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ARTICLES

The Coronavirus COVID-19 Pandemic Crisis and its Impact on the EU Economy

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Abstract: The 2020 year could be the beginning of a new era of world economic path after 2008 international financial crisis. The unusual landscape of the Covid-19 pandemic has brought in attention the necessity of a new form of economic therapy that should finance primarily the medical research and sanitary equipment modernisation. This involve a suitable national budgetary distribution. The disorder of sanitary advance level and research funds diverge markedly from one country to another. The public vulnerability is greater now when the internal financial resources seems to be scarce in comparison with economic and social requests.

Key words: crisis, global outlook, risk

JEL Classification: H68, F01, P01

1 Introduction

The economic effects of the Coronavirus COVID-19 pandemic are the current challenge of all global actors. Studying the Covid-19 economic effects and finding solutions for a proper projection of overcome the crisis is a priority nowadays.

The comparison between the current pandemic crisis and the 2008 international financial crisis would be relevant taking into account a common risk involving increasing the burden of budgetary deficit. For instance, during the 2008-2012 EU sovereign debt has remained in many countries at a high level. On average in EU the deficit rose to 6.3 % on EU's GDP.

The increased risks in the existing pandemic crisis could be much more severe in many vulnerable economies. As much as the pandemic expanded, the measures have been settled for population, firms and medical care sustainability in order to diminish risks. We could already estimate the substantial decrease in domestic demand driven by the lockdown in the attempt of stopping the Covid-19 pandemic.

In this paper we analyse the main effects of the current pandemic on different countries and Romania. The current state of research on the global economic effects of the Covid-19 is pretty poor, because the pandemic has only occurred for 3 months. But research in this area is vital having in mind the estimations that show a perturbation of the global economy for a long time.

2 The main obstacles brought by the current Covid-19 pandemic on EU

The European Commission estimations have recently shown that EU countries would have entered in recession this year with a fall of 2.5 % GDP average rate even if the pandemic crises had not existed. In this paper the author intentions are to analyse the magnitude of the present crisis by emphasizing the main features that are uncommon with other crises.

Nowadays it might be a proper solution to build a defence system around EU if we rely on three types of scenarios: on short term until the passing from the infection peak, on medium term until the economic and social imbalances could be stabilised and on long run with the economic recovering from a minimum point reached to new targets expected to be suitable in the new circumstances. In the country case, it is important to calculate the real economic losses in terms of trade and investments. We see that the economic disparities are stronger now than in the 2008 financial crisis due to the rapid contagion.

The main impediments triggered by the actual pandemic on the economy and the society in Romania and in many European countries are the following:

- The internal economic activity is affected by lockdown circumstances.
- The returning of a massive workers from overseas put pressures on the social protection funds and also on medical care services particularly for Romania;
- The social pressures induced directly by the lockdown in education, culture, sport and entertainment would provoke a harmful effect on general productivity;
- Possible disruption in energy, water and raw materials supply;
- The shortage of internal financial resources caused by huge expenses and no inputs would increase the budgetary disproportions.
- Diminishing of exports absorption capacity of the most affected of SarsCov-2 countries and the need of production adapting to the new demand level.
- The high risk of economic imbalances could outbursts from: rising of unemployed people, primary resources prices evolution (petroleum, gas, agri-food), aggressive acquisitions on Stock Markets;
- Risks on the economic crisis and the overlapping between this and the pre-existing agricultural cycle.
- The harmonising of world economic activities is occurred with different oscillations until the steadiness is reached. This is the reason why the projections of the future oscillatory economic evolution are difficult to be calculated.
- The role of state, and of EU and international institutions is to provide stability.

At the global level, the answer should be in line with the more important task to ensure a rapid and efficient capacity of response for the actual and future challenges.

At the macroeconomic level it is vital lessening the negative effects of Stock Exchange worries, and backing small and medium firms in a sense to stimulate their activity by creating a proper fiscal and financial environment for the new economic reality.

The Romanian economy has been affected by the external trade channel on the basis of the high level of trade integration with the rest of UE states (roughly 70% of Romanian total trade is oriented to EU). The most affected by the actual pandemic are EU countries with highest GDP contributors to the EU budget: Germany, France, Italy and Spain. The lockdown of all these countries during March and April 2020 and the frozen of investment plans have been creating high repercussions on overall exports by channel of contagion spread on different countries Imports would be also affected by the disruptions on the Global Value Chain in the same time. Also, the process of replacing the supply parts is difficult especially for narrow specialisation developed the recent years.

A parallel between the 2008-financial crisis and the present crisis emphasizes only some features. First of all, it must be observed that the 2008-financial crisis provoked a high global threat that has been felt in the last few years after the eruption. It was difficult for developed countries especially for some UE member states (PIIGS countries especially) to solve the fiscal and debt burden. Nowadays, a new type of global threat has arisen 12 years after the 2008 financial crisis. This time, the primary source is a medical one, spreading at a global level. Still in both crisis we observe the rapidly spread worldwide even we talk about a virus or financial contagion.

We observe also that the economic effects are stronger now than in the 2008 financial crisis due to the fast contagion. The 2008-financial crisis had passed on Europe in several months and extended gradually in entire EU from USA. The EU financial system had resisted to solve the crisis and several financial programs for supporting the most affected sectors had been adopted (banking and automotive). Since September 2012 other unconventional measures have been approved by ECB. In addition, the euro zone launched the European Stability Mechanism that replaced the European Stability Fund. State aid was a practical solution at the moment of international financial eruption in EU. The EU state aid for financial sustenance totalled 1.6 trillion Euros during the last quarter of 2010. The great part of financial aid was given in the form of government guarantees for liquidity increasing that amount to 9 per cent of EU GDP. The banking recapitalisation and shares acquisition equalled almost 3 per cent of whole EU GDP, an amount of 300 billion euros respectively.

The EU guideline of adopting measures taken by Euro members states with the general task of banking functioning guarantees by the public funds in the 2008 and 2009 period has consisted of four official communications. The fiscal burden has been proved problematic especially for the business environment for a long period in the absence of financial support. The sustainability of those deficits was critical in some eurozone states, especially those that has been called PIIGS. Financial market players decided to rise the interests on loans to cover souverain debt as a consequence of continuing fiscal burden. The bond yields have been increasing after 2010 for those risky countries.

The eurozone countries signed at 7th of May 2010 an Agreement of Stability, Unity and Integrity for adopting necessary measures for fiscal criteria stipulated in the Stability and Economic Growth. All eurozone countries except Estonia and Luxembourg have agreed to adopt programmes of reduce the fiscal burden under the excessive deficit procedure triggering.

Table 1. Fiscal stabilization programmes implemented by eurozone countries in the 2010-2012 period

Countries	Budgetary deficits (in % of GDP in 2010)	The starting year of fiscal austerity measures	The ending year of austerity measures	The estimated annual deficit reduction (in percentage points)
Belgium	-4.8	2010	2012	0.75
Germany	-3.7	2011	2013	≥0.5
Estonia	-1.0	-	-	-
Ireland	-32.3	2010	2015	2
Greece	-9.6	2010	2014	≥ 10 in 2009-2014
Spain	-9.3	2010	2013	>1.5
France	-7.7	2010	2013	>1
Italy	-5.0	2010	2012	≥0.5
Cyprus	-5.9	2010	2012	1.5
Luxembourg	-1.8	-	-	-
Malta	-4.2	2010	2011	0.75
Netherlands	-5.8	2011	2013	0.75
Austria	-4.3	2011	2013	0.75
Portugal	-7.3	2010	2013	1.25
Slovenia	-5.8	2010	2013	0.75
Slovakia	-8.2	2010	2013	1
Finland	-3.1	2010	2011	0.5

Source: Autumn Economic Prognosis of the European Commission Prognosis and Ecofin Recommendation in 2012

3 Measures adopted by EU up to 2020. The Romanian case

The speed of contagion in the actual pandemic crisis on some EU member states has determined the necessity of adopting new state aid regulations for sustaining the most sensitive sectors. The communication on the economic aspects of Covid -19 crisis was published by European Commission on 13 March 2020 revealing the main economic financial support measures that cannot be exclusively covered entirely by the European budget. Taking into consideration the internal legislation of EU countries we notice the state aids have been used for supporting certain sectors. Since the mid of March 2020 substantial financial packages have been adopted by the governments in some states where the pandemic crisis has spread rapidly.

In Romania the main trade partners from EU, namely Germany, Italy, France and Spain have been seriously prejudiced by the pandemic crisis that already have hit the bilateral exports and imports flows. If we add the substantial global value chain disruption and the significant part of China on the intermediary inputs chain for products like microchips, auto parts and chemical products we observe a major drop of global trade in 2020. Romania among other EU member state is not so affected by the reduction of Chinese trade flows, the share of Chinese inputs on total incomes of Romanian firms being of only 2.8% that is much lower in comparison with Hungary (7.5%) and Holland (7%).

A complete landscape of the pandemic crisis impact on world economy is difficult to be assessed because is too early. The projections published by the international institutions have been changing in accordance to the volatile data. A possible economic impact could be advanced concerning the imminent economic recession not only in the euro area but overall, in the world economy. In addition, if we take into consideration the financial markets evolution it depends mostly by the supervisory and regulation

The impact of the actual pandemic crisis on the economy and financial market would be quite high after two months of lockdown for some many of the world economies. This unexpected and unorthodox measures will cause a very deep recession. Some of the international investors and experts project a slowdown

similar with those from the Great Depression from the 1929-1933 period. For now, is pretty hard to estimate a valid long and medium period prognosis, having in mind the dynamic change of the real medica facts that affects directly our life. At least on short time we observe programmes of quantitative easing in many countries aiming at increase the liquidity in economies.

Returning to a new normality is a necessary step that requests a dynamic and complex flow of collecting and information processing data from the medical care, in finding a proper vaccine and the evolution of the economic increase and trade. All this change would indicate a new picture of tactical alliances with the aim of regaining the breath after the deep recession. We could estimate better the real situation of downfall only after the official economic data of world exports, imports that reflects the level of offer and demand.

4 Conclusions

The returning to the new reality has many unknown data but the restrictions resides mainly in the fact that mankind cannot continue with the high level of inverness in a long run due to the necessity of sustainable life. We adjust our life in a huge protectionist climate due to the multiple safety measures used in the crisis period that have flourished since 2008.

The custom duties and product prices are directly influenced by protectionism and that's why continuing the multilateral negotiation is a necessity for ensuring fair competition provisions by WTO. The global value chains already have recorded some important changes due not only the lockdown phenomenon but the attempt of developed countries for reducing the dependency of China. This challenge would affect structural changes and the top hierarchy in terms of GDP, exports, investments and standard of living in countries from Europe, Asia (mainly China, Japan, South Korea and India) as well as USA. Given the magnitude of their economies and also the size of the internal demand, technologies level and the workforce education some of these countries could survive in a protectionist setting. In this circumstance it is most probable that Africa to remain the most vulnerable continent. The attractiveness of gaining a leading position on Africa could become an important task in the rising protectionism settings.

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Supporting the EU Economy through State Aid during COVID-19 Crisis. A Comparative Approach

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Abstract: The current global crisis triggered by the COVID-19 pandemic has an even stronger negative impact on the EU economy than the previous international crisis from 2008, given that its repercussions are felt not only on the banking sector, but rather on all economic sectors. As highlighted by the international crisis of 2008, state aid policy is a flexible and effective tool for providing financial support to Member States' economic sectors. As a result, this article has as major objective to present how state aid has been used by Member States to mitigate the negative economic effects of the COVID-19 crisis, while highlighting what are the opportunities for Romania to use this type of financial instrument in order to support the national economy. This research focuses on the analysis of state aid schemes implemented by Member States, based on the legal basis created by the New Temporary Framework on State Aid (adopted in March 2020). The research methodology is primarily based on a comparative analysis between the types of state aid granted during the 2008 crisis and the current state aid implemented by Member States to deal with the difficulties created by the COVID-19 crisis. The research methodology also uses case studies, related to the experiences of old and new Member States, aiming to highlight how the state aid policy has been used to remedy economic distortions across the EU. The results of the research have as major goal to set out recommendations for the most efficient use of state aid policy to support the economic recovery while maintaining free competition and preventing market failures.

Key-words: state aid, COVID-19 crisis, EU economy, competition policy

JEL Classification: K00, K21, K4

1 Introduction

Given the magnitude of the economic effects of the COVID-19 crisis felt in all Member States and the shock wave propagated through all the EU economy, support measures cannot only be taken from the EU budget, but must also be provided from the national budgets of the Member States in the form of state aid. All those aids may be implemented both through sectoral schemes (accessible to several types of companies and subjected to general eligibility conditions) and through individual measures specifically targeting a certain company.

The outbreak of the COVID-19 crisis has led EU authorities to urgently adopt exceptional state aid policy regulations, with some analysts pointing out that the urgency of the situation and the serious economic problems (massive unemployment, partial or total closure of the tourism and leisure sector) have forced EU to implement a real "anti-disaster plan" even in the field of competition policy (Baldwin, Weder di Mauro, 2020). The scale of these measures was similar to those applied during the 2008 international economic crisis (Mateus, 2009).

The new Temporary Framework (adopted in March 2020) has made it possible to transform state aid policy into a useful tool for Member States to support their most affected companies, citizens and economic sectors. As regards to direct aids (targeting certain companies affected by the COVID-19 crisis), they may still be granted on the basis of the GBER Regulation (General Block Exemption Regulation) without prior notification to the European Commission. Moreover, given the catastrophic economic impact of the COVID-19 crisis, Member States may fully use Article 107 (3) (b) TFEU, which allow granting of state aid in order to cope with a serious disturbance in the economy.

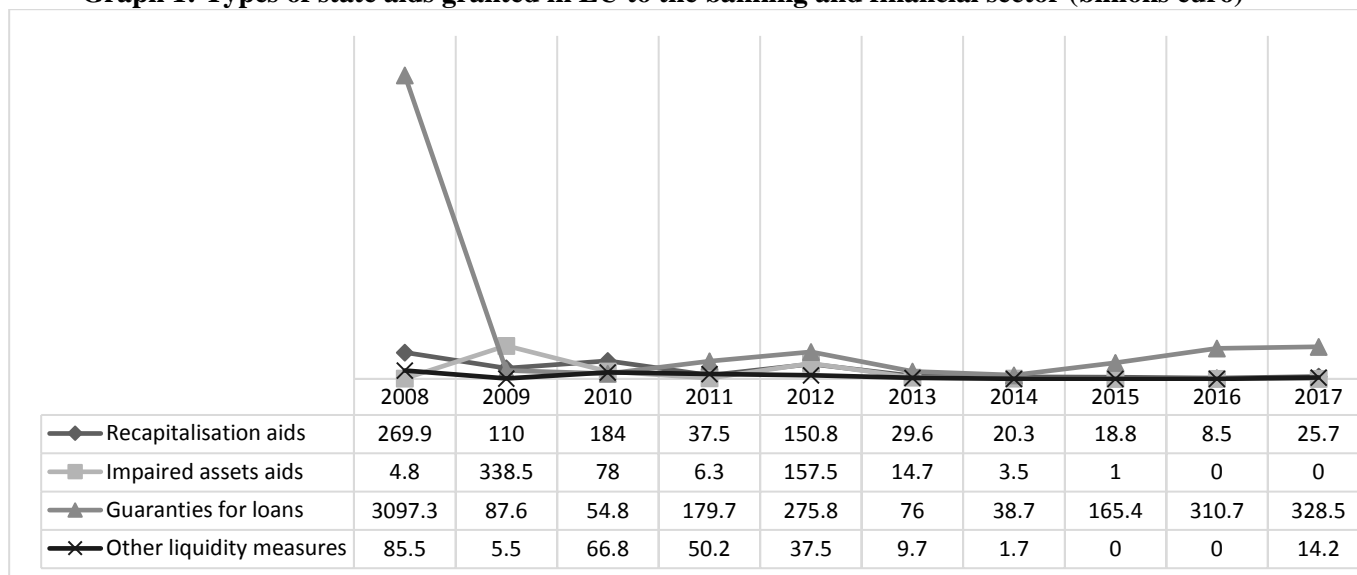
Some analyses (Lowe, 2009; Drăgoi, 2016) show that while state aid policy had a restrictive approach in the EU before the 2008 international crisis, the need of massive support for the banking system to prevent its general collapse has led to the adoption of the first Temporary Framework allowing for the exceptional state aid

designed to prevent economic collapse. The European Commission has recently published new guidelines on state aid measures that Member States can use to alleviate the COVID-19 crisis (European Commission, point (a), 2020).

In this document, a number of principles are used to enable state aid schemes to be granted in the Member States. These principles concern: transport of goods and services, supply of goods, health-related measures, measures at the external borders and measures at the internal borders. With regard to the transport of goods and services, the European Commission document stipulates that any schemes and measures that would lead to a restriction on transport between Member States must be notified in advance to both the Commission and to all EU countries before they can be implemented. For the banking sector, the Commission's guidelines are stating that, given that banks provide the necessary flow of liquidity into the economy and that a possible collapse of the banking sector would have catastrophic domino effects across the EU, Member States can now grant aid, including aids based on the Old Temporary Framework (guarantees, capital injections, rescue and restructuring aid, provided to respect the conditions from the Single Resolution Mechanism imposed by the Banking Union). Although now, more than a decade after the international crisis from 2009, the European banking system is strengthened, the current consequences of the COVID-19 crisis will spread rapidly in the capital markets, hence a coordinated action by Member States is needed in order to effectively support the financial sector. As a consequence the New Temporary Framework highlights some objectives to guide Member States in taking appropriate measures to support their most affected economic sectors without disturbing free competition in the internal market. Based on the New Temporary Framework, State aid schemes and measures can mainly support SMEs in need of liquidity, provide direct assistance to individuals (independent artists, for example) who have suffered major economic losses as a result of canceled events. The latter type of state aid (as an individual measure and not as a scheme) may be granted without the approval of the European Commission.

It should be noted that both the Old Temporary Framework and the New Temporary Framework are exceptional in relation to current state aid policy regulations, with some analyses explaining that the first Temporary Framework supported mainly the EU banking sector and, only marginally, the real economy (Drăgoi, a, 2019). Also, in the event of the 2008 crisis, state aid schemes were targeted at banks and credit institutions affected and suspected of insolvency risk, leading to the preponderance of state aid in the form of guarantees (see Graph 1).

