delayed reaction to the changes of the request;

- Increasing of the request for non food agricultural products and biofuels.

More of the known factors that led to the 2007/08 crisis manifest even at the present: loss of harvests, export restrictions, oil high prices, dollar depreciation, financial investments decreasing on raw material markets.

The perspective of food security is dark, a series of factors with a negative strong influence will manifest in the future. These are the most important ones[3]:

a) *Population increasing number* will accentuate in the following period, especially in the on developing countries. Until 2050, it is estimated that it will be reached the number of approximate 9 billions of inhabitants (increasing with 34%) and the request for the food products will increase with 70-100% leading to a very high price pressure.

b) The request for the *biofuel production* is growing continuously. According to an international study for wheat, other cereals, oil seeds and vegetal oil might be increased with 8%, 13%, 7% and 35% due to agricultural surfaces affected for bio fuels production.

c) *Prices of agricultural products* are more and more *tied up with oil prices*. The high and volatile prices of oil are transmitted to agricultural products because of higher manufacturing costs.

d) *Climatic factors* have contributed at prices increasing in 2007/2008 and again in 2010. Obviously, climatic changes will trigger certain adjustments of the production models in the whole world, as well as higher risks for supplying on all markets.

e) *Strong request* for food cultures and animal products against *slow increasing of productivity* in agriculture.

f) *Financial speculations* lead to a tense state on the market which caused extreme volatilities.

g) *Volatility of exchange rate*. Trade with agricultural products will be mostly done in dollars. The analysis of recent period of excessive volatility indicates the fact that dollar depreciation led to higher international prices even if they were not made in direct proportionality.

h) *Financial investments in derivatives* for agricultural merchandise were strongly increased at the middle of 2000s. the financial investment funds were along the time suspected by market manipulation, situation also valid for oil price or exchange rate markets. It is expected that on short term financial speculations were done, contributing to price bubbles formation in certain situations.

i) *The increasing of the integration degree* global and local markets, creating well define mechanisms for improving the competitive environment in order to increase the volume of the trade exchanges, and the supply shocks would be easier to absorb.

5. Decreasing strategy for food prices volatility.

There are more factors that contribute to the high and volatile prices of gricultural products, being necessary a combination of polictical answers. There must be highlighted those policies that aim at *reestablishing the trust in markets and avoid panic determined* by the behaviour of the market participants. The aim of the recommended policies is not to eliminate the volatility of the agricultural prices but to reduce the *uncertainty*, and with it, *the magnitude of price variations* within the acceptable limits for all market participants. The prices volatility should *fundamentally reflect market's state* and should not transmit incorrect signals as a follow up of incomplete or fake information. *Monitoring prices at food products*, both on cash and futures markets is essential the movements of the prices on internal markets allows the understanding of the way in which international price changes affect the developing countries. This information is important for early warning systems, such as FAO Global, Information System and for the elaboration of the policies and the projection of some efficient instruments of risk administration for the developing countries.

5.1. Using derivate financial instruments

The main instruments offered by the market on time in order to administrate food products price volatility are *futures contracts and traded options* on the stock market or OTC. Buying futures contract, it is

accomplished the protection against a sudden increase of prices, creating the safety that the decided price is going to be paid when the contract was signed. The call options (of purchasing) give the right but do not impose the obligation to complete the contract against a bonus giving a certain flexibility to transactions [2]. There also can be used physical purchasing options only traded on the OTC market. In such a situations, counterparty risk can be reduced through the use of performance guarantees, of intermediate payment instruments or by guarantee by an international bank. Generally, developing countries do not have the capacity to use risk administration instruments. Experience shows the fact that there is no single risks administration instrument that fulfills the various needs of the counties exposed to prices volatility. Solutions must be personal, counting on a combination of different instruments and ways of actions. Derivate financial products are used in order to assure protection against risk of price fluctuation (hedging) for raw materials, agricultural products, exchange rate, interests, etc. The functioning of the derivate products markets have proved the utility of these financial instruments but they also involved losses or spectacular collapses. The daily volume of transactions, only in the USA, is up to a few billions of dollars. An important category of participants on these markets is the one of the speculators. The debate if speculations stabilize or destabilize the market strongly returned after the release of the crisis. Two aspects were agreed upon: the necessity of a higher transparency and the creation of new reglementation norms. The transparency takes into consideration, mainly, OTC markets, where the transactions take place besides the merchandise exchanges regulated. The most semnificative changes have already been decided or have been considered in more important areas. At an international level, there have been debates about any possible actions that could be implemented in order to increase transparency and to improve market functioning, such as[3]:

- creating a trade keeper that can registrate OTC contract according to the decisions of the G20 Summit;
- establishing an ecart of variation for the speculative positions in merchandise futures

contracts in order to assure market protection against price excessive variations;

- usage of maximum limits at daily price changes;
- improving stocks held in delivery stores in order to limit the possibilities of market manipulation;
- introduction of the dispositions regarding the trading volume or frequency;
- adjustment of new rules by all countries in order to avoid participants migration and speculative arbitration between markets.