Graph 1: Types of state aids granted in EU to the banking and financial sector (billions euro)

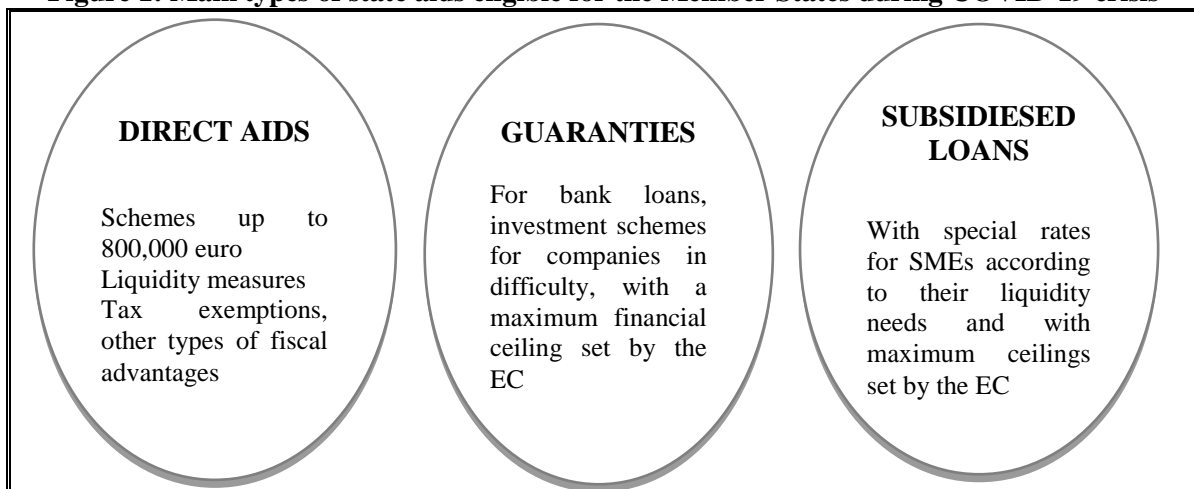


Source: Author representation based on State Aid Scoreboard (2018).

2 Types of state aid granted in the EU-15

From the onset of the COVID-19 crisis to the present, it has become clear that EU competition policy and state aid regulations are a crucial component for any recovery plan in all the Member States. Currently, according to EU regulations, all types of state aid involving capital and liquidity measures are subject to the regulations of the BRRD Directive (Drăgoi, b, 2019). Under the New Temporary Framework, support measures for companies facing a lack of liquidity as a result of the crisis caused by the coronavirus epidemic should be given mainly to SMEs or for investments (in the case of large companies). It should be noted that such state aid could not be granted on the basis of Article 107 (1) TFEU, as it would exceed the threshold of EUR 200 000 per company (indicated in Commission Regulation (EC) No 1998/2006 on "De minimis" state aid). In the context of the COVID-19 crisis, Member States need to focus in particular on measures to support the most vulnerable sectors and the workforce, while also respecting the rules that require free competition in the market: aid must be limited in order to not to create an unfair advantage to the beneficiary in relation to its main competitors. What is new about the Temporary Framework adopted in 2020 is that Member States can provide direct subsidies of up to EUR 800 000 to a company, state guarantees for bank loans and subsidized interest rates to mitigate the effects of the COVID-19 crisis (EC, (b), 2020). However, Member States are required to notify the European Commission all of these state aid schemes, as in the case of aid schemes adopted during the international economic crisis. However, there are exceptions to this general prohibition which allow certain types of aid to be granted in special circumstances, without prior notification to the European Commission. One such exception concerns aid schemes which "help to remedy economic damage caused by natural disasters or exceptional events". This exception allows, for example, compensations to be provided to airlines that have suffered major losses due to the COVID-19 crisis. Another exception applies to aid schemes aimed at "remedying a serious disturbance in the economy of a Member State", but this exception requires a priori notification to the Commission of the proposed aid with the obligation (for the Member State) to delay its granting until official approval is received. The current Temporary Framework is based on this second exception that allows Member States to use certain categories of State aid on a large scale but for a limited period. In fact, this exception has been used extensively by Member States in the event of the international economic crisis, and therefore the existence of a previous Temporary Framework (adopted in 2009) has facilitated a faster drafting and implementation of the New Temporary Framework, although the context is different. The main objective of the New Temporary Framework is to help the real economy and only in case of need, the banking sector. An important clarification is that, according to the New Temporary Framework, aids granted to the EU banks in order to maintain the credit flow in the internal market will be considered indirect aid for companies (as these support measures will aim to ensure liquidity in the internal market and support a harmonized fiscal policy at EU level). The new temporary framework will allow three major types of aid for the companies that have suffered financial losses after 31 December 2019 (see Figure 1).

Figure 1: Main types of state aids eligible for the Member States during COVID-19 crisis



Source: Author, based on current EU regulations.

Exceptionally, some State aid may be granted in the form of direct loans, repayable advances or tax exemptions under Article 107 (3) of TFEU. Such aid may be granted to enterprises and small companies that

suddenly face a lack of liquidity if the Member State considers that these measures are appropriate and necessary in the current exceptional circumstances caused by the COVID-19 crisis. In order for a Member State to be able to grant such aid, it must meet the following criteria of simultaneous eligibility: the State aid does not exceed EUR 800,000 (before the application of tax exemptions or other tax burdens) per company; the aid is granted in the form of a scheme with an estimated budget; aid can also be granted to companies that were not in "difficulty" on 31 December 2019, but are currently "in difficulty" due to the effects of the COVID-19 crisis, the aid is granted until 31 December 2020 exclusively.

Since the onset of the COVID-19 crisis and to date, numerous state aid schemes and measures have been notified and implemented in the EU-15 immediately after the entry into force of the New Temporary Framework. In the following table we summarize some schemes and measures already approved and that could be useful as a model for designing similar types of state aid to combat the economic difficulties that Romania is currently facing.

Table 1: State aid schemes approved in EU-15 during COVID-19 crisis

Member State	Type	Eligibility	Amount
Germany	Loans for all undertakings that require liquidity for their activities in Germany	Based on appropriate justification and self-certification of the beneficiary of its liquidity needs	The loan amount is less than 1 billion euro per beneficiary and limited to either twice the annual wage bill for 2019, 25% of the annual turnover 2019, or the specific liquidity needs of a beneficiary for the next 12 months (18 months for SMEs). In addition, for loans above EUR 25 million, the loan amount may not exceed 50% of the total debt volume on the beneficiary's balance sheet
Italy	Companies producing medical equipment	Creating new production facilities or extending the existing ones	EUR 50 millions
Luxembourg	All undertakings (small and medium-sized enterprises, large undertakings) and liberal professionals affected by the economic repercussions of COVID-19 and having temporary financial difficulties. The Luxembourg authorities estimate that there will be over 1000 beneficiaries.	Eligible costs are the staff and rent costs of the beneficiary for the months falling within a period determined by the Luxembourg Government (maximum until 30 September 2020).	The support shall take the form of a repayable advance and will be granted in one or more instalments. The maximum aid intensity is 50 % of the eligible costs and the total amount of aid may not exceed the maximum aid amount of 500,000 euro per single undertaking.
United Kingdom	All SMEs affected by the economic repercussions of COVID-19 and having temporary	Turnover up to EUR 49 millions	EUR 654 millions

Member State	Type	Eligibility	Amount
	financial difficulties. The UK authorities estimate that there will be 5.9 million beneficiaries. Subsidized loans up to 80% for SMEs Direct subsidies for IMM		
Denmark	Wage compensations for independent artists and liberal profession	If they cannot register revenues due to COVID-19 crisis	26 000 DKK/ per month
France	Guarantee scheme for remedying serious difficulties in the economy Types of aid: direct aids, guarantees, subsidized loans	All French enterprises regardless of size or sector of activity, including those involved in primary agricultural production	Total budget of the scheme 7 billion euro

Source: Author based on State Aid database

(https://ec.europa.eu/competition/elojade/isef/index.cfm?fuseaction=dsp_sa_by_date).

3 The state aid boom in the new Member States

One of the countries that made intensive use of state aid under the New Temporary Framework was Poland. Thus, on 27 April 2020, Poland notified the European Commission of a state aid scheme aimed at granting repayable loans to small businesses and SMEs affected by triggering the COVID-19 crisis. The purpose of the support measures granted by the Polish authorities is to provide liquidity to the undertakings affected by the COVID-19 outbreak as a result of the temporary closure of production activities, while the maximum period for receiving State aid is until 31 July 2020. Support measures also aim to help maintaining employment and minimize other negative economic effects of the pandemic caused by reduced consumer demand and other supply chain disruptions. The estimated budget for the aid measures amounts to 16.6 billion euro, and the beneficiaries of the scheme can be all micro, small and medium-sized enterprises ("SMEs") registered and active in Poland, which are affected by the economic repercussions of the COVID-19 crisis hence having temporary financial difficulties related to the lack of liquidity. In addition, the beneficiaries must have a tax residence in the European Economic Area ("EEA") and the main beneficiary, within the meaning of Article 2 (2) (1) of the Anti-Money Laundering Act ("AML Act"), does not may reside for tax purposes in so-called "tax havens" (those established in the EU Council conclusions on the revised list of non-cooperating countries for tax purposes). A deviation from this rule is only possible if the aid recipient and its main beneficiary are taking measures to transfer their tax residence to the EEA within nine months from the date of receiving the state aid. It should be noted that the provision relating to "tax havens" are designed by the legislator to prevent both the unfair use of the aid (within the meaning of the provisions on free competition in the internal market) and the undue advantage compared to the main competitors on the market.

Another state that took full advantage of the new state aid regulations to support its economic sectors was Hungary, which has so far notified two separate schemes, both of which have been approved by the European Commission. The first scheme was notified on April 17 2020 and provided economic support measures in the form of direct loans, government guarantees and soft loans (loans with interest rates well below market value). The total budget estimated by the Hungarian authorities is of 900 million euro.

The support measures to be implemented by Hungary will be of the following types: (i) direct subsidies, (ii) loan guarantees and, respectively, (iii) subsidized interest rates on loans. The measures, which will be available for SMEs, but also for large companies, will be accessible to those companies that face economic difficulties and liquidity deficiencies due to the coronavirus outbreak. It is expected that up to 5,000 enterprises will benefit from these measures.

The schemes aim to provide the affected companies with sufficient liquidity to cover their immediate working capital and investment needs, thus enabling them to continue their activities, invest and maintain employment during the COVID-19 crisis. The measures implemented by the Hungarian authorities were

considered to be in line with the provisions of the Temporary Framework because, in terms of direct subsidies, (i) the support will not exceed the nominal amount of EUR 100,000 for a company active in the primary agricultural sector, 120,000 euro for a company in the fisheries and aquaculture sector and EUR 800,000 for companies active in all other sectors and (ii) support will not be granted to companies that were already in difficulty on 31 December 2019. The second Hungarian scheme, notified to the European Commission on 28 April 2020, is a loan guarantee scheme with an estimated budget of EUR 1.4 billion (Measure A) and EUR 140 million for loans from (Measure B). Measure A provides for loans through Garantiqua (a bank owned by the Hungarian state) and measure B provides for loans through the MFB (a bank also owned by the Hungarian state). The final beneficiaries are all enterprises - micro-enterprises, SMEs and large enterprises - which would face a liquidity deficit in the absence of state aid.

In addition to Poland and Hungary, Bulgaria is another Member State that has made full use of the provisions of the New Temporary Framework notifying so far two state aid schemes. Of these, the most important scheme, notified on 17 April 2020, is the one providing state aid to support the liquidity of SMEs affected by the COVID-19 outbreak. The aid will be granted in the form of equity or quasi-equity investments. All types of eligible investments are related to the provision of financing some SME in exchange for partial ownership in that SME or include an option to purchase equity in the SME. In particular, instruments eligible for state aid will include: pure investment in shares, transferable shares, other securities or equivalent instruments entitling to an action in the capital of the enterprise (including the redemption option) or quasi-equity investment (convertible investment, such as debt with related collateral or similar derivatives) and conversion options embedded in the principal contractual framework of the debt. The budget of the Bulgarian scheme is estimated at EUR 150 million, the scheme being co-financed by the European Regional Development Fund.

Another new Member State that has granted state aid in the context of the COVID-19 crisis is the Czech Republic. Thus, on 21 April 2020, this Member State notified the European Commission of an investment scheme to support products and producers that contribute to combating the outbreak of COVID-19. The aim of the Czech scheme is to support the growth and strengthening of the competitiveness of SMEs in the production of products and technologies, materials and personal protective equipment necessary to directly combat coronavirus infection. The purchase of facilities for the disposal of infectious waste will also be supported, as the existence of large amounts of infected waste is problematic. The estimated budget of the scheme is around EUR 11 million, with the possibility of extending it to a maximum of 37 million euros. Under the scheme, which will be open to SMEs, public support will be granted in the form of direct subsidies. Public support will cover 50% of the eligible costs that companies have to bear in order to create production capacity to manufacture products relevant to the control of the coronavirus outbreak.

In the following table we summarize some of the most relevant state aid schemes already approved for the new Member States in the context of the COVID-19 crisis.

Table 2: State aids schemes approved in EU-12 during COVID-19 crisis

Member State	Type	Eligibility	Amount
Latvia	Subsidized loans	All Latvian companies facing difficulties after 31 December 2019	Maximum ceiling of EUR 50 million for investments and EUR 200 million for lucrative capital.
Estonia	Direct guarantees (state aid scheme)	Small companies affected by the COVID-19 crisis with up to 49 employees, with a turnover between 40,000 and 1 million euros and which were not in insolvency proceedings at the time of the COVID-19 crisis	Total budget of EUR 10 million
Slovakia	Scheme in the form of direct loans to remedy a serious disturbance in the economy	To strengthen the workforce and those who are their own employees	Total budget of the scheme of EUR 2 billion
Hungary	Scheme in the form of direct	For research / development salaries; Any undertaking employing R&D	The total budget of the scheme is EUR 88 million

Member State	Type	Eligibility	Amount
	loans to remedy a serious disturbance in the economy	personnel, regardless of the size of the undertaking, provided that it is not in insolvency proceedings at the time the aid is requested	
Poland	Direct guarantees (state aid scheme)	All medium and large enterprises, regardless of the sector of activity, provided that they have not been in difficulty prior to the COVID-19 crisis (within the meaning of the GBER Regulation)	The estimated budget of the scheme is EUR 4.8 billion

Source: Author based on State Aid database

(https://ec.europa.eu/competition/elojade/isef/index.cfm?fuseaction=dsp_sa_by_date).

Given the real offensive of state aid in Central and Eastern Europe, Romania also took advantage of this opportunity, notifying, on April 10, 2020, a support scheme for SMEs. The scheme provides for 3.3 billion euro to be given to distressed SMEs in the form of loans. Under the scheme, support will be provided in the form of direct grants and state guarantees for investment loans. Support will be available to SMEs experiencing difficulties due to the economic impact of the coronavirus outbreak. The purpose of the scheme is to help companies cover their immediate working capital or investment needs, thus ensuring the continuation of their activities.

It should be noted that, according to current regulations, Romania can directly support through state aid schemes, but also through direct subsidies (individual measures) the most affected companies and sectors pursuing some specific objectives: combating "market failures" and the effects of economic destabilization (support for research and development of a vaccine or treatment against coronavirus, for the construction and modernization of test facilities for outbreaks of Coronavirus - protective materials and disinfectants), as well as targeted support in the form of deferred tax payments and / or suspensions of employers' social security contributions to help avoid massive unemployment. Also, as some Member States have opted, all companies (not just SMEs) facing a lack of liquidity could be supported by guarantee schemes, provided that they were not insolvent at the time the aid was requested.

5 Conclusions

The COVID-19 crisis highlighted the importance of a rapid, coordinated and coherent response at Member State level, as well as the fact that State aid is an indispensable tool in situations of major economic difficulty.

Based on the regulations in the New Temporary Framework, Member States can directly support companies through direct state aid schemes, but also through direct subsidies (individual measures). According to the current developments in the COVID-19 crisis, some types of state aid would be more useful in combating both "market failures" and the effects of economic destabilization: support for research and development of a vaccine or treatment against coronavirus (through direct support for research and development), support for the construction and modernization of test facilities for outbreaks of coronavirus (such as protective materials and disinfectants), as well as targeted support in the form of deferred tax payments and / or suspensions of security contributions employers to help avoid massive unemployment. Also, as some Member States have chosen, companies facing a lack of liquidity could be supported by guarantee schemes, provided that they were not insolvent at the time the aid was requested.

Since the beginning of the COVID-19 crisis and until present, state aid policy has been intensively used by both old and new Member States with the Commission approving 53 national measures in relation to the coronavirus outbreak. Since the adoption of the New Temporary Framework, on 19 March 2020, the Commission has taken 39 State aid decisions based on the Temporary Framework to approve national measures that provide much needed liquidity to European businesses in these difficult times. The Commission has also adopted 4 decisions on 4 national measures under article 107.2(b) of the Treaty on the Functioning of the European Union on aid to compensate for exceptional circumstances, such as the coronavirus outbreak.

While for many Romanian companies the emergency measures, which authorities have had to take to manage the coronavirus outbreak, affect their ability to produce goods or supply services, and have led to a significant decrease in demand. The resulting losses can trigger a decrease of the companies' equity and negatively impact their ability to borrow on the markets. Against this background, well-targeted state aid

schemes providing recapitalizations to companies in need could reduce the risk to the national economy as a whole.

However, in our opinion, in order for state aid to be effective and not to distort free competition, it is absolutely necessary that state support be clearly defined and limited in time as to what is needed to address the crisis. acute economic crisis generated by the COVID-19 pandemic (could be limited to December 2020 as provided for in the Temporary Framework, or to autumn 2020, as chosen by some Member States), while excluding unjustified benefits for companies or banks at the expense of taxpayer. To mitigate the negative effects of the COVID-19 crisis more effectively, an appropriate contribution from the private sector is needed, through adequate remuneration for the introduction of general support schemes (such as a guarantee system) and the coverage by the private sector of at least a significant part of the cost of the assistance provided, to ensure that there are incentives for the return of state money). Also, in order to turn state aid into an effective tool to support the real economy, it is mandatory to impose sufficient behavioural rules for beneficiaries that prevent the abuse of state support, such as, for example, expansion and aggressive market strategies implemented after receiving a guarantee or subsidized interest loan.

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Challenges in Designing Economic Strategies for the Post Covid-19 Era

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Abstract: The Covid-19 pandemic has generated a number of unprecedented consequences, from the simultaneous reduction of supply and demand to a steep increase of unemployment levels and to the closing of countries and regions as well as of international trade flows. The paper starts from the assumption that the Covid-19 crisis is, in its intrinsic nature, similar to a natural disaster and not to a financial and economic crisis. As the present crisis is still unfolding, the research focuses on identifying the challenges that may arise in the designing of economic strategies in the post Covid-19 era. The conclusions are that globalization will not disappear but will be different, that the historical course will not change fundamentally but rather speed up towards changes already underway, that governments will play a more significant role in the economy and society, at least in the medium term and that capitalism will have to re-invent itself once again.

Key words: Covid-19 crisis, economic strategies, globalization, shareholder capitalism

JEL Classification: B50, D81, D84, E17

1 Global context and forecasts for 2020 from the May 2020 perspective

As a consequence of the Covid-19 pandemic, world economy is facing the most severe recession in the last century; a result of this crisis was that decades of progress and economic growth were wiped out in less than a quarter. The speed of this decline is not specific to economic phenomena but rather to natural disasters (earthquakes, massive volcanic eruptions, pandemics) that manifest suddenly. In January 2020, the IMF forecasted for this year a 3.3% growth at global level, while in May 2020 the same institution considers that a 3% contraction is an optimistic evaluation (Reuters, 2020).

What is new in the current circumstances is the fact that the recession is global, including all or almost all economies. According to the IMF, the reduction of global gross product during the 2020-2021 period is estimated at 9 trillion dollars, which is more than the cumulated GDP of Germany and Japan (Kapadia, 2020). The developed countries, as a group, may be faced with a contraction of 6% of their economies in 2020 compared to the previous year (and this is just an optimistic estimate). In 2020, Asia will most probably end a long period of economic growth that lasted for 60 years, and in the best-case scenario may hope for zero growth. Latin America is highly likely to face the worst recession in 50 years in 2020, with unemployment potentially reaching 200 million. Unemployment may also represent a big challenge for Africa where almost 50% of the pre-crisis jobs may be terminated.

2 The present is full of uncertainties, but the future should be prepared now

After more than two months of various degrees of lockdown in many parts of the world, both ordinary people and decision-makers still hope for a fast return to the previous “normal” but very few really believe that will happen. The procedures for the discovery and validation of a vaccine are long, as they have to satisfy certain security criteria, and in the meantime entire sectors of the economy are almost completely closed (tourism, passenger transport, parts of retail trade, etc.). In May 2020, many countries or regions started experimenting various degrees of relaxation of the lockdown measures, but there are many uncertainties and “stop-and-go” situations are possible.

Government involvement in solving critical situations has been necessary because only governments can adopt and implement large scale, nationwide measures overnight. At the same time, only governments have the means to rescue entire economic sectors by using various rather unorthodox means (quantitative easing, partial or total nationalizations, direct interventions in certain manufacturing areas or in international trade) which nobody knows how sustainable will be in the future. This substantial intervention of governments in the economy and in the society has not been an ideological option, it was the only immediate option available.

There is no available recipe for managing at macroeconomic level a global scale pandemic with local implications practically everywhere. There is and there will be significant trial and error and many decisions that were made proved sub-optimal, to say the least.

Therefore, the present is full of uncertainties and the second quarter of 2020 is expected to be significantly worse from an economic point of view than the first one.

Anyway, even if the present is uncertain and unclear (starting with the data available on the pandemic and the relevance of the statistical interpretation of that data), the future after the end of the Covid-19 crisis has to be prepared now. Some facts, elements and trends can be identified already and their knowledge should represent the basis for the design of the post Covid-19 era. In the following we are going to explore some of these facts, elements and trends and bring them together in hope that the resulting picture will provide a timeframe and indicate a number of steps to be taken.

3 Challenges in designing economic strategies in the post Covid-19 era

Under these circumstances, the economies of the world have to respond both to the immediate need for damage control and providing support for the population and the economy, and to the need for adaptation to different domestic and international environments that will emerge in the post-crisis period. Even if there are still many unknowns related to the future evolution of Covid-19 crisis, the time needed until a vaccine is discovered and mass-produced, the ways in which each state will manage its social and economic problems and the ways in which states will interact with each other (particularly the big economies such as US and China), a number of specific challenges can be identified and they can be useful in designing the macroeconomic solutions for the world economy of the post Covid-19 era.

Therefore, we suggest a number of challenges that could be taken into account by the decision-makers at macroeconomic level in designing the post-Covid-19 economic strategies and policies. The list is not intended to be exhaustive and the order of presentation is not necessarily the order of importance.

The crisis affects practically everybody, dramatically reducing offer and demand at the same time. From the perspective of April 2020, the IMF estimates that 90% of economies will have negative growth in 2020, compared to only 62% in 2009. If we compare world economy with a train and the economic growth rate with the speed of the train, then the pandemic crisis did not slow down the speed of the train but rather put the whole train on a side line because of lockdowns and border closures in numerous states.

As the cause of the crisis is a virus, this crisis should be included in the category of natural disasters. Due to this specificity, the only event that is similar in terms of scale in the relatively recent history is the so-called Spanish flu that occurred 102 years ago. As a consequence, comparisons and possible lessons from the past cannot be found in the area of financial crises, but rather in the area of natural disasters such as large-scale volcanic eruptions, earthquakes or pandemics. This observation (comparison with natural disasters and not with financial crises) points us towards a series of prevention, reaction and recovery measures that may be useful during and after the Covid-19 crisis (Klemetti, 2020).

As the crisis is a truly global phenomenon, cooperation among states is essential, as global issues cannot be solved by local solutions. Unfortunately, at least for the time being, it seems that the focus has shifted in international relations from the multilateral to the predominantly bilateral perspective. Despite numerous calls for the strengthening of multilateral cooperation from the G20, OECD and other international organization (Obstfeld & Posen, 2020), faced with critical medical, social and economic conditions states/governments focused on their immediate needs and became the main decision centers. It is to be noted that a historical period less favorable to multilateralism has manifested well before the onset of the Covid-19 crisis, exemplified by the position adopted by the United States in relation to World Trade Organization (Packard, 2020) or in relation to the United Nations as a whole (Flores, 2017), or by the United States' leaving UNESCO on January 1, 2019 (Adamson, 2019). We can add in more recent times, after the onset of the Covid-19 crisis, the suspension in April 2020 for a period of 60 – 90 days of the U.S. contribution to the World Health Organization (Smith, 2020), but also the difficulties in achieving a consensus regarding the financing of a coordinated approach within the European Union for the Covid-19 crisis (Rankin, 2020).

After the onset of the Covid-19 crisis the leaders of many states changed their attitude from the “win-win” to the “negative sum game” approach. In the period before the Covid-19 crisis, at least at official level, the position was that international economic relations and international cooperation should be regarded as a “positive sum game” in which all parties involved could win something (even if it was admitted that the wins were different). After the onset of the crisis, when the context changed and the global gross product declined

(meaning the global result of the game became negative), the unilateral approaches of many states seemed to focus on fighting at individual level to lose as little as possible.

The prospect of a new world order. All these changes of approach, under the impact of medical, economic and social urgencies at a local and national levels, already have and will continue to have consequences in the fields of domestic and foreign policies, leading to a new world order after the end of the crisis. As Henry Kissinger mentioned, the great difficulty is for the leaders of the main powers to succeed in managing the current crisis and, at the same time, think about the future, a future in which power should be in balance with legitimacy (Kissinger, 2020).

The increase of the role of governments, at least in the short and medium term, as they will be responsible for: ensuring the subsistence of the population that lost jobs and revenues; providing financing for companies big and small or taking major stakes in large companies; securing the functioning of the health and education sectors; deciding priorities for their economies and international trade policies that will take into account the national interest. As in the first phase of the crisis huge funds were provided for the economy and for the population (which amounted and can easily exceed 10% of the GDP of some large, developed countries), governments and the civil society will be required to supervise how these funds have been used, which will significantly increase the level of control over the economy. In case of market economies (the vast majority of the economies of the world) a risk to be avoided in the post Covid-19 era will be that of nationalizing the losses and privatizing the profits.

The crisis and the recovery periods to follow will be, most probably, rather long. As far as the availability of a tested Covid-19 vaccine is concerned, numerous experts mention a term of 12-18 months starting from March/April 2020, even if there are some more optimistic expectations regarding the use of experimental vaccines or, at least, some treatments, if a cure is not yet available (Spinney, 2020). As for the recovery, Morgan Stanley (Reinicke, 2020) estimates the ending of the recession at the global level towards the end of 2021, based on an U form evolution (decline, stagnation on a lower level for a period, recovery), while some less favorable scenarios elaborated by the IMF estimate that the gross global product will recover to levels similar (but still inferior) to those of 2019 only by 2024 (IMF, 2020).

The period of limited/restricted movement will be long, the restrictions may be reduced but not eliminated for the majority of states/regions, and there may be alternations of reduction and reinstatement of restrictions, depending on how the pandemic will evolve. This period of uncertainty and limited mobility will last at least until the discovery of an efficient vaccine and/or treatment (Wolf, 2020). A fact that should be taken into account is that historical experience indicates a period of over 5 years for the discovery of a vaccine while in this case the expectations are between 9 months and 2 years (Gates, 2020). Similar terms have been mentioned by Romanian experts who think that a vaccine may be available by autumn of 2021, while the pandemic will end by 2022 (Streinu-Cercel, 2020).

The increase of the importance and risks related to digital surveillance. Given the very easy dissemination of the Covid-19 virus, including by asymptomatic patients, a need has emerged for the monitoring of the movement of persons, both of those affected by the virus and of those who are healthy but who can at a given moment, without their knowledge, be near persons that later are confirmed as infected. In this context, it is worth mentioning that on April 10, 2020 an agreement was signed between Apple and Google for the design of a joint application that will allow the monitoring of about 3 billion people worldwide (Gurman, 2020). Different methods of digital monitoring are already in use in China, Germany, Austria, Italy, Belgium, South Korea and studies indicate that once put in use, such methods are most likely to be maintained even after the end of the Covid-19 crisis.

Companies will have to design new business approaches (Sneader & Singhal, 2020) that will have to be based on resilience (resistance to shocks), redundancy (securing alternative supplies, markets and manufacturing), social distancing (both for classic economic activities and for economic sectors that will become totally or partially „remote” – such as digital, trade, remote medical diagnostics, automation).

The emergence of significant changes in the structure of economies, company market shares and consumer behaviour. As result of all the changes mentioned above, economies will have to adapt to the new context, meaning that they will have to try to produce locally a number of key products and services, they will have to create emergency stocks, to secure alternative supplies, manufacturing units and markets, to take into account the possibility that certain important sectors may be required to significantly reduce their activity in a short period of time (sectors like tourism, passenger transport, retail trade, etc.).

The importance of digital communication infrastructures will increase, and these infrastructures will really become critical. In the new circumstances that emerged after the onset of the Covid-19 crisis, a large part

of economic activities have become remote/telework-based (in different economic sectors, education, administration), the financial-banking and insurance services moved online to a large extent, the majority of the population tried to replace real life meetings and socialization with electronic communications and the monitoring of the location of individuals started to be used on a larger and larger scale in many countries. All these developments transformed digital communications infrastructures into a vital part of our economies and societies. One aspect is to be noted: the more critical an infrastructure is, the more important is the security/protection of that infrastructure. That is why, in the new context, cyber-security reached a new level of importance.

While the above list represent just a synthesis of the topics that are of interest for economic and political decision-makers, for experts or representatives of the civil society, and for businessmen, at the same time this list can be used for the design of the economic strategies and policies in the post Covid-19 crisis era. Knowing these characteristics and trends as well as updating them with new ones should represent, in our opinion, a permanent task, so that at the end of the Covid-19 crisis decision-makers may be prepared for immediate and efficient action.

4 Conclusions

The Covid-19 crisis may be regarded as a catalyst for a series of historical and geopolitical trends that were already underway. An important remark in this respect was made by Richard Haas who said that history did not change its course due to the Covid-19 crisis but rather increased its speed of change (Haas, 2020).

Globalization will not disappear, but it will be different. States will become much more sensitive and reserved as regards the idea of total or quasi total dependency on supply sources that are far away or related to states that are not compatible with certain political and ideological options (Irwin, 2020). In the new context and based on the experiences related to shortages and vulnerabilities that were noted during the Covid-19 crisis, the decision-makers in many states will encourage local or regional supplies, will create stocks and will support the idea of medical and food security, while rethinking their approach to the global value chains. The implications of these changes of approach may be even deeper because as the President of France remarked this March, the new realities will mean that in certain sectors of activity market rules will no longer have priority (Kauffman, 2020).

In the new world that will emerge after the Covid-19 crisis ends, it is very likely that, at least for a while, the primacy obsessively given to the increase of the „shareholder value” be replaced by more complex approaches, perhaps by „shareholder capitalism” where, besides profit, people and the planet/environment will be important.

A lot will depend on the options that will be adopted by decision-makers at a national and international level, both in the present and in the near and medium-term future. These options will in fact amount to a choice between the road towards „shareholder capitalism” or towards a less desirable future that might be represented by surveillance capitalism (Zuboff, 2019).

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Good Practice Lessons from Germany's Economic Policy Measures in Response to the Covid-19

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Abstract: From the very onset of the coronavirus epidemic, the German authorities adopted a set of rigorous measures meant to protect population health by drastically limiting social contact and partly discontinuing economic activity, in order to slow down the spreading of the virus and avoid a possible collapse of the healthcare system. This well targeted strategy was combined with the amplest economic relief package in the country's post-war history, which made Germany the world leader in terms of effectiveness of government measures adopted for combatting the effects of the crisis generated by the Covid-19 epidemic. In the context described, this article aims to review the measures adopted by Germany to combat the epidemic and limit the economic effects of the subsequent crisis, while also pointing out the budget impact of these measures and the need to abandon the traditional federal policy focused on maintaining a balanced budget.

Key-Words: Germany, Covid-19 crisis, economic policy measures, responses to the Covid-19 pandemic

JEL Classification: E62, G28, I18

1 The status of the German economy in the period prior to the onset of the Covid-19 pandemic

According to the preliminary data published at the beginning of this year by the Federal Statistics Office (Destatis, 2020a), in 2019, Germany's economic performance was the lowest in the last six years¹, in the conditions in which the annual growth rate of the real GDP decreased by 0.9 percentage points compared to 2018 (to 0.6%, compared to 1.5%), reaching a level well below the average rate of the last decade (1.3%). The causes leading to this economic development below the country's potential were driven by the conjunctive action of both external, and internal factors (outlined in Box 1).

Box 1: Main factors that contributed to the slowdown of Germany's economic activity in 2019

External factors	Internal factors
<ol style="list-style-type: none">1. The persistence of trade-related tensions at international level;2. The permanence and even intensification of uncertainties related to the potential no-deal Brexit;3. The slowdown of world economy due to both the deadlock encountered in trade negotiations and the geopolitical tensions at international level;4. Blockages in the world oil supply beginning in September 2019, as a result of the attacks against Saudi Arabia's oil infrastructure, which led to lower demand for the products of the German processing industry and, implicitly, to the stagnation of the heavily export-reliant domestic production.	<ol style="list-style-type: none">1. The delay in the introduction of the new internationally standardized emission testing procedures (WLTP)*;2. The reduced production share of electric or hybrid motor vehicles (in the context in which the international demand on this segment increased);3. The structural changes implemented by the German automotive industry seeking to deal with the issues shown in the paragraphs above, and also to:4. The restructuring and technological upgrading of some of the large manufacturing companies, in accordance with the mandatory environmental and climate change international rules (e.g.: the case of the multinational corporation Siemens).

Note: *WLTP/ Worldwide Harmonized Light-Duty Vehicles Test Procedure – is the new test method to determine motor vehicle fuel consumption, emissions, and efficiency, and was launched on 1 September 2017, with a grace period for implementation until 1 September 2018.

Source: Author's synthesis based on the literature studied.

¹ Namely after the period of significant stagnation of 2012-2013, under the impact of the Eurozone sovereign debt crisis.

However, at the onset of the Covid-19 pandemic (January this year), Germany seemed to have overcome the sub-potential growth phase that had lasted since the second quarter of 2019². As a result, at the end of January this year, the first signs of economic recovery – before the discontinuation caused by the outbreak and expansion of the epidemic – came mostly from the industrial sector, which saw an increase by 5.5% in the number of orders, determining a growth by 3% of industrial production compared to the previous months³ (Destatis, 2020b,c). Although exports remained within the same slowdown trend that was visible throughout the previous year – in the conditions in which the seasonal and calendar adjusted value of exports in January this year did not differ significantly from December 2019 –, this evolution was attributed to the reduction of exports to China⁴, which at the time was facing the “peak” of the coronavirus epidemic. In the same period, the seasonal and calendar adjusted value of imports increased by 0.5%, in particular as a result of the increased domestic private consumption, which continued to represent the main growth pillar (Destatis, 2020d).

2 Scenarios of economic evolution in the context of the crisis determined by Covid-19

As far as estimates for economic evolution this year are concerned, national analysts continue to have certain reserves, given the level of uncertainty in terms of length and magnitude of the epidemic, which makes it difficult to assess the medium- and short-term effects on national economy at present. Also, the current international context – characterized by the deterioration of the economic climate and the growth of uncertainties worldwide – further increases the difficulty of developing forecasts, since no accurate assessment can yet be made regarding the impact of this serious transitory event on world economy as a whole, on how international trade relations will take place or on the economic evolution of Germany’s main trade partners. In these conditions, although the majority of scenarios developed so far assume a considerable reduction of economic performance for the current year, estimates regarding its dynamics differ depending on their underlying assumptions. As such, the German Council of Economic Experts (GCEE, 2020) developed three scenarios regarding the evolution of the German economy in 2020 and 2021, based on different assumptions regarding the length of restrictions imposed in the context of the epidemic, and the speed of economic recovery after restrictions are lifted.

⇒ **The baseline scenario** – the most likely scenario in the current context – estimates a return to normal of the economic activity beginning with the second semester. According to this scenario, the economic activity will decrease by 2.8% this year compared to 2019 and afterwards, as a result of the effects of the measures adopted, the GDP growth rate will increase by 3.7% in 2021 (Chart 1).

⇒ **The first risk scenario** (*the “V”-shaped evolution*): starts from the assumption that restrictive measures will be maintained for a longer period of time (around three months), which is likely to have ample consequences on production. In this case, in accordance with the estimates of CGEE analysts, production will suffer a contraction of around 10% in the second semester of this year. As such, it will no longer be possible to counteract the sharp reduction of economic activity in the first part of the year (Chart 2), and the annual GDP growth rate will see a decline by 5.4%, compared to 2019. Just as foreseen for the basic scenario, the effects of some of the measures adopted could lead to the recovery of production only towards the end of this year. An increase by 4.9% of the economic growth rate is foreseen for 2021, in particular as a result of the delayed emergence of the effects of some of the measures adopted to stimulate the economy.

² When the economic activity decreased by 0.2%, in quarterly terms, triggering fears that a technical recession was looming. Although these estimates were not confirmed – since the economic activity increased slightly in Q3/2019 (0.2%) –, the GDP growth rate stalled during the last quarter of the year (0.0%).

³ The monthly data presented are adjusted on a seasonal and calendar basis.

⁴ Which, in 2019, ranked third in the hierarchy of Germany’s main export partners, after the U.S. and France.

Short-and medium-term economic development scenarios

Chart 1: Basic scenario -quarterly and annual GDP growth rate¹

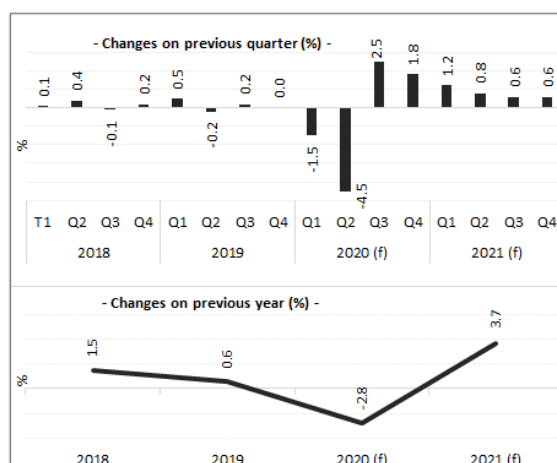
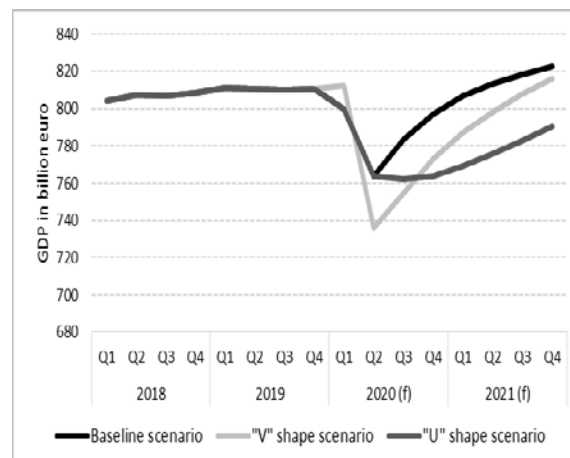


Chart 2: Forecast scenario for the quarterly evolution of the GDP²



Notes: ¹The annual growth rate data are not adjusted on a calendar basis; ² Seasonal and calendar adjusted data.