Beyond transparency and reglementation preoccupation, it is attempted the introduction of new instruments in time to decrease price risks. That is why, there was experienced a *world wheat contract* that indicates the delivery points of export in the main manufacturing countries. The possible advantages of a such futures contract world wide with an obligatory delivery might be: the identification of *the cheapest offer* by designating delivery points all over the world and the fact that acts as a *signaling system world wide* regarding the prices.

5.2. Adequate trade policies.

Decreasing long term import barriers and export subsidies have the effect of distorting the internal market balance. Prices volatility may apper both from internal markets as well as from international ones. Trade is an excellent buffer for fluctuations located domestically while helping other markets to equilibrate. Thus, international trade a strong engine in order to decrease supplying fluctuations on the globe and as a consequence reduces market volatility. On a long term, trade is an essential element for any food safety strategy. The efficient functioning of food supplying chains internally and internationally needs to pay attention to the problems connected to the competitive policy upstream and downstream of agricultural sector, as a necessary element for the increasing of the agricultural production and the implementation of the trade policy reforms. Protectionism in agricultural products is four times higher than for non-agricultural products. The most recent OECD information shoe the fact that the governmental support still represents 22% of the agricultural manufacturers total income and more than half of the support is

delivered in ways that distort competition. It was estimated that if countries implement export taxes, an increase in world prices of 10% can be amplified between 20 and 50%.

6. Decreasing measures of price volatility consequences.

Eliminating or attenuation of *present consequences* of volatility can be done by making up buffer stocks, emergency food reserves and national and international networks of food safety. *The buffer stocks* represent an important politic instrument in the emergent economies while developed countries had been practically abandoned. Some rice-producing countries in Asia are based on a combination of rice reserves, import or export monopolies, and internal pubic acquisitions to establish the prices in a pre-determined period of time. It is created an advantage for local manufacturers that present the safety for products trading and for a correct price which eliminates the decreasing risk of business profitability. Conclusions show that in many countries there is a *poor administration of buffer stocks which make them ineffective*. Sudden and important unpredicted changes in sells increase the market risk semnificantly and the buffer stocks can deal with them only in a limited period of time. The emergency reserve is included in the national security food strategy. The reserve are made up and are available for the international community in order to be able to intervene in the areas affected by disasters and to answer to future needs. These are administrated with the World Food Programe (WFP). In order to be more efficient, WFP uses acquisition contracts and risk administration instruments. International reserve financing is assured with the help of the World Bank that created three facilities[5]:

✓ *Fast credit facility* (FCF)- offers funds without programmes in unpredicted situations ă fonduri fără programe în situații neprevăzute;

✓ *Waiting credit facility* (WCF) – offers short term financing for needs adjustments caused by the wrong policy or by predictable climatic shocks;

✓ *Extended credit facility* (ECF) – assures the assistance for majore disequilibriums that may be solved on a long or medium term.

Overcoming consequences on a long term can be realized by creating some *efficient market mechanisms* that may protect manufacturers against price risk and other risks and establishes imported food products prices. *The nature of risks* faced by farmers varies from a country to another. In developed countries, large scale farmers have a *good trade orientation* that allow them to administrate correctly price and wheather risks through market instruments. In developing countries farmers have a limited access to the markets and in many cases *there is no possibility to be protected against this range of risks* specific to the agricultural area. For a certain level of these risks, there is the possibility to use market instruments such as *insurances, on term markets or cooperation agreements between farmers*. Another way to overcome the volatility on a long term constitutes a *good administration of manufacturing risks*. In emergent economies, *risk administration* is poor mainly due to limited access of small producers to financial and insurance markets. On the medium and long term access to these markets must be achieved through government intervention. *Protection against price risks* for producers is facing similar problems. *Governments face the very same problems as farmers*. Food production and price shock may affect negatively payment balance, currency reserves and may worsen the ability to implement social security programs. For countries dependent on food products import the price risk is very important. The market mechanisms, such as *usage of derivate financial instruments*, weather or cover instruments in order to administrate price and production risks may offer an alternative at the international politics problems, such as compensatory financing facilities. *A range of approaches* that may be used *in order to consolidate the framework of risk administration include*[3]:

- *merchandise cover financing by offering assistance* in order to help governments and the private area to do cover operations against physical risks;
- *consultancy services* for governments in the evaluation of risk presentation and finding adequate ways to administrate a large range of risks: fiscal, of contingent debts, raw material and food products prices shock, energy, natural disasters, etc.;

- *covering the financing risk* for derivate financial instruments and obtaining immediate cash in disaster cases.
- *extention and modernizing of meteorological services* that should help at the improvement of the early warning systems of disasters and at formulating fight strategies against climatic changes.

7. References

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