Source: Author, based on Destatis (2020) [2018/2019 evolutions] and CGEE estimates (2020) [2020/2021 forecasts].

⇒ **The second risk scenario ("U"-shaped evolution)**: if the restrictive measures to limit social interaction are maintained until the end of summer, a relaunch of the economy will only start in 2021. According to this scenario, the incentives adopted will not be sufficient to prevent the losses caused by bankruptcies and layoffs. In this case, it is estimated that the deterioration of the financing conditions and the increased uncertainty will contribute to a major reduction of investments and a significant decrease of private consumption. In these conditions, the economic growth could face a contraction of 4.5% compared to the previous year, while the GDP growth rate is forecasted to evolve at a slower pace in 2021 than in the other two scenarios (with an increase of 1%).

3 Germany: a model of resilience⁵ in the face of the pandemic shock

As one of the EU countries with the largest financial resources allocated to healthcare (both as percentage of the GDP and as per capita amount)⁶, Germany has a well prepared and effective healthcare system, with the largest number of doctors, nurses and hospital beds per capita in the European Union (OECD; European Observatory on Health, 2019). As such, unlike other European countries, Germany has an increased capacity to resist the healthcare shock created by the Covid-19 epidemic, and this is the result of both the long-term investments in the national medical system, and its continued monitoring and assessment, aimed at permanently improving performance and, at the same time, increasing the capacity to adapt to crisis situations (Robinet-Borgomano, 2020). Also, because of the positive situation of public finance – resulting from the prudential tax policy applied over the last years –, the federal government was able to afford adopting ample measures to mitigate the negative consequences caused by the coronavirus on companies and on the population.

Affected by the onset of the epidemic at a relatively later date (after France and Italy⁷), Germany employed a well targeted strategy to detect persons infected with the new coronavirus, in order to slow down the spreading of the epidemic, and was therefore able to avoid overburdening its healthcare system. The early

⁵ Resilience in this context refers to the capacity of the health system to efficiently adapt to the changing environment, to shocks and crises.

⁶ The latest statistics on health-related public and private expenditure published by the EU Office for Statistics (Eurostat) show that in 2017 (the last data available), in terms of percentage from the GDP, Germany and France ranked first in the EU classification (with an expenditure equivalent of 11.3% of the GDP), followed by Sweden (11.0% of the GDP) and Austria (10.4% of the GDP). In relation to the population during the same year, Germany ranked fourth in the EU classification of medical expenses (EUR 4,459 per capita), after Sweden, Denmark and Luxembourg (Eurostat, 2020).

⁷ According to the data published by the German research institutes, the coronavirus epidemic developed at national level with a delay of 8 days compared to France and 14 days compared to Italy (the results take into account the date when each country recorded 10 deaths) (Markus, 2020).

adoption of massive testing measures – together with social distancing measures less restrictive than in other European countries, seeking to increase population preparedness – enabled the identification and isolation of asymptomatic individuals who carried the disease (and/or of positive individuals without visible symptoms), while at the same time allowing national hospitals the time required to adjust their capacity for the admission and treatment of cases with acute symptoms. Although the “peak” of the epidemic had not been reached yet, government authorities already started the process for the development of an exit strategy comprising a series of measures aimed at a gradual resumption of the economic activity in safe conditions.

To mitigate the effects of the medical crisis generated by Covid-19 – which German Chancellor Angela Merkel described as the “greatest threat faced by Germany in the period after the Second World War” – government authorities approached its management by adopting a set of measures oriented in three directions: (a) limitation of social interaction; (b) increase of the number of tests performed to identify infected but still asymptomatic persons (or persons only carrying the virus); (c) strengthening the capacity of the national healthcare system.

3.1. Early measures to limit social interaction

At the recommendation of the Robert-Koch Institute, in charge with the control and prevention of diseases, Germany adopted social distancing measures earlier than other European countries (as early as the first death caused by Covid-19 at national level – 11 March), which helped limit the spread of the epidemic. Subsequently, pressured by the lands located at the border with France and Austria, the federal government closed the land borders with most of its European neighbours (15 March), reintroduced customs controls at the internal borders of the Schengen area and introduced tests at border crossing points to identify and isolate infected persons. Although initially border crossing was permitted only to freight transports and commuters or to persons who intended to repatriate, on 2 April, by means of an exceptional measure, the government approved the access of seasonal agricultural workers⁸.

An important aspect that must be mentioned is Germany’s federal structure. Although the adoption of measures related to the combating of epidemics lies with the land governments, they must be approved by the federal government, with a considerable margin left to the land authorities in terms of implementation and, accordingly, certain lands (e.g. Bayern, Saarland and Saxony) opted for imposing stricter measures limiting social contacts and the free movement of persons. In these conditions, because actions to combat epidemics require a fast and coordinated response, the federal organisation could have represented an obstacle for the optimum management of the crisis. This is why, in order to avoid dysfunctionalities caused by inconsistencies, discrepancies or overlaps in the national crisis management plan, the Bundestag approved the *Law on the prevention of infection transmission* (25 March), which granted increased powers to the Minister of Health.

3.2. Increase of the number of tests, involvement of the industrial sector in the production of medical equipment, support for the pharmaceutical industry

The social distancing measures adopted were correlated with massive population testing, in order to identify and isolate asymptomatic carriers of the virus, by using rapid tests, with increased performance. To this end, a strong point of the strategy to combat the epidemiological shock and mitigate its effect is the mobilisation and involvement of the industrial sector. As such, German concern Bosch launched a rapid diagnosis test that provides results in around three hours, without the need for sophisticated medical tests performed in laboratories. Also, a series of German factories (in particular those in the automotive sector) were provided with incentives to redirect their production towards the manufacture of protective masks, mechanical ventilators, laboratory supplies, etc. At the same time, the pharmaceutical industry received financial support to speed up research to develop an antidote, in order to stop the coronavirus evolution curve. According to a press

⁸ Federal authorities reconsidered the decision to restrict the entry of agricultural workers due to the pressure exercised by German farmers whose production depends on the presence of seasonal workers from Eastern Europe, in particular from Bulgaria, Poland and Romania (Reuters, 2020). However, because the entry of seasonal workers through land border crossing points was difficult, requiring transit through several states, federal authorities decided to haul the workers with charter flights, at the expense of the employer, access on German territory being conditional upon prior testing for Covid-19 and or a 14-day isolation scheme.

release of the German bio-pharma concern CureVac⁹, research for a Covid-19 vaccine is advanced, with tests set to commence in June, so that the vaccine may be placed on the market by the end of this year (Deutsch, 2020). Also, the German pharmaceutical company BioNTech was recently granted approval from the Paul Ehrlich Institute – a medical regulatory body for vaccines and biomedicine – to begin the first stage of clinical trials (of three stages envisaged), on a sample of 200 volunteers (Federal Government, 2020a).

3.3. Concerted mobilisation to rapidly strengthen the national healthcare system

From the very onset of the crisis, the German strategy's primary objective was to avoid overburdening the healthcare system in the context in which the country has an increased vulnerability to the coronavirus epidemic, given the high level of population aging. If at the beginning of the epidemic, according to the *National Hospital Management Company*, Germany had approximately 28,000 ICU beds and around 20,000 mechanical ventilators, due to the rapid mobilisation of the land and federal authorities, the number of ICU hospital beds in national hospitals was 40,000 and the number of assisted ventilation devices increased by 10,000 by the beginning of April.

Considering all the measures taken, the rapid mobilisation of national authorities and institutions, according to the global ranking compiled by the "Deep Knowledge Group"¹⁰ (DKG, 2020), Germany is the world leader in terms of effectiveness of government measures adopted to combat the effects of the crisis generated by the Covid-19 epidemic (Figure 1).

Figure 1: World top-10 most supportive governments during the Covid-19 pandemic



Source: Deep Knowledge Group (DKG, 2020). Retrieved from: <https://www.dkv.global/governments-ranking>. Also, Germany also ranks among the first in the global/regional classification based on other indicators: e.g. in terms of regional safety: 2nd (after Israel) and 1st among the Eurozone countries.

4 Budget implications of the policies adopted in response to the Covid-19 crisis

Although, as we mentioned above, it is not yet possible to fully estimate the negative effects generated by the Covid-19 epidemic on the population and the federal economy, given the particularly severe impact felt so far and the imminence of risk factors, the German government authorities launched the largest package of measures in the country's post-war history, the major objectives of which being the protection of citizens, the strengthening of the national healthcare system to be able to deal with new challenges, and the limitation of the economic consequences of the crisis generated by the new coronavirus. As such, the ample economic policy measures adopted by Germany – both at national level, and at the level of the individual federal states – to counteract the effects of the crisis seek to: *a*) finance direct government costs; *b*) mitigate the economic pressure exercised on certain categories of employers and employees; and *c*) protect the national economy against a potential wave of insolvencies among the companies affected, in order to limit, as far as possible, the future economic recession that is impossible to avoid (Becker, 2020). To achieve these objectives, federal authorities resorted to a mix of fiscal instruments, based on: subsidies from the state budget, the

⁹ In March this year, the German company CureVac, an innovator in the field of vaccines, received up to EUR 80 million in funding from the European Commission to speed up the development and production of a vaccine against Covid-19 (European Commission, 2020).

¹⁰ Deep Knowledge Group (DKG) is a Hong Kong-based consortium bringing together commercial organisations and non-profit bodies and operating worldwide in a variety of fields, among which: scientific research, consulting, entrepreneurship, etc. Based on the data published for individual national economies, DKG developed an advanced analysis framework – presented in the form of worldwide rankings (based on a series of specific indicators) –, to support national government authorities in their decision-making process.

supplementation of public expenditure for the national healthcare system, the adoption of measures for the exemption from, and/or delay of, tax payments, government guarantees and credits, as well as on the establishment of financial support programmes, i.e. temporarily acquiring stakes in the capital of major national companies affected by the crisis (German Council of Economic Experts, 2020).

To secure the budget resources required for the financing of the economic support measures, on 25 March this year, the German Parliament approved a budget rectification of EUR 156 billion (representing the equivalent of 4.5% of the GDP₂₀₁₉), in the conditions in which the package of measures adopted will mean government spending will increase by EUR 122.5 compared to the annual target proposed (+33.8%) and income-related estimates indicate a reduction by EUR 33.5 billion compared to the same target assumed before the onset of the crisis generated by the Covid-19 epidemic. Through the budget rectification adopted, the federal government abandoned its traditional public finance austerity policy – namely the *schwarze Null* (*black zero*) – and, for the first time since 2013, national authorities contracted loans as an integral part of the package of exceptional measures implemented to mitigate the negative effects caused by the coronavirus epidemic (Federal Government, 2020b). At the same time, the measures adopted by government authorities in the context of the Covid-19 epidemic are unprecedented both in terms of scope (presented as a synthesis in Box 2), and in terms of total value. As such, beyond the necessary EUR 122.5 billion (around 3.6% of GDP₂₀₁₉), included in the budget rectification for this year, the immediate additional spending required for some of the federal states is estimated at around EUR 10 billion (approximately 0.3% of GDP₂₀₁₉). Also, a series of other additional expenses will be required by the payments made through the social security funds (in particular, the National Health Insurance Company and the Federal Employment Office). As regards state guarantees, federal authorities have authorised their granting – both by land governments and by the Economic Stabilisation Fund, described in Box 2 – up to an amount of EUR 1,272 billion (around 37% of GDP₂₀₁₉), which, if needed, could be increased to EUR 1,519 billion (44.2% of GDP₂₀₁₉), through the activation of the flexibility clauses at federal level. As regards the government credit and shareholding programmes, the German government could allocate an additional EUR 250 billion (the equivalent of around 7.3% of the GDP₂₀₁₉) to help small, medium and large companies overcome the difficulties they are facing as a result of the effects of the crisis. As it turns out, government spending intended to protect the national economy could reach a maximum value of approximately EUR 1,900 billion (which represents over 50% of the GDP₂₀₁₉). Nevertheless, because the amounts shown are based on ex-ante calculations, it cannot be assessed at present whether the economic situation will require the full use of these funds (e.g. in particular in the case of government guarantees). However, according to national estimates, budget spending could exceed the values envisaged, in the conditions in which, depending on the evolution of internal demand in the second half of this year, the national authorities could provide for the implementation of an incentive package to foster economic relaunch in 2021 (Becker, 2020).

Box 2: Overview of the measures adopted by Germany to counteract the effects of the Covid-19 epidemic

Economic policy measures	Objectives of the measures adopted
Direct and indirect fiscal measures	In collaboration with the tax authorities of the lands with the highest tax revenues, the Federal Minister for Finance adopted a set of fiscal measures seeking to replenish the liquidity of companies affected by the Covid-19 epidemic (Federal Ministry of Finance, 2020a)
	1. Postponement of tax payments In the situation in which, as a result of the effects of the coronavirus crisis, companies face difficulties or are in the impossibility of paying their tax obligations for the current year, they can request the temporary postponement of the overdue tax payments, without the application of interest.
	2. Adjustments of the early tax payments Companies and freelancers may request adjustments for the early payment of the income tax and corporation tax. This provision may also be applied to the taxable amount from which the value of early payments is calculated. If evidence is presented that the income of a taxpayer this year will be lower than the one estimated prior to the onset of the epidemic, early payments are automatically reduced.
	3 Suspension of enforcement measures The application of enforcement measures for overdue tax payments will be suspended until the end of 2020. Also, during this period, delay penalties under the tax legislation will be

Economic policy measures	Objectives of the measures adopted
	cancelled.
Employment-related measures	<p>1. Flexibilization of the short-time work regulations (in German <i>Kurzarbeit</i>) Federal authorities have adopted a package of measures meant to temporarily simplify regulations concerning the granting of compensations for reduced working time, by: a) facilitating access to compensations; b) exempting companies from the payment of social security contributions (full reimbursement through the Federal Employment Office, where applicable; c) enabling employees with fixed-term contracts to access compensatory benefits for reduced working time (Federal Government, 2020c).</p> <p>2. Amendment of the Law on the prevention and control of infectious diseases The amendments brought to this law provide that in case of illness or isolation based on the suspected infection with Covid-19, the employer has the obligation to pay full salary entitlements for a period of six weeks. Afterwards, the employee will receive the equivalent of 70% of the net salary from the national health insurance fund (KPMG, 2020). Freelance workers will also benefit from financial reimbursements based on estimate statements of losses.</p>
Social measures package	<p>1. Basic benefits for freelance workers Freelance workers, small entrepreneurs or self-employed persons working in their own enterprises will benefit from welfare support based on a simplified, rapid and non-bureaucratic procedure: i) enterprises with up to five employees may request up to EUR 9,000 for a period of 3 months; ii) enterprises with up to ten employees may submit financing applications for up to EUR 10,000; iii) self-employed entrepreneurs working in their microenterprises (single employees), freelance workers (natural persons performing activities on their own), owners of small enterprises could receive subsidies of up to EUR 9,000. At the same time, the professional categories referred to in the last paragraph will have priority access to financing provided as subsistence benefits (Federal Government, 2020d).</p> <p>2. Simplification of the measures for the granting of child-raising allowances The procedures for the review of child-raising allowance application files will only take into account the salary income obtained by the parents in the last calendar months (according to the previous procedure, the income for the last six months was taken into account) (Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, 2020).</p> <p>3. Social protection measures to combat labour force shortages</p> <ul style="list-style-type: none"> • New incentives for workers who are granted compensatory benefits as a result of the reduced working time and who offer their services on a voluntary basis during their free time; • To ensure the necessary labour force, procedures were simplified for the extension of the activity of persons at the age of retirement, in particular in the healthcare sector and in other fields of national interest facing severe staff shortages; • In order to ensure the continuous provision of healthcare services and national public interest services during the epidemic and during the restrictive measures, the authorities decided on exemptions from the application of legal rules on working hours. For example, for agricultural workers, the duration of short-term/seasonal contracts was extended to six months, in order to ensure appropriate supplies for the population during this period.
Measures to support the businesses	<p>1. Support for companies' access to affordable banking loans In order to facilitate the access of as many companies as possible to low-interest credits, the German government extended the financial support programmes granted through the KfW bank, without imposing an upper limit on the loans that can be granted. The measures aimed at improving company liquidity include the following:</p> <ul style="list-style-type: none"> • The relaxation of the conditions for the granting of business credits to existing companies and start-ups (with a lifespan below five years), by increasing the level of risk undertaken in case of operating credits; • The extension of these instruments to large enterprises, with a turnover of up to EUR 2 billion (the previous limit was EUR 500 million); • In the case of growth credits (the KfW programme targeting large enterprises), the current turnover threshold (EUR 2 billion) will be raised to EUR 5 billion, and the degree of risk will be increased to 80% (from 50%), to improve company access to syndicated loans; • For companies with a turnover above EUR 5 billion, financing will be granted in

Economic policy measures	Objectives of the measures adopted
	<p>particularised, company-specific conditions.</p> <p>2. Establishment of the Economic Stabilisation Fund (ESF) to support large companies</p> <p>In addition to the special crediting programmes granted by KfW, in order to further support companies facing severe business disturbances and liquidity shortages, as well as in order to avoid massive job losses, the federal government established the Economic Stabilisation Fund (Federal Government, 2020e). To benefit from financing from the ESF, a company must meet at least two of the following conditions: <i>a)</i> a total annual balance exceeding EUR 43 million; <i>b)</i> sales revenues of above EUR 50 million; <i>c)</i> a number of over 249 employees/year. In certain particular cases, smaller companies may receive support from the ESF, for example, when they have increased relevance for the critical infrastructure. The ESF has a series of specific instruments available: <i>i)</i> a guarantee framework totalling EUR 400 billion, used to acquire stakes in companies facing liquidity shortages; <i>ii)</i> a loan programme amounting to around EUR 100 billion, aimed at consolidating the capital of affected companies (recapitalisation); <i>iii)</i> a loan programme carried out through the KfW bank. To finance all these measures, the federal government will resort, depending on the needs, to additional funds existing on the capital market, through the German Finance Agency.</p> <p>3. Increase of the maximum limit for government guarantees</p> <p>As part of the budget supplementation, government authorities raised the maximum state guarantee ceiling for this year to EUR 822 billion, compared to EUR 465 billion in 2019. At the same time, the flexibility clause was extended from 20 to 30%, which means that the upper limit of guarantees could be raised by another EUR 246.6 billion, to a total of EUR 1,070 billion.</p>

Source: Author's synthesis, based on the referenced literature.

5 Conclusions

German authorities responded rapidly and effectively and adopted ample economic relief measures from the very onset of the crisis generated by the coronavirus epidemic. The programmes implemented were unprecedented both in terms of value and in terms of variety of fields of application, aiming to mitigate financial tensions for companies, employees and freelance workers who were severely affected by the effects of the epidemic. Also, they were permanently revised, supplemented and consolidated, to build a true “protective shield for companies and employees,” seeking to preserve the capacity of the national economy to deal with the new context characterised by negative developments. As a result, the ample package of measures adopted by the federal government in the context of the crisis plays a vital role in minimising the shock caused by the onset and expansion of the epidemic. As such, measures aiming to *a)* restore the liquidity of affected companies; *b)* postpone tax payments; and *c)* grant guarantees, seek to provide a lifeline to companies facing possible bankruptcy as a result of the sudden and steep decrease in demand or of the severe disruptions in the intermediary product supply chain. Also, a series of facilities such as the adjustment of the framework for the granting of compensatory benefits for reduced working time, the work from home arrangements, etc., enabled affected companies to avoid massive redundancies and/or temporary layoffs. With the adoption of this ambitious plan aimed at sheltering the federal economy from a serious recession, it became obvious that the federal authorities have abandoned the long-disputed „schwarze Null” (black zero) policy – based on maintaining a balanced budget, without resorting to loans. In fact, the German government recently announced that for the first time since 2013 it will contract new loans as part of the set of measures adopted to mitigate the negative effects of the coronavirus epidemic.

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COVID-19 Pandemic in China. Three Main Trends which It Hastens

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Abstract: This article is looking at the COVID-19 pandemic in China, in the first four months of 2020. It briefly reviews its unwinding, the authorities' behaviour and interventions, the short- and long-term outcomes and the question marks that other countries still have as to what really happened and how a local epidemic has turned into a terrible pandemic. In its second part, the article focuses on three pre-existing trends that will be hastened due to the pandemic. The conclusion draws on the idea that the pandemic has opened a window of opportunity for major global reforms of the ways in which we produce, consume and govern.

Key words: COVID-19, pandemic, China, global value chains, GVCs, new technologies, digital economy

JEL Classifications: I15, F02, F23, F52, F62, L14, O53

1 COVID-19 in China: facts and figures, the big picture

1.1 The beginnings

By the end of December 2019, a new coronavirus (later called SARS-CoV-2) appeared in Wuhan¹, inflicting a very contagious disease (COVID-19²) on the local population. At the onset of the epidemic, Chinese authorities downplayed the event, severely punishing the whistle-blowers for “spreading false rumours”, although some of them were doctors³. Afterwards, when the peril became quite apparent, instead of taking prompt containment measures, the authorities tried to cover up the epidemic outbreak, concealing it from the World Health Organization (WHO), as well as from both the national and the global communities. Under such circumstances, the virus could spread very easily, all the more so since people travelled intensely across the country at the time, visiting their families as they would have normally done on the Eve of the New Chinese Year and Spring Festival holidays. Prior to presenting his resignation, the mayor of Wuhan confessed that before quarantine had been instituted and before the close-down, around 5 million citizens had already left the town (Bosotti, 2020). Soon afterwards, the SARS-CoV-2 was present not only in China, but in over 160 countries on all continents, generating enormous human and economic losses, almost collapsing some of the most advanced medical systems of the world and making all of us aware of how interdependent and vulnerable humankind has become.

The WHO only declared the coronavirus *a global emergency for health* on January 30, 2020, and only on March 11, 2020, it announced that *COVID-19 had become pandemic* (WHO, 2020). For the mismanagement of the world health crisis and for its biased behaviour towards China, primarily for backing and echoing China's assertion that the virus cannot be transmitted from one person to another, the WHO is at present criticized by the US administration and cut from US financing.

1.2 From skepticism and concealment, to vigorous intervention

Once they realized the severity of the situation, which could no longer be hidden, the Chinese authorities launched an extremely drastic set of containment measures and also informed the WHO, about a

¹ Wuhan is the capital city of the Hubei province, in central China.

² COVID-19 comes from “corona virus disease-2019” (the year of the outburst).

³ The first and most notorious was Dr. Li Wenliang, who was arrested for “spreading false rumours” and forced to recognise the accusations in written. By the end of January Dr. Li died from COVID-19, his death stirring much grief and indignation among the Chinese.

month later than they should have done it. The fight against the COVID-19 epidemic in China included a host of different measures: the postponement of the citizens' return from holidays, to limit traveling between cities; Wuhan and the whole of Hubei province, about 60 million people were placed under quarantine; public transport at first and then transport by private cars were forbidden; courses in all types of schools were interrupted; public gatherings, festivities, shows, competitions were postponed; lots of companies stopped their productive activity; people were advised and later on even forced to stay indoors and limit their going out to only two hours a day for shopping, risking severe punishment in case of disobedience; hygiene and self-protection measures were intensely popularized; all streets and public places were continuously disinfected; two more large hospitals were rapidly built in Wuhan and the medical staff was supplemented by thousands of doctors and nurses coming from other provinces; the central government allocated 10 more billion USD to the anti-coronavirus fight, including for an antidote and vaccine research (Pound, 2020). However, besides managing the outbreak, it seems that the measures urged by the authorities in the first quarter of 2020 have been not only severe, but sometimes abusive and humiliating, casting aside the citizens' basic human rights⁴.

1.3 Chinese official reporting raises many question marks and doubts

According to the official reports, state interventions proved very efficient and, as a result, China was able to manage the epidemic quite swiftly, summing-up just under 83 thousand people tested positive and only a little over 4,600 dead. These numbers seem quite large at first sight and, no doubt, very saddening, but still, at present, when we can see the huge drama of the other infected countries⁵ – with a much smaller and less dense population than China's and with more advanced medical systems listing much more infected and dead people – the Chinese figures appear, in hindsight, incredibly low. By comparison to other countries, COVID-19 seems to have been extremely less virulent in China, where the number of deaths/100 000 residents reached only 0.2 as of April, while at the same time it was 38 in Spain, 34.2 in Belgium, 33.8 in Italy, 22.4 in France, 17.1 in the UK, 16.4 in Netherlands, 7.9 in the U.S. and 3.9 in Germany (Woodward & Gal, 2020).

The Chinese official announcement was that the source of the infection was a *wet market*⁶ in Wuhan, where people might have got infected either from bats, or from snakes. But the fact that the authorities first tried to hide the truth and afterwards to alter it with the potential purpose of not letting the real proportions of the outbreak be known, fuelled suspicion and speculations that the coronavirus could have been a lab virus, escaped from one of the two specialised labs in Wuhan, of which one, unique in China, the Wuhan Institute of Virology (WIV)⁷, was studying precisely dangerous bat coronaviruses and was located just some hundred meters away from the wet market reported as the epicentre of the epidemic.

Moreover, besides the question marks regarding the coronavirus origins, statistical data on China's COVID-19 outbreak also raised great doubts, not only due to the incredibly low figures reported, but also because of some other curious facts that do not match the official reports.

One of them is a *Taiwan News* information about a well-known Chinese company, *Tencent*, which was in charge of managing the statistics of the Wuhan epidemic and, in this capacity, posted “by mistake” a number of COVID-19 confirmed cases ten times larger than the officially reported figure (154 023, as of February 1st, 2020), plus a number of suspicious cases (79 808) four times larger and a number of deaths (24 589) “much bigger” than the 300 cases officially announced at the time. It is interesting to mention that *Tencent* made a similar mistake three times, while the figures it “posted by mistake” broadly matched the levels resulting from the estimative calculations of some famous United Kingdom and Hong Kong virologists (Epoch Times, 2020).

Another intriguing situation that fuelled the suspicion that Chinese reporting was not truthful was the official announcement by the MIIT, on March 19⁸, about 21 million cellular phone accounts and 840 000 landline numbers that had been closed in China between November 2019 and February 2020. That was

⁴ There are documented cases of people who were beaten by the police, of people walked enchained in the streets and presented as bad examples for not wearing masks, of families locked in their houses and having their doors nailed, as well as cases of people that disappeared after expressing opinions not accepted by the authorities. Boards containing menacing messages for those who would dare not report their symptoms, or inform about their neighbours' “suspicious” behaviour were also displayed in some cities. (Yu, 2020).

⁵ As of May 15, 2020, there were already 4.5 million people who tested positive for SARS-CoV-2 in the world and over 302 000 deceased (Roman, 2020).

⁶ Huanan Seafood Wholesale Market

⁷ Wuhan Institute of Virology (WIV), a biosafety level 4 lab, was set up with the help of France and the US.

⁸ The Ministry of Industry and Information Technology (MIIT) announces every three month the total number of phone users by provinces. In December 2019 it released the statistics for the end of November 2019, i.e. 1.600 957 billion users, a number that dropped to 1.579 927 in March 2020, which is 21.3 million less. Additionally, the number of landline users dropped from 190.83 million to 189.99 million, which is 0.84 million less. (Hao, 2020).

normally a time of the year when the number of users was on the rise, not to mention China's high digitization level and the strong dependence of its citizens on their cellular devices for almost every daily activity, from buying transport tickets and restaurant or theatre bookings, to shopping, making all sorts of payments, dealing with official institutions and even getting the new *health code* which allows people to move around after quarantine (Hao, 2020). While the explanations of the telecom companies make reference to people giving up a second cell phone account, migrant workers and companies saving by closing telephone accounts during the lockdown etc., the numbers are too large to be credibly explained only in this way.

Some of the accounts might have belonged to the dead from COVID-19, but that assumption should be proven, which is not easy, given the level of secrecy employed by the Chinese. However, pieces of information regarding the non-stop activity of the 7 funeral homes in Wuhan, supplemented by other 40 mobile cremators – 5 ton daily burning capacity each – that have been functioning 24 hours a day, 7 days a week in January-February (Jaquet, 2020), as well as news about the kilometre-long queues of people waiting to receive the funerary urns of their dead loved ones (Haitao, 2020), seem to add to the puzzle, leading to the same conclusion that massive underreporting occurred (at least concerning the death toll).⁹ If that is the case, the erroneous or concealed data might be responsible for many wrong decisions made in the rest of the world and even for the transformation of a local epidemic into the pandemic that swept the entire globe with dire consequences, as never before in our known history.

1.4 In a nutshell: the COVID-19 epidemic short-term impact on Chinese economy

For the first time since 1992, China reported a negative quarterly growth rate of -6.8% in the first quarter (Q1) of 2020. If growth remains negative for the whole year 2020, China could undergo its first major contraction since the Mao Zedong era, in the 1970s (Bloomberg, 2020). However, according to forecasts by major international institutions, that will not happen: the World Bank envisages a 2% growth for 2020 in a baseline scenario, and stagnation in the worst-case scenario, with only 0.1% growth rate (Vaswani, 2020). The IMF expects a 1.2% GDP growth in 2020 (Kondapalli, 2020), while the European Commission forecasts 1% GDP growth in 2020 and 7.8% in 2021 (European Commission, 2020).

The Q1 manufacturing contracted by 10.2%, construction by 17.5% and the services sector by 5.2% with transport, accommodation and restaurant services hit the hardest. Industrial production was 8.4% down, with the automotive, transport equipment, general machinery and textiles sectors the most affected (by -28%, to -30% each), while electronics and pharmaceuticals were the first to lead the recovery. In Q1/2020, investments were 10% lower than in Q1/2019, with the hardest blows suffered by manufacturing (-25.5%) and infrastructure (-19.7%) (Zenglein & Karnfeld, 2020).

The official unemployment rate was 6%, higher than usual but considerably below the level controversially presented in a recent report by *Zhongtai Securities*, a Chinese investment bank, which estimated a real unemployment rate of 20.5%, the equivalent of about 70 million unemployed. This figure stirred much discontent and the director of research immediately lost his leadership position for this reason (Caixin Global, 2020). As the lockdown triggered simultaneous supply and demand shocks, inflation remained at low levels, around 4-5%.

2 Three main trends hastened by the COVID-19 pandemic

When the COVID-19 epidemic flared up in China, the country's economy was already suffering from internal inefficiencies and imbalances, delayed reforms, a huge and ever more perilous debt burden. It was also quite shuttered by almost two difficult years of trade war and fraught negotiations with the US. Chinese economic growth had been declining year by year since the global economic crisis of 2008-2010, and it followed the same trend in 2019, reaching just 6.1%, a level within the planned limits established by the government (6%-6.5%), but the slowest in the recent 29 years. To meet its planned target of doubling the economy between 2010-2020, China should manage a growth rate of minimum 6% in 2020, which we know now will be no longer possible, after a first quarter -6.8% growth rate and once that the COVID-19 epidemic turned into a pandemic that inflicted simultaneous shocks on both the domestic and the external supply and demand.

Besides the impact on their macroeconomic parameters, the COVID-19 pandemic also had a role in highlighting some of China's and other nations' administration shortfalls (as for instance those related to the

⁹ According to Asia News, the 7 funeral houses in Wuhan distributed 500 urns per day, on average, leading to a potential total of about 45 000 dead in this city alone (Haitao, 2020).

national healthcare or social protection systems), it revealed some of the global production system's "weaknesses" [such as the strong co-dependencies created between western economies and China by the global value chains (GVCs)] and it contributed to speeding up some of the long-term trends that had already been on track in China and globally, but were progressing at a slower pace. The following three trends stand out among the most important ones that have been potentiated by the coronavirus pandemic and have a significant impact on China.

2.1 The pandemic accelerates GVCs restructuring

The world economy is now more integrated than ever. Industrial production is largely globalized, including in its intricate architecture multiple global value chains and international supply networks that integrate into their structures companies from various countries, according to their comparative and competitive advantages, with the aim of maximizing efficiency and profits. To that end, GVCs are most often targeting costs minimization, sometimes while simultaneously increasing innovation, the knowledge-based and high-skill contents of goods, improving their quality, diversifying and customizing supply etc.

However, having such a design, the global production system is prone to maximizing the interdependence between the participant companies and economies, so that none of them can operate as efficiently when not associated with the others, and also none of them is able to avoid the negative externalities resulting from events taking place in any of the partner countries. The more so in case of unexpected events described as *black swans*,¹⁰ as it happens with the current pandemic started in China.

In the global production system, China is playing a central role, of *workshop of the world*, taking part in the production of the great majority of manufactured goods, mostly as executant of the activities in the middle links of the value chains. Over the last few decades, by way of its ever larger integration into the GVCs, China has become one of the most important and largest producers of intermediate goods, as well as the main trading partner for over 120 countries and the dominant actor in many international markets, from either the exporter's, or the importer's position. Moreover, in many product categories, China is the largest manufacturer globally, delivering, for instance, 90% of the personal computers produced worldwide, 90% of the cell phones, 80% of the air conditioning devices, 70% of the photovoltaic panels, 65% of the footwear and so on. Increasingly integrated into the world economy, this country has become almost an unavoidable partner and, at the same time, a major source of externalities for almost all the other economies.

China was definitely one of the main beneficiaries of globalization. Searching for cheap production sites and large markets, western multinational companies (MNCs) invested there massively, relocated production facilities and research units, transferred knowledge, technologies and know-how, including China in most of the GVCs. The US, the EU, Japan and other developed countries educated millions of Chinese students, received Chinese interns and hired Chinese graduates in their companies, institutes, laboratories and banks. Later, many of them returned to their motherland and contributed to the development of local manufacturing, research and finance. Besides the decades of huge national investment effort, this substantial foreign contribution was the key ingredient that helped China leapfrog to the position of second largest economy in the world, the largest industrial producer and number one global trader. Its tight integration into the global and regional value chains - which make the vascular system that feeds and breeds global production - was essential for China's rise, its international repositioning, influence and intensity of the spillover effects on the other economies, the negative ones (such as a pandemic) included. Both China and the world have benefitted from the world production system and its efficient value chains, and both share now one of its downsides, in the guise of the COVID-19 pandemic.

By forcing most of the countries to acknowledge that they are no longer able to provide critical goods for their populations' health safety and that they even have to fiercely compete one against the other for Chinese imports, the current pandemic crisis proved that all the decades-long west-to-east transfers of capital, production capacities, technology and knowledge triggered a too great imbalance in global distribution of industrial capacity, and a too risky dependency on China. As a result, western countries will from now on try to "decouple" their economies from China's, by cutting capital flows to it, by stimulating the repatriation and/or

¹⁰ The *black swan theory* was developed by Nassim Nicholas Taleb with the purposes of explaining the occurrence in history, science, technology, finance etc. of very rare, surprising and hard to anticipate events, which by their development and powerful impact on a large scale, come to play a major role in the respective field and in society. The name is a metaphor that comes from the ancient belief that there were no black swans, invalidated in the 17th century, when the first European explorers saw that black swans did exist in Australia.

relocation to other countries, nearer to their borders, of their MNCs' China units. In other words, they will start restructuring and redesigning the global value chains, turning them into regional or national ones, abandoning the purpose of production cost minimization – the engine of GVCs development for so many years - in order to obtain improved safety and security of supply.

The GVCs reform process, already started as a consequence of the US-China trade war, will further involve, with various intensities, more actors (Japan, the EU Member States, Australia, India, countries in SE Asia, Central and Eastern Europe, Mexico etc.). Also, while it will be lengthy - as not all western companies will immediately rush out of China giving up its many still attractive advantages -, the value chain (VC) transforming process will certainly be faster than before the COVID-19 pandemic, leading to: (i) shorter, regional or national VCs that (ii) aiming at safety and security, not at low costs; (iii) multiple supply sources that limit dependencies; (iv) the abandoning of just-in-time (JIT) deliveries and the return to stockpiling; (v) a new international division of labour; (vi) more investments in R&D&I and in implementing new technologies, to put a brake on the resulting price upswing. Technology transfers, cooperation and professional exchanges in education and research might all suffer set-backs, as well as foreign direct investments and international trade, especially trade in intermediary goods and at least in the short run. In other words, globalization as we know it, will step back, international relations will be redefined, and a new international division of labour will be born.

2.2 The pandemic is speeding up digital transformation and large-scale use of new technologies

The coronavirus crisis highlighted the importance of digitization and of implementing new technologies on a larger scale in our daily life. These have become critical not only as valuable inputs in our productive activities, but also as increasingly important factors providing better quality public goods and quality of life upgrades. Innovative and state-of-the-art technologies have become indispensable in healthcare, education, distance interconnectivity, entertainment, shopping, the management of our daily commitments etc., as we could all experience during this pandemic.

China, which has been at the forefront of the digital economy way before the COVID-19 outburst, provides an early example of how a pandemic could enhance technological development, as Alibaba and the Chinese e-commerce market - currently the largest in the world, with 45% of the global retail -, got the decisive boost that brought them in their present position during the SARS outbreak and quarantine of 2002-2004. At present, the Chinese digital ecosystem is one of the most sophisticated globally, involving over 850 million internet users and a quarter of the world's unicorns¹¹. In 2019, it accounted for 24% of the total retail sales, as compared to just 9% in Germany and 11% in the US. Also, mobile payment penetration was triple that of the US. (Leung, Ngai, Seong & Woetzel, 2020). In most of the other countries the resistance to digitization was quite strong and only now, with the pandemic outburst, it vanished, creating a window of opportunity for making substantial progress towards the digital transformation of economies.

During the recent lockdowns, we all resorted to e-commerce, online medical consultations, digital payments, online interaction with public institutions, family and friends. Students took online video courses, passed online exams and everybody was able to enjoy video gaming or online streamed movies. But more than that, as a frontrunner in digitization, smart cities, artificial intelligence, China could use robots in hospitals and in buildings under quarantine, to supplement and protect the medical staff and to distribute food and water. It also resorted to face recognition technologies and to various online applications to trace the potentially infected and to enforce the lockdown rules. As regards business, according to a McKinsey study, COVID-19 has accelerated the digital development in China in three major directions (i) in B2C interactions, mainly via online channels, (ii) in B2B activities that usually implied physical interactions and (iii) in the business processes themselves (Leung, Ngai & Woetzel, 2020).

The current trend of rapid expansion in digitization and the use of new technologies in day to day life will go on, both in China and in other countries. However, in China's case, the quicker adoption of the new technologies has a peculiar component resulting from an already existing trend that is now reinforced and is seriously denting human dignity, freedoms and rights: a mix of elements that includes (i) *censorship* and *banned access* to certain internet resources, overwhelmingly occidental, (ii) an increasingly *intrusive surveillance system*, plus data collection from the population's private life and (iii) a *social credit system*, which is reliant on artificial intelligence (AI), big data and other new technologies, to monitor and rate every person's behaviour, opinions and assertions and reward or punish them according to opaque criteria. The COVID-19 pandemic was used as a good opportunity to expand the already large number of surveillance cameras in cities

¹¹ Unicorns are start-up companies which are valued in excess of 1 billion USD.

and to introduce them in buildings and apartments, allegedly to help identify the ill people. There is a great chance that these devices will no longer be removed and will continue to collect personal data, helping tighten control.

2.3 The pandemic pushes innovation more to the forefront

The coronavirus crisis has highlighted once more the importance of supporting and investing in scientific research and innovation, as the need for a specific treatment, for new vaccines, new protocols and new equipment to fight SARs-CoV-2 turned all the attention and all the hopes to the researchers in this field.

China placed innovation at the core of its national development strategy and has made constant efforts to support investment in research and development (R&D) for many years. As such, it is now ranking second globally in terms of R&D investments, still at a considerable distance¹² behind the US, but ahead of some huge research forces such as Japan, Germany, South Korea, France, or the UK (Deloitte, 2019). While the gap between the second and the first place was constantly narrowing (Lee, 2020), China still invests in research less than half the amount invested annually by the US and, – more important than the amounts invested – about 80% of its R&D system relies only on acquired knowledge and on innovation created by other countries, to produce and improve its supply of products and services. China is still a follower in R&D, although a quick one, and it still remains strongly dependent on the western breakthroughs in fundamental research and on their innovations.

When, as part of the trade war waged against China, President Trump ordered American manufacturing companies to stop delivering certain high-end electronic components, ZTE, a Chinese IT global giant, got shortly on the verge of collapse. In just a month. That was a telling demonstration of how vulnerable Chinese high-tech companies still are, even the *national champions*, due to their lagging behind in creativity. But, at the same time, it was also a powerful incentive for China to focus with more energy in support of innovation and to become even more resolute in implementing its innovation-specific strategies. As such, China will not step back, it will multiply its efforts even more, following the trade war with the US, the COVID-19 pandemic and the recent tensions with the West.

However, if before the COVID-19 pandemic and the US-China trade war, western countries, the US included, were very supportive of China's R&D endeavours, that attitude will probably no longer continue, at least not at the same scale. Western countries are going to revise their China policies and, as such, they will pay more attention to protecting their knowledge creation and new technological accomplishments, they will share less and will be on guard when Chinese companies, famous for their efficient industrial espionage, will want to invest in, or take over western enterprises. Also, cooperation in research, access in universities, labs and companies and western financing for Chinese research might become more difficult to get. These developments will make it much harder and will probably slow down Chinese research advancement, but at the same time they will force the innovation system in China to start create knowledge and strive to produce authentic breakthroughs itself.

3 Conclusions

Without doubt, the COVID-19 pandemic is one of the hardest tests humankind had to pass all along its history, in terms of its unexpected severity, infectiousness and the communities' unpreparedness but, primarily, in terms of losses (in lives, assets, jobs, money, relationships, trust, sense of safety, etc.) and long-time consequences, some of them imaginable, most of them probably not. How much we lost, it remains to be estimated; we know it is huge, but a thorough evaluation will probably be impossible. What consequences to expect, it is not completely clear either, but we will surely have to cope with the vagaries of more crises: an already visible economic one (high unemployment in many countries, millions of lost jobs globally, lost production, sharply declining and even negative growth in many economies etc.), combined with an on-going but hopefully receding oil and gas crisis, plus a sure-to-come debt crisis (generated by the nations' financial efforts to reign the pandemic and restart economies) and even a potential food crisis. Additionally, we will see major reforms of the global production system (primarily of the GVCs) and probably of the international bodies, starting with the WHO.

¹² In 2017, the US invested in R&D USD 564 billion, China USD 254 billion (Lee, 2020).

People all over the world are now eager to return to their normal, pre-pandemic, pre-crisis lives and livelihoods, while governments all over the world also want their economies to return to the normal, pre-pandemic, pre-crisis activities, so that economic loss is stopped and recovery begins.

But the world cannot be the same after this pandemic and, in fact, nor should it remain the same. Let us not forget that economies were already ailing long before the pandemic outburst. They had been already signalling for quite a long time that our way of producing and consuming goods and services was not right: it was abusive towards the planet, towards the natural environment and even towards ourselves, it was wasteful, irrational, contrary to our best interest, unbalanced and unjust to many. That “normal” we seem to wish for is in reality exactly what created many of our current problems, some of which were highlighted once more by the pandemic: on the one hand, we could see the poor means and preparedness of public services (health, education, social security systems etc.), the high pollution (in cities, the anti-pandemic measures reminded everyone what fresh air really is), the modest incomes and the poverty (the lockdown showed that not only in developing countries, but also in the developed ones, many people could not live more than a few weeks without their periodically-received wages); on the other hand, we could see the growing and spreading populism (always over-promising and under-delivering) doubled by rampant corruption, illiberal and autocratic leadership tendencies. In the background, but in fact everywhere in this picture of our normal life, the profit maximization goal, which is not wrong in itself, but it becomes highly damaging when met at all costs.

Let us not forget that this pandemic taught us some lessons:

- That people and life should always be the first priority;
- That when not taking the trouble to prepare for the worst, we might prepare for the worst trouble;
- That we must be open to change, to new technologies, to new ways of working, learning, doing business, leading;
- That countries should not try selfish solutions (Remember the US president’s pretence. No country should enjoy exclusivity or priority of treatment or vaccination);
- That acting honestly may save trouble and lives (Remember China’s information concealing and under-reporting, with their consequences);
- That in our globalized world, problems tend to get globalized too (e.g. the current pandemic) and, as such, we can succeed in solving them only if we cooperate, share knowledge and information, work together for the common good.

The COVID-19 pandemic should be seen as a window of opportunity to undertake a large scale reform of our “normal” way of production, consumption, governance, considering the lessons that we have just been taught, but protecting the most important achievements that humankind has attained along its development and now seem to be endangered: freedoms and all the other human rights, democracy, rule of law, multilateralism and rules-based international relations decided together.

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Preliminary Assessment of the COVID-19 Pandemic Impact on the Tourism Industry

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Abstract: The tourism industry has been characterized by an extremely favorable evolution in the last decade. International tourism has seen ten years of uninterrupted growth in arrivals, often supported by all markets and regions. Tourism and related sectors have been severely affected since the beginning of the crisis caused by coronavirus, and as the situation escalates, there are clear signs that the impact will be greater than initially estimated. In this paper we aim to highlight the main elements of the impact of COVID-19 crisis on the tourism sector and what are the policy responses of the authorities, through sets of measures and recommendations, in order to mitigate the negative effects and preparing the industry for recovery. Despite the fact that the world's governments have taken a lot of measures with a wide range of instruments, the real impact is still difficult to be quantified and the speed of recovery depends on many uncertain factors.

Key-Words: - tourism industry, policy measures, economic impact, COVID-19, international tourism
JEL Classification: M83, F62, F66, F68, E02

1 Introduction

Tourism, an essential field for the world economy, an important job creator of great significance for some economies / regions, has continually proven the ability to offer economic recovery. Despite the resilience it has shown in the last decades, tourism has now become, undoubtedly, one of the most affected economic sectors, with high losses in every subsector.

The effects of the epidemic on tourism are due to three specific reasons: official travel restrictions, events cancellations (trade fairs, congresses, conferences, cultural and sporting events etc.), the travelers' fear of risk. Therefore, the big picture of the tourism industry during the pandemic is dramatic: hotels and other accommodation have been closed, airlines have drastically reduced their flights, cruise lines have suspended travels, restaurants have either restricted their activities or they rely exclusively on delivery services, while leisure and entertainment activities are insignificant.

This paper propose an assessment of the first effects of the crisis on the tourism industry, looking on the international tourism flows and emphasize the main implications on the labor market. The second objective was to highlight the policy measures taken by authorities. In order to meet these objectives, we develop a desk research, based on secondary data provided by national and international reports.

2 Preliminary impact assessments

It is extremely difficult to predict what the real impact the pandemic will be on tourism because not only the time and space dimensions cannot be foreseen, but also the effects are difficult to quantify (including the direct ones on HORECA, the carriers, leisure activities, as well as the indirect or induced ones, the multiplier effect). What is more, the question is not whether the economy will enter a recession, knowing all the economic and social effects, but how deep the recession will be.

Considering the size and dynamics of the global tourism market, the cancellation of flights and holidays, the geographical spread of Covid-19 and its potential economic impact, the World Tourism

Organization has slowly reevaluated the consequences of the crisis on international tourism (UNWTO, 2020a): while initially there was an 3-4% estimated growth rate of arrivals for 2020, during the last decade, together with 1-3% decrease for the first revision, at the end of March 2020, the forecast shows dramatic decrease by 20 % - 30% of international tourists. Cumulative, objective (closing borders, travel bans, confinement and quarantine measures) and subjective (behavioral) factors would lead to a decline in the number of arrivals between 290 and 440 million and a revenue volume of 300-450 billion dollars (out of a total of about \$ 1500 billion dollars annually).

At the begging of May 2020, the UNWTO shows the impacts of crisis in the international tourism: “international tourism down 22% in Q1 and could decline by 60-80% over the whole year [...] 67 million fewer international tourists up to March translates into US\$80 billion in lost exports” (UNWTO, 2020b)

Hence, looking at the some of the other most affected countries role in tourism, and having different dimensions of the indicators for quantifying the international tourist flows, we find the following (UNWTO, 2020):

- Spain holds 16% of the volume of tourist exports worldwide, the USA another 10%, and Italy and France 8% each);
- 15% of the revenues from international tourism are destined for the USA, but important shares are also held by Spain, Great Britain or South Korea (4% each), or China and Italy (3% each);
- in terms of expenditures, the source markets with the largest share are China (19%), USA (10%), Germany (7%) and Great Britain (5%)

In fact, the countries that report the most cases of disease - China, Italy, USA, Spain, Germany, Iran, South Korea, France, Switzerland, Great Britain, accumulate impressive shares in international tourism: 34% of total arrivals, 39 % of receipts, 53% of expenses.

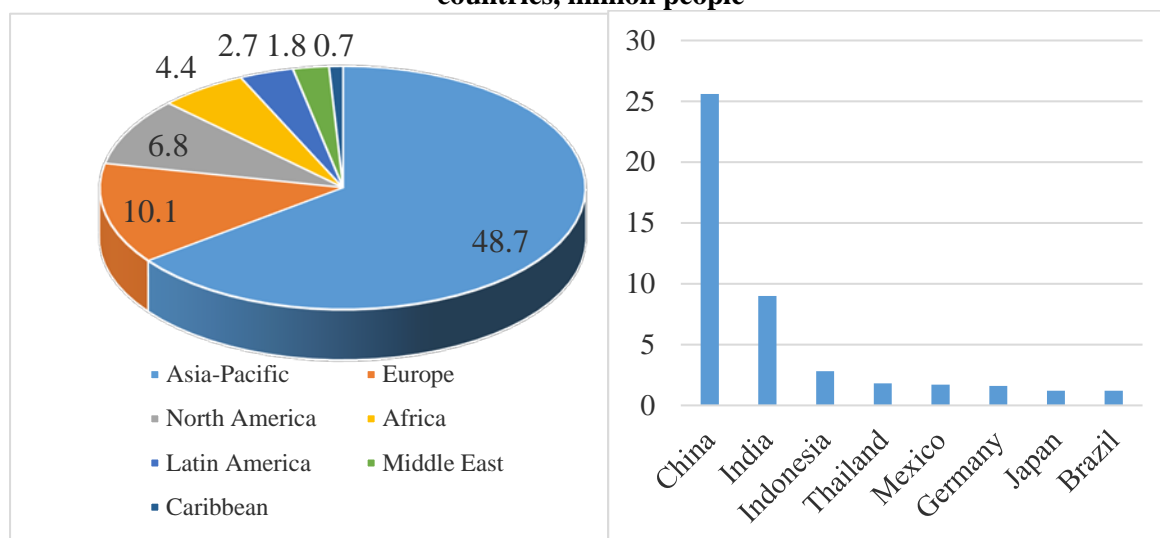
3 Implications of the crisis on the labor market

Workers in the HORECA industry have been laid off or technically laid off as a natural consequence of the unprecedented situation. The UN World Tourism Organization, the World Tourism and Travel Council, as well as national associations have all been warning people about the risks or dangers in tourism since the outbreak of the crisis. The vulnerable categories (young people, women, low skilled employees) as well as the fact that there are certain regions that do rely on tourism are the matters of our concern. These, along with seasonality, intensive work and the multiplier effects of tourism, deepen the socio-economic impact of the crisis in this sector.

WTTC prognosis have shown that immediate and direct risks on labor market amount to 75 million jobs in global tourism, an impact associated with losses in global GDP of up to 2.1 billion dollars (WTTC, 2020a). Preliminary data show that one million jobs might be lost every day during this period in tourism and adjacent sectors alone. Preliminary estimates show us which the most affected world regions in terms of the risk of losing their jobs are.

The Asia-Pacific region is the hardest affected by the pandemic related crisis, having almost 48 million people at risk of losing their jobs, which would mean a total loss of about \$ 490 billion reflected in the region's gross domestic product. More than half of the job loss estimates on the region level target China (25.6 million), while India (9 million), Indonesia and Thailand are among the Asian countries with the most strongly affected labor market. The impact on Europe is becoming extremely high as well, the current estimate showing 10 million jobs at risk (6.4 million in the European Union), while the effects on GDP could be of over \$ 550 billion (WTTC, 2020b).

Fig. no. 1: Estimates of the number of people at risk of losing their job, on regions and most affected countries, million people



Source: author, based on WTTC, 2020a, 2020b, Lock, 2020a, 2020b and Luty, 2020

Germany appears to be the most affected country on the Europe, with almost 1.6 million jobs at risk, followed by Russia with about 1.1 million, Italy and the United Kingdom (1 million), Spain and France (800 thousand). In North America, the third largest tourist region in the world, estimates amount to nearly 7 million people who might lose their jobs, of which 4.7 million only in the United States.

4 Recommendations for mitigating the sectoral crisis

Sets of recommendations for support measures for tourism industry have been developed by international institutions. For example, the WTTC recommendations target (WTTC, 2020c):

- Relaxation of fiscal policies - reduction or even elimination of taxes for tourist services, taxes for air transport or alternatives;
- Stimulation and support for the companies which have been severely affected by the crisis, especially the SMEs;
- The removal of barriers and the relaxation of employment legislation;
- Support for tourism destinations affected by the pandemic: budget allocations for promotion, consultancy for the development of tourism products and services;
- Facilitation of international travel - eliminating or simplifying, as appropriate, visa procedures, reducing costs, processing time and digitization.

In a call to action to all decision-makers at national and regional level, the UNWTO also launched a series of proposals for recommendations, addressing three major themes-directions for action (UNWTO, 2020c):

- Crisis management and impact mitigation - supporting independent employees and protecting vulnerable groups, ensuring the liquidity of companies, tax reviewing;
- Stimulation and support for accelerated recovery: financial incentives for investments and operations, revision of taxation and sectoral regulations;
- Preparing for the future: diversifying markets, products and services, investing in informational systems and digitalization, strengthening tourism governance at all levels, investments in human capital, placing sustainable tourism on national development agendas.

At Community level, EU structures have been working all this time to mobilize the available resources in the Community budget to support Member States, by: advancing payments, redirecting funds and ensuring maximum flexibility (European Parliament, 2020). The Commission has proposed allocating €37 billion to address the crisis as part of their initiative of investments due to the pandemic, considering, among others, offering liquidity to companies and support for the people who have lost their jobs.

World governments have taken a number of measures at national level to support the tourism industry and its related sectors, and most EU Member States have announced that they are introducing economic assistance packages, some of them dedicated to the tourism sector.

These measures generally include two main directions:

- Financing measures, through specific instruments: credit lines, government guarantees, deferral / rescheduling installments, grants granted mainly to SMEs, subsidies or co-financing / compensation of salaries granted to persons directly affected;
- Measures of a fiscal nature, mainly aimed at moratoriums, extended deadlines or exemptions: changes in the tax regime, deferrals / rescheduling / reductions - of social security contributions and pensions, direct and consumption taxes (VAT), elimination of sector-specific taxes (accommodation, promotion).

Among the most affected European countries, as France, Italy, Portugal, Spain or Turkey, but also others, where tourism is an important sector of the economy, the following emergency measures have been implemented (OECD, 2020; European Commission, 2020):

A. Financial support measures:

- Austria - allocation of EUR 9 billion for loans and borrowings, including: a credit scheme for export (EUR 2 billion) to cover up to 15% of the operating costs of exporting companies; EUR 100 million available for loans to hotel companies with losses of more than 15% of revenue; ensuring liquidity for the tourism sector, through The Austrian Hotel and Tourism Bank, through a fund of one billion euros);
- Belgium - support for state-subsidized sectors (eg culture, youth, media, sports, school trips) and other severely affected sectors (tourism, transport, etc.); the subsidized companies will be able to recover their loss by accessing an emergency fund (200 billion euros);
- Cyprus - support provided to the tourism sector by allocating 11 million euros; The budget is intended to implement actions to support tourism in June-September and for initiatives to attract post-crisis tourists (October 2020 - March 2021);
- Finland - business support measures amount to EUR 1.15 billion and include: EUR 0.7 billion through Business Finland (for SMEs in the tourism services, creative industries and all sectors affected by the supply chain), EUR 0.3 billion for SMEs through the ELY centers for economic development, transport and the environment, also dedicated to self-employed workers and small businesses, which employ 1-5 people in all sectors except for agriculture, fishing and forestry;
- France - companies that meet certain criteria can apply for loans from the Solidarity Fund (2 billion euros), among which are eligible the over 100,000 tourism companies that have closed / discontinued their activities;
- Iceland - On March 21, the government announced a \$ 1.6 billion support package, which includes, among other things, state loans to companies and financial support for the tourism sector;
- Italy - decided to settle 80% of the amount of salaries, and people with seasonal jobs can apply for an income of 600 euros; a support fund has been set up for the aviation industry as well as for the full takeover of Alitalia (EUR 500 million);
- Great Britain - freezing rates for companies in the trade and hospitality industry, for a period of 12 months; grants for small businesses, eligible for the small business rate exemption in the amount of £ 3,000 to £ 10,000. In addition, grants of £ 25,000 are awarded to businesses in trade, hospitality and leisure;
- Portugal - a €3 billion fund for state-guaranteed loans and a €200 million financing line has been set up to support treasury needs of the companies; EUR 60 million is allocated to micro-enterprises in the tourism sector;
- Spain - launched a financing line of 400 million euros, with loans guaranteed by 50% by the state, interest of 1.5% and a credit period of up to 4 years, for companies and self-employed workers in the tourism sector.

B. Fiscal measures

- Croatia - postponement of property tax and tourism-specific tax payments;
- Italy - postponement of taxes and social insurance for the tourism sector by May 31;
- United Kingdom - elimination of income tax for 12 months for all businesses in trade, tourism and the hospitality industry;

- Portugal - reduction of social contributions for the second quarter of 2020 to one third; postponing the remaining two thirds by the third quarter of the year, in installments; eligibility conditions: a) self-employed workers and companies with up to 50 employees, or (b) companies with up to 250 employees in case of a decrease in fiscal value by more than 20%, or (c) larger companies that have decreased in revenues by more than 20% and operates in tourism, aviation or other sectors with restricted or closed activity;
- Spain - 50% exemption of the employer's social security contributions, from February to June 2020, for workers with permanent discontinuous contracts in the tourism and related activities;
- Turkey - VAT, accommodation taxes and income tax related to accommodation / rent for the period April-June are postponed for six months; postponement of social security contributions by six months for some sectors of activity (hospitality, entertainment, event organization);
- Hungary - sectors that have been severely affected by the pandemic (eg tourism, restaurants, entertainment, sports, cultural services, transport) will be exempted from paying social security contributions, payroll tax and small business tax; the specific tax on the contribution to the development of tourism will be temporarily cancelled.

C. Other measures:

- Bulgaria - preparation of measures packages to reduce the risks of bankruptcy in the tourism sector, including the issuance of travel vouchers, with longer validity (2 years);
- France - changes in the conditions for cancellation of travel reservations: granting the authorization to reimburse travel in the form of credit or postponing the tourist service for a later date, established by mutual agreement between the operator and the consumer;
- Turkey - The state bank has announced that it will allow loans to be rescheduled by up to 12 months for additional time for sectors such as tourism, as well as a six-month deferral of payments;
- Hungary - direct expenditure measures to cover damage caused to the sector (Hungarian Tourism Agency has allocated 1 billion forints).

Worldwide, the measures taken in countries where the epidemic has reached high levels and where tourism plays an important role, do not differ from those taken in European countries: financing lines and guarantees for the tourism sector and the adjacent ones (Brazil, Colombia, Indonesia, Japan, USA), subsidizing programs aimed at companies suffering from difficulties in the tourism sector (Chile, USA), tax deferrals or reductions (Colombia, Indonesia, USA), even procedures for simplifying credit renegotiation (Brazil) or co-financing salaries (Singapore).

5 Conclusion

The economic vulnerability of the international tourism market has been encountered on several levels and has led to several directions, particularly by affecting tourism demand, with an impact especially on SMEs, which could cause negative effects on the labor market. Furthermore, there might also be the second round, which would have effects on the tourist offer, on the incomes of the employees in the field and, finally, the exposure of the vulnerable communities, which rely on tourism.

In the tourism industry, the crisis is specific to the sector which amplifies the impact of the epidemic: vulnerable categories (women, young people, and unskilled employees) who are an important part of the workforce, the large share of SMEs, the importance of work for local communities and its multiplying effects, seasonality and intensive work activity.

Decision makers around the world have been trying to find ways to mitigate the economic impact of the pandemic, but recovery cannot begin until the health emergency is under control and travel restrictions are lifted safely.

The main measures recommended by international organizations and specialists in the field concern two major directions:

- Identifying solutions and survival mechanisms for companies during this period;
- Support provided to employees and households directly affected by the situation.

Thus, it is necessary to adopt and maintain fiscal measures that favor the protection of employees, provide liquidity for the operations and services of the company and prepare them for the next period and, later, to accelerate recovery.

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Impact of the Crisis Generated by Covid-19 on Financial Reports Prepared in Accordance with National Regulations

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Abstract: In the current economic context, caused by the COVID - 19 pandemic, decisions need to be taken, in particular, to restart or recover the activity of certain economic entities. This will be possible due to the creativity of managers and professional accountants who need to provide viable solutions.

Both half-yearly and annual financial reports will be a starting point in establishing strategies to achieve the objectives of improving the financial performance of the business.

This article presents perspectives on the impact of the crisis generated by the COVID - 19 pandemic on the activity of certain economic entities through indicators found in the financial reports, both from the point of view of companies that have temporarily reduced / closed their activity, and from those who prospered.

Kay-Words: half-yearly financial reports, annual financial reports, financial position, financial performance, accounting information, COVID - 19

1. Introduction

In March 2020, the President of Romania declared the establishment of a state of emergency following the outbreak of the global pandemic caused by COVID-19. In this context, several normative acts have been issued by the ministries involved, imposing social distancing measures as a way to prevent the spread of the virus that causes the above-mentioned disease.

Social distancing has affected the activity of several economic entities in the sense of reducing or even temporarily interrupting it. The economic entities whose activity has been affected operate in the field of service provision (SPA salons, cosmetics, gyms), tourism, transport, production of goods that are not indispensable during the crisis, construction, production and sale of cars. However, there are also companies that have developed during this period, such as those whose business is the production and marketing of articles aimed at preventing, treating, combating COVID - 19, food production and marketing, IT that provides support to economic entities that allow employees to work from home, online sales. The way in which the micro economy has actually been affected will be seen after the submission of financial reports by economic entities. Romanian economic entities that apply the Accounting Regulations regarding the individual annual financial statements and the consolidated annual financial statements approved by Order of the Minister of Public Finance no. 1802/2014 and whose turnover, registered in the previous year, exceeded the amount of 220,000 lei, submit to the territorial units of the Ministry of Public Finance a report on June 30 and an annual report.

Through these reports, the managers of the entities make available to the various users the information on the results of the activity carried out in a certain period, semester or financial year ended, as well as the short-term strategy. Such reports provide an image of the financial position and financial performance of economic entities, which will allow both a diagnosis of the business environment during the crisis and the identification of business development directions. Therefore, this paper presents perspectives on the impact of social distress generated by the COVID - 19 pandemic on the indicators in the half-yearly and annual reports both from the point of view of economic entities that had to restrict or temporarily cease their activity, and of those who prospered.

The motivation for studying the topic addressed in this paper lies in the very current situation generated by the COVID -19 pandemic.

The working procedures for substantiating the approached topic materialized only in the theoretical documentation, respectively in the study of the specialized literature, the analysis of the legislation and regulations in force, because the half-yearly reports and annual reports that will show economic effects of

social distancing will be submitted to the territorial units of the Ministry of Public Finance only in August 2020, respectively in the first 5 months of 2021.

2 Financial reports prepared according to national regulations - source of information

In the current context of the crisis caused by COVID - 19, more than ever, accounting information is needed in order to track the results of the activity, identify existing material, financial, human resources and possible to use to maintain the level of activity and a possible increase after cessation of the state of emergency. In the current situation, the accounting information that will result from the half-yearly and annual reports will be followed with great interest by both managers of economic entities and external users, especially investors, public authorities, creditors, suppliers, customers, population.

Managers of economic entities are interested in information about existing and possible resources to maintain a certain level of activity, relaunch or growth after the end of the state of emergency.

For public authorities, the financial reports of economic entities are sources of information on the activity carried out in a certain period of time and for making estimates on future activity, economic entities being part of the taxpayers who by paying taxes and contributions ensure public revenues, sources of financing public expenditures.

Existing and potential investors look for information that shows how profitable investments in certain economic entities are, changes in their earnings, respectively income in the form of dividends or the establishment of losses.

Creditors are interested in the ability of the economic entities they have financed to pay their installments on time and in full, respectively the related interest.

The suppliers and the clients of the companies follow if the economic entities to whom they have commercial relations can continue their activity and honor the obligations according to the contractual provisions.

For financial-accounting information to be useful for the decision-making process, it must meet four main qualitative characteristics. The four main qualitative characteristics are intelligibility, relevance, credibility and comparability.[1]

Financial-accounting information is complex in nature, and users should have the necessary knowledge to understand it. Intelligibility means understanding information easily.

The relevance of financial-accounting information stems from their ability to help users make optimal decisions. Relevant information has predictive, confirmatory, or both. Predictive information does not refer to predictions, estimates, but offers the possibility for users to make their own predictions based on them.[2]

Confirmatory information helps users to assess the current situation of the economic entity in order to make the necessary corrections. When talking about the relevance of financial-accounting information, it must also be considered whether it is significant or not. The omission or incorrect presentation of significant information leads to decisions that would prevent the achievement of the proposed objectives.

In order to be credible, the financial-accounting information must be neutral, complete, free of significant errors, present the events and transactions according to their economic reality, without underestimating or overestimating certain patrimonial elements.

Comparability is a feature of financial-accounting information that allows users to determine the current situation of the economic entity compared to previous periods, as well as to other entities operating in the same field.

The indicators necessary for decision-making are presented in the half-yearly report and the annual report for entities whose financial year coincides with the calendar year.

The economic entities whose turnover, established on the basis of the data from the balance sheet prepared in the previous year, exceeds 220,000 lei, will present, obligatorily, a report on June 30. The structure of the accounting reporting as of June 30 depends on the type of entity that prepares it.

The types of entities are stable according to certain size criteria set out in the accounting regulations covering turnover, total assets and the number of employees according to which economic entities are divided into micro-entities, small entities and medium and large entities. Thus, the micro-entities draw up the following forms: Statement of assets, liabilities and equity, Abbreviated profit and loss account, Informative data; and small, medium and large entities prepare the Statement of assets, liabilities and equity, Profit and loss account, Informative data.

The Statement of Assets, Liabilities and Equity presents, in summary form, the elements of assets, liabilities and equity, grouped by nature and liquidity, respectively by nature and exigibility. [3]

The Profit and Loss Account, respectively the Abbreviated Profit and Loss Account comprises the net turnover, the realized income and the expenses incurred, as well as the financial results obtained, profit or loss. The Indicative Data form presents in more detail certain indicators from the Statement of Assets, Liabilities and Equity, Profit and Loss Account / Abbreviated Profit and Loss Account.

The annual financial statements prepared by micro-entities include the Abbreviated Balance Sheet, the Abbreviated Profit and Loss Account, Explanatory Notes.

The forms that make up the annual financial statements of small entities are the Abbreviated Balance Sheet, the Profit And Loss Account, Explanatory Notes to the annual financial statements. Optionally, they can prepare the Statement of Changes in Equity and / or the Statement of Cash Flows.

Medium and large entities prepare Annual Financial Statements that include the Balance Sheet, Profit and Loss Account, Statement of Changes in Equity, Statement of Cash Flows, Explanatory Notes to the annual financial statements.

The Balance Sheet and the Abbreviated Balance Sheet provide information to users on the financial position of the company. The financial performance of an economic entity is reflected by the indicators presented in the Profit and Loss Account / Abbreviated Profit and Loss Account. Information on receipts and payments made by a company in a financial year can be found in the Statement of Cash Flows and changes in equity items are presented in the Statement of Changes in Equity.

The reporting forms as of June 30 show the cumulative information from the beginning of the financial year to the end of the first semester, while the reporting as of December 31, respectively the financial statements, presents the cumulative information for the whole year. Thus, the reporting from 30 June 2020, includes the period in which the state of emergency was declared and social distancing was imposed, will reflect the impact of the crisis generated by COVID -19 on the activity of economic entities, and the Financial Statements for 2020 will present, among these, the effects of managers' decisions to recover, increase activity performance. It should be noted that not all companies prepare half-yearly reports, therefore an overview of the impact of the crisis generated by COVID - 19 on the economic environment we will have after the submission of the financial statements of 2020, meaning in the first half of 2021.

3 The influence of the crisis caused by COVID-19 on financial reporting

The military ordinances and decrees approved by the President of Romania, in the context of the COVID-19 pandemic, regarding the social distancing measures that affected the activity of some economic entities have, according to Body of Expert Accountants and Certified Accountants in Romania's specialists, the following effects:

- interruptions in supply chains; decrease in sales revenues and, implicitly, in revenues;
- the impact on liquidity, determined by the non-collection of customers;
- cessation / reduction of production for certain periods for certain categories of goods;
- restructuring plans determined by the closure of some work points or shops;
- losses caused by the cancellation of certain contracts;
- dismissing employees or resorting to measures of technical unemployment;
- renegotiating the maturity of debts resulting from contracts with suppliers.[4]

Taking into account the effects mentioned above, but also the situations in the activity of companies, independent of the crisis generated by the COVID-19 pandemic, the impact on financial reporting is highlighted by the evolution of certain indicators.

For companies that prepare half-yearly reports, the indicators presented in the Statement of Assets, Liabilities and Equity and in the Profit and Loss Account, respectively the Shortened Profit and Loss Account, will reflect the impact of the effects caused by COVID-19 on the activity carried out in the first half of 2020. Economic entities that have reduced or discontinued their activity, during the period of decree of the state of emergency, will register reductions of assets, increases of debts, decreases of incomes, maintenance or diminutions of expenses.

The reduction in the value of assets will be caused by:

- decrease in the value of intangible / tangible assets due to lack of investment and physical wear and tear, recorded in accounting as depreciation. Depreciation decreases the carrying amount of the assets and the result is presented in the financial statements;
- decrease in stocks, to companies that restrict their activity during the state of emergency, due to the capitalization of existing stocks and non-realization of new supplies or new products;
- reduction of customer receivables;
- the decrease of the necessary liquidities in order to be able to exist certain functions regarding the due debts and the non-collection of others.

The increase in debt is caused by the lack of liquidity which mainly leads to an increase in obligations to utility providers and creditors. The authorities have adopted legislative measures to provide the possibility of postponing the payment of certain debts, such as taxes, installments (including interest and commissions) on bank loans, rent, utilities and other debts.[5] These debts are only deferred, not canceled, and in terms of debts to credit institutions will generate interest at interest, therefore an increase in the future. Thus, the companies will be burdened and if the managers, after resuming the activity, will not adopt measures as a result of which to obtain incomes over the value of the debts and which will be collected in a short term, many will stop their activity.

The decrease in revenue is caused by the temporary restriction or interruption of activity, which implies a decrease in sales.

The expenses of the companies are maintained or diminished for the employers who allow the work at home, of those who resort to the technical unemployment, to the reductions of personnel or to the closing of some work points. However, the decrease in expenses is not necessarily a favorable situation for the companies concerned, as revenues will decrease at a faster rate than the decrease in expenses.

On the other hand, there are companies that have prospered during the state of emergency either because they have focused their attention and resources on online sales, or because they operate in areas that are indispensable or vital. Such economic entities will report indicators that have increased compared to the previous period, respectively increases in assets, liabilities, but not in line with assets, revenues as a result of the intensification of sales / services. In terms of expenditure, it depends on the costs generated by the activity carried out, but the growth rate will not exceed that of income.

In the case of companies with online sales, production of goods necessary to prevent, combat and treat COVID - 19, food production and / or marketing, the value of assets will increase due to the increase of inventories to be capitalized, cash collected, customer receivables.

At IT companies that provide support to other companies operating in the virtual space, there will be an increase in customer receivables and cash.

Indicators reflecting the effects of the crisis caused by the COVID - 19 pandemic in the report prepared on 30 June will also need to be monitored in the annual financial statements of all entities. They will not only reflect the effects of the crisis, but also the ability of managers to make decisions that will lead or not to the maintenance /recovery of the activity or even its development, whose barometer will be the net profit. The recovery of companies' activity depends on the duration of the crisis. If it is just a temporary crisis, as most experts predict, then we will see a rapid recovery. However, if the period is long, a delayed recovery or even a prolonged crisis is possible, as is to be expected in the field of services (restaurants, hotels, passengers transport). [6]

The creativity of managers will be influenced by the opportunity and relevance of accounting information. In the near future, companies will need investors to have liquidity, which used in the economic circuit, to increase its value. This will involve professional accountants who need to present the range of information needed by investors so that transactions are completed and lead to the achievement of the objectives of maintaining the same level or development of the business.

4 Conclusion

The financial reports of economic entities are sources of information for various categories of users. In Romania, the economic entities that apply the provisions Order of the Minister of Public Finance no. 1802/2014 for the approval of the Accounting Regulations regarding the individual annual financial statements and the consolidated annual financial statements prepares half-yearly reports, only those whose turnover in the previous year exceeds 220,000 lei, and annual financial statements, all entities that apply the provisions of the normative act.

Through these reports, users know the level of certain indicators at the beginning and end of the reporting period, indicators such as assets, liabilities, equity, income, expenses, results of economic entities. The information provided by financial reporting can help users make decisions based on the goals they want to achieve.

In the context of the current situation caused by the COVID 19 pandemic, users of financial-accounting information will need to know what indicators have been affected and to what extent, in order to establish the strategies to be followed.

The half-yearly financial reports, which will be submitted by the entities obliged by legislation to prepare them, will be a starting point in establishing the directions to be followed for maintaining, recovering or improving the activity.

The annual financial statements will show the creativity of the management in using the remaining resources available to the economic entity, attracting other resources with the lowest possible costs, as well as the accounting capacity to provide relevant and timely information to make decisions to recover or improve business.

The financial statements for 2020 will be submitted by May, inclusivly, of 2021, therefore an overview of the effects of the COVID - 19 pandemic, both at micro and macro level, we shall have in the first half of next year.

However, in this paper, we have presented some indicators that have a high probability of being affected and the causes that will influence their change.

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The Evolution of Public Debt of Romania in the Context of the Covid-19 Crisis

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Abstract: Real GDP growth in 2020 could be negative, following the outbreak of COVID-19, and the adoption of economic measures by all European Union countries are key actions to mitigate these negative repercussions on the economy. In the exceptional circumstances created by the COVID-19 outbreak, companies of all types may face a severe lack of liquidity. Also, insolvent or less solvent companies may face a sudden lack or even unavailability of liquidity. This is especially true for SMEs, which in the short and medium term can seriously affect the economic situation of many healthy businesses and the situation of their employees, with possible consequences even in the long term, endangering their survival. External debt is a solution to supplement the resources to support the economy, even contributing to raising living standards. External loans can also be used to finance the balance of external payments, ensuring economic growth of the country under the conditions of their efficient use in parallel with an increase in exports. Inefficient use of external borrowing can lead to a restriction on access to external market financing.

Keywords: covid 19, public debt, budget deficit, economic growth, external debt

1 Introduction

The pandemic generated by the new coronavirus has hit hard in the world economy but also in the national ones.

The World Trade Organization believes that the impact of the COVID-19 pandemic on the world economy will generate a greater economic crisis than in 2008.

Pressure on governments is growing as people try to find answers to the economic costs of measures to limit the spread of the virus. These questions are compounded by fears about food and health stocks and how well they will be able to cope with these restrictions as they remain in place for a longer period of time.

The governments of the affected states must come up with economic rescue solutions, which include measures to help companies and fired employees. It is necessary to build working groups of public policy experts and representatives to make recommendations on how restrictions can be relaxed and when industries should resume work.

Micro-enterprises and small and medium-sized companies represent over 99% of the total number of enterprises in Romania and in the European Union, generating at the same time two out of three jobs and just over half of the gross added value.

The Romanian government has adopted measures to support SMEs by covering the payment of technical unemployment up to 75% of the average gross salary for people whose activity was not necessary during this period, companies that do not have debts to banks could request deferrals upon payment of instalments provided he holds a certificate issued by the Government confirming a major decrease in activity in March, due to the state of emergency, also the payment of certain taxes may be postponed and some penalties for late payment of taxes have been cancelled.

2 The impact of the COVID crisis 19 on the Romanian economy

Romania's economic growth will be significantly affected by the spread of the new coronavirus in Europe and the slowdown of major EU economies.

Among the sectors where the impact of the new coronavirus will be strongly felt are exports, dependent on states such as Germany and Italy, but also services, including tourism.

In Romania, the situation generated worldwide has spread in the form of a trade deficit of 4.45 billion euros, 732 million euros higher than in the same period in 2019, after imports increased by 1, 3%, and exports decreased by 2.6% (INS source).

In total, imports amounted to 21.5 billion euros and exports to 17 billion euros. The trade deficit in March 2020 was 1.85 billion euros, after imports fell by 1.8% to 7.2 billion euros and exports fell by 11%. 3%, to 5.4 billion euros.

The evolution was determined by the decline of sales to the member countries of the European Union by 17.8% year / year to 3.7 billion euros. On the other hand, non-EU exports increased by 7.3% year / year to 1.7 billion euros. The increase of the deficit was generated by the deepening of the trade balance with goods with the countries of the European Union by 78.6% year / year to 1.7 billion euros. On the other hand, the trade deficit with countries outside the European Union adjusted by 62.1% year-on-year to 0.1 billion euros in March.

For 2020, a GDP advance of only 3% is estimated to be the lowest since 2012, according to INS data. Also, if the economy grows by only 3%, it could pose problems to the state budget, for which the revenue plan was made at an economic growth anticipated by the National Forecast Commission to 4.1%. industrial, imports and exports of goods, retail trade, tourism, etc. led to the revision of the GDP dynamics in the new corona virus scenario by about 6 percentage points, respectively from + 4.1% to -1.9%.

No	Year	GDP Evolution
1.	2020	4,1 %
2.	2019	4,1 %
3.	2018	4,4 %
4.	2017	7,1 %
5.	2016	4,8 %
6.	2015	3,9 %
7.	2014	3,4 %
8.	2013	3,5 %
9.	2012	2,1 %
10.	2011	2 %
11.	2010	- 3,9 %
12.	2009	- 5,5 %
13.	2008	9,3 %

Source: INS, forecast.

The economic forecast is uncertain during this period, as we must keep in mind that it is directly correlated with the duration and proportions of the COVID-19 outbreak,

Quarantine measures taken to combat the epidemic are likely to lead to large losses in most economic sectors; there may be changes in consumer behaviour after the end of the crisis.

Industrial production, branches with a high share of exports, will be severely affected. The export of goods will be decreasing due on the one hand to the reduction of external demand, but also to the limitation of transport in the red areas. It is estimated a negative impact in 2020 and a reduction of 7.3% compared to 2019.

Imports of goods are affected by both intermediate imports and consumer goods. The effects of the COVID 19 pandemic lead to a decrease in imports of goods at the current year level of 10.9 pp. and compared to 2019 we have a reduction of 6.1%.

Transport services have been estimated to be declining, we are considering road and air transport. The negative impact was estimated at 11.2 pp. compared to the winter estimate and 32.3% for the period March-May 2020.

In the tourism sector there will be a contraction in the activity of travel agencies by decreasing the number of tourists who want to travel abroad, this will have the effect of a decreasing demand for services in hotels and restaurants. It seems to be the sector most affected by the pandemic for May and June, with supposed reductions in turnover of 60% -70%.

Structural changes will be registered in terms of retail trade, it is estimated that there will be a decrease of about 4.9 percentage points annually compared to the last half of 2019.

Full recovery will take several more quarters, some companies will not survive the shock, and others may need more time to reach full capacity and resume the hiring process. Therefore, unemployment is likely to remain high and the full recovery of lost jobs could take more than a year.

3 Estimates regarding the evolution of GDP in Romania in the context of the epidemic

External borrowing has developed widely in the contemporary period, especially in the twentieth century. It uses external borrowing, in particular, from developing countries that have the greatest needs to be met by public finances, but which have the least domestic fiscal resources. At the same time, they call on foreign loans and economically developed countries, but to a lesser extent than before.

Due to the international situation, the European Central Bank will gradually increase the reference interest rates as a result of higher inflation rates than the unit and, in correlation, the euro will appreciate very little, thus supporting foreign trade. An important risk for the European Union as a whole is the uncertainties generated by the pandemic, as well as the foreseeable public debt crises that are looming in Italy, but also in other heavily indebted European countries.

GDP in the third quarter is expected to increase by + 12.8% compared to Q2, followed by a sequential advance of + 0.7% in the last quarter of the year. For 2020, experts estimate a decrease in GDP of -4.7% in 2020, compared to 2019. The recovery is expected to continue in 2021, when an economic advance of 3.9% is expected compared to 2020, based on a statistical effect of favorable basis and considering a possible fiscal consolidation accompanied by a relaxed monetary policy.

Developing and emerging countries are expected to benefit from rising prices for raw materials and energy resources, so that national public finances mark a stabilizing trend.

Taking into account the existing situation, a whole series of measures with a high impact are needed to ensure the liquidity of SMEs during the period when the effects of COVID-19 are manifested. Decisive action with a high impact is needed to ensure the liquidity of SMEs in the future, and measures are needed to protect business and the economic system, to encourage solidarity in the business environment, contractual loyalty and the willingness to adapt business relationships to the challenges posed by this health crisis unprecedented in modern history, being vital the continuation of services of public interest.

In Romania for the period January - February 2020, the total external debt increased by 4,748 million euros. In structure, long-term external debt amounted to 77997 million euros on February 29, 2020 (70.5 percent of total external debt), up 5.9 percent compared to December 31, 2019. Also, long-term external debt short recorded on February 29, 2020 the level of 32,624 million euros (29.5 percent of total external debt). The level is increasing by 1.2 percent compared to December 31, 2019, according to data from the National Bank of Romania.

	T1/2019	T2/2019	T3/2019	T4/2019	feb. 2020
Long-term external debt	68 485,7	71 728,7	74 417,0	73 646,0	77997,5
Direct public debt	34 399,1	37 674,5	40 562,8	39 192,1	43850,0
- Multilateral institutions (financial loans)	8 898,7	7 729,3	7 631,5	7 492,4	7678,0
- Bilateral institutions (financial loans)	16,6	15,8	16,1	15,2	15,0
- Bond issues	25 398,2	29 846,3	32 833,9	31 609,6	36082,0
- Private Banks	62,9	61,1	59,6	54,3	54,0
- others	22,7	21,9	21,7	20,7	20,8
- External commitments taken over	-	-	-	-	-

	T1/2019	T2/2019	T3/2019	T4/2019	feb. 2020
from public debt according to Ordinance 64/2007					
Public debt guaranteed	338,8	315,7	305,2	285,1	277,2
- Multilateral institutions (financial loans)	167,5	161,5	150,5	144,2	137,9
- Portfolio investments	-	-	-	-	-
- Others (financial, commercial loans, etc.)	171,3	154,3	154,7	140,9	139,3
Private debt (not publicly guaranteed)	31 816,3	31 869,2	31 671,7	32 203,2	31904,1
- Multilateral institutions (financial loans)	2 328,9	2 314,2	2 293,6	2 266,2	2245,0
- Portfolio investments	116,7	41,4	49,3	511,3	1322,1
- financial lines	-	-	-	-	-
- Others (financial, commercial loans, etc.)	29 370,7	29 513,7	29 328,8	29 425,7	28336,9
Long-term deposits of non-residents	714,0	666,7	648,1	749,4	739,1
IMF loans	-	-	-	-	-
SDR allocations from the IMF	1 217,5	1 202,6	1 229,2	1 216,1	1226,9
Short-term external debt	31 159,8	33 922,6	33 295,6	32 226,8	32623,8

Analyzing the data published for the period January - November 2019, we notice that the total external debt increased by 7.262 billion Euros. In structure, long-term external debt amounted to 72.971 billion Euros at November 30, 2019 (68.1% of total external debt), increasing by 6.9% compared to December 31, 2018. Short-term external debt recorded at November 30, 2019 the level of 34.132 billion Euros (31.9% of total external debt), increasing by 8.2% compared to December 31, 2018.

The direct public debt represented 39.195 billion lei in the first 11 months, increasing compared to the 34.5 billion lei registered in the same period in 2018. According to the NBR, the increase in direct public debt in the first eleven months of 2019 came mainly from the Eurobond issues of the Ministry of Public Finance in nominal value of 5 billion Euros and from the influence of the variation of the prices of securities issued by the public administration in amount of about 2.214 billion Euros, diminished with the repayments made on account of direct public debt in amount of 2.986 billion Euros.

Long-term external debt service was 17.4% in January-November 2019, compared to 22.6% in 2018.

The coverage of imports of goods and services on November 30, 2019 was 4.7 months, compared to 4.9 months on December 31, 2018.

Financing the loan deficit will involve contracting new loans, the pressure exerted by increasing the public debt service - all the more so as real interest rates will rise and the national currency will depreciate due to the deterioration of the country's rating - will contribute to imbalance of public finances.

The government's financing needs in 2020 amount to 86.9 billion lei, due to the estimated level of the budget deficit of 3.6% of GDP (about 40.6 billion lei), as well as the volume of debt to be refinanced in this year in the amount of 46.3 billion lei. The Ministry of Finance will have to attract about 6 billion Euros from external financial markets by issuing Eurobonds, early redemption operations and partial exchange of existing series of Eurobonds, private placements, as well as by withdrawing loans from international financial institutions.

In recent years, many low-income countries have had access to new sources of financing, including private sources and external creditors, so underdeveloped countries have been able to implement large development projects, but at the same time their public debt has increased significantly.

Only in the last four years, in low-income countries, the share of public debt in GDP has increased from 30% to 50%, which means that a significant part of their public revenues is used to pay interest on public debt, and the public debt service will put significant pressure on national public finances.

A factor with a very significant contribution to stimulate activity is a low and stable rate of increase in consumer prices, and public authorities wishing to implement a policy of economic recovery in the current situation, characterized by a relative slowdown in development, must take into account the control of inflation, including the proper management of the main factors that determine this inflation.

Due to the overcoming of the effects of the financial crisis, many economies are currently operating close to full use of labor, with rising wages being a predictable factor, which may involve widening the deficit and increasing public debt to finance it. The pressure of increasing public debt can affect the financial stability of the state, thus imposing the need to resort to restrictive budgetary and monetary regimes.

The economic recovery based on investments is of the utmost importance, it is a source of financing in this direction, the sources of financing, - the World Bank, the European Investment Bank, the European Bank for Reconstruction and Development.

4 Conclusions

The economic costs of the new corona virus will depend heavily on how quickly countries can stop the virus from spreading and limit panic. The final economic cost "will largely depend on how quickly countries manage to limit the spread of the virus and reduce the fear factor. If the spread is not limited in the near future, we could see a further decline in global economic activity, which could translate into a further slowdown in growth in the EC.

Rising public debt and budget deficits have become a crucial issue in many industrialized or emerging countries. In recent decades, many states have accumulated significant public debt stocks, usually followed by increases in the size of the public sector and reckless fiscal and budgetary policies. The need for a coordination of fiscal and budgetary policies in Economic and Monetary Union, the awareness that the accumulation of a large public debt is a threat to future generations, increasing fiscal pressure in a market with globalization trends and the impact that the aging process will have aroused controversy over public finances, both in academia and in the press. Lending resources continuously and being able to maintain them at a constant level over time means having a sustainable public debt, an important objective of any state's fiscal policy. A sustainable public debt is the result of the market and fiscal and budgetary policy decisions.

The International Monetary Fund draws attention to the extremely high degree of uncertainty of global forecasts. In this context and taking into account the fact that the recovery of economies will begin in the second half of this year, the contraction of the global economy is estimated to be 3% in 2020, with a sharper decline in advanced economies (-6.1%), and for the European economy the economic contraction is estimated at 7.5% (Germany -7%, France -7.2%, Italy -9.1%).

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Banks' Perspective Regarding Reputational Risk in Romania

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Abstract: Banks' reputation was severely deteriorated by the global financial crisis as public trust in banks diminished considerably. Based on this background, the goal of this paper is to assess the reputation risk perception from the Romanian banks' standpoint, with focus on the post-crisis period. In order to achieve this purpose, we have resorted to a survey among the major banks operating in Romania and have investigated the regulatory measures implemented to increase trust in banks. The study results reveal that the importance of the reputation risk has increased over the past ten years and customer satisfaction is a relevant factor for bank reputation. The regulatory measures to enhance financial stability and trust in banks include strengthening capital requirements and macro prudential measures to avoid over-indebtedness of households.

Key-Words: Reputational risk, trust, banking sector, regulatory framework, customer satisfaction, Romania
JEL classification: - G20, G21, G28, L14

1 Introduction

Good reputation is a *sine qua non condition* for customers' trust in banks and reputational risk is one of the most important risks that banks have to manage. Fiordelisi, Soana and Schwizer (2013) have underscored that interest in reputational risk in the financial sector has increased at the turn of the 21st century "after the occurrence of some prominent examples of operating losses due to internal frauds". By investigating a large sample of European and US listed banks with operational losses between January 2003 and August 2008, the authors underline that: (1) probability of reputational damage increases as bank profits and size increase; (2) in the case of an operational loss, stock market losses are larger for profitable banks than that for non-profitable ones, due to investors' surprise; (3) investors penalize large banks more than smaller banks, as panic and market reactions for a larger bank are greater than for smaller banks; (4) investors penalize poorly capitalized banks more than well-capitalized ones, by punishing moral hazard behaviour and (5) a higher level of capital invested and intangibles reduce the probability of reputational damage.

Under these circumstances, the main objective of the present paper is to assess how banks perceive reputational risk today and what are the links between reputation and trust in banks, in general, and, in particular, in Romania. Our key hypothesis is that reputational risk is one of the most important risks in the

banking sector and that is why the post-crisis regulatory framework includes measures to enhance trust in banks.

In order to achieve this goal, our research is structured around three main sections. In the first section, we perform the literature review, focusing on two important dimensions: (i) definition of reputational risk within the banking community and (ii) trust in banks. In the following section, we focus on an overview of the Romanian banking system, including in analysis the main banks in terms of assets and interpret the results of a survey on reputational risk conducted within the Romanian banking system. The third section is based on the analysis of the post-crisis regulatory measures implemented to enhance financial stability and trust in the Romanian banking system. Finally, the conclusions summarise the main results of our research.

2 Literature review

2.1 Definition of reputational risk in banks

There is not a unique, generally recognized and accepted definition of reputational risk within the banking community. Reputational risk is defined by the Bank of International Settlements “as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect banks’ ability to maintain existing, or establish new, business relationships and continued access to sources of funding (e.g. through the interbank or securitisation markets)” (BIS, 2020, p. 12). It may also affect other categories of risks, such as: credit, liquidity, market, operational and legal risks. Reputation impacts profitability (Zaby and Pohl, 2019) and may generate reputational losses (synonym for reputational damage), which can be extremely costly (Sturm, 2013).

Relevant international banks include on their websites their own standpoints regarding the reputational risk. For instance, the HSBC (2020) considers reputational risk as “the risk of failure to meet stakeholder expectations as a result of any event, behaviour, action or inaction, either by HSBC itself, our employees or those with whom we are associated, that may cause stakeholders to form a negative view of the Group”. The Deutsche Bank (2019) defines the reputational risk “as the risk of possible damage to Deutsche Bank’s brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with the Bank’s values and beliefs”. In the view of the Transilvania Bank, first bank in Romania, the reputational risk “represents possible losses of the Group or the failure to realize the estimated profits due to the lack of public confidence in the Group” (Banca Transilvania, 2018, p. 53). According to Commerzbank (2020), „reputational risk is the risk of its stakeholders losing confidence in Commerzbank or its image being harmed as a result of negative events in the course of its business. Stakeholders comprise members of the general public, the media, employees and customers, rating agencies, shareholders, and business partners”. The Reputational risk management department of Commerzbank is in charge with the assessment of “potential environmental, social or ethical risks arising from products, transactions and business relations” (Senft, 2019).

2.2 Reputational risk and trust in banks

Many of the reputational risk definitions link the reputational risk with the risk of loss of trust in banks. The issues related to trust in banks have gained more attention after the triggering of the global financial crisis, when the financial markets faced lack of trust among counterparties. At the same time, investors lost confidence in financial intermediaries. Against this background, the reputation of banks was severely affected in many countries. However, the issue of banks’ reputation is not new and it manifested long before the global financial crisis. A well-known case that reveals the importance of reputation in banks is the crisis of German Herstatt Bank. Following their risky foreign exchange operations, the bank was closed by German authority on 26 June 1974, at the end of the working day in Frankfurt, but in the morning in New York. Due to different time-zones, several operations remained unfinished. The consequences of that crisis were multiple. On one hand, the crisis raised issues on international banking supervision. On the other hand, the reputation of all German banks was affected (Mourlon-Druol, 2015). As underlined by Spero (1982), that crisis led to a severe decreasing of trust among banks participating in the foreign exchange market.

The cross-country analysis performed by Fungáčová, Hasan and Weill (2016), covering 52 countries over the period 2010-2014, concludes that: trust in banks largely differs across countries; countries with higher income per capita and those affected by a recent financial crisis have lower trust in banks; men trust banks less than women; religious persons have greater trust in banks; trust in banks tend to decrease with education and

also age. The differences among countries are also revealed in Järvinen (2014), investigating consumers' trust in 29 European countries. According to the survey results, which was performed in 2012, consumers' trust in banks was low in the European over-indebted countries – Spain, Iceland, Portugal, Ireland, Italy – and some Eastern European countries – Bulgaria, Hungary, Romania, Poland. Banking accounts were the services that consumers trusted most, while investments and pension funds were at the opposite end of the spectrum. Consumers in Malta, Finland and Luxembourg had the highest confidence in all these services. The other countries with high trust level in banks were: Estonia, Germany, Latvia, Norway, Denmark, France and Austria. The lowest trust level in banks was experienced in Spain.

EACD-Caliber (2019) calculates the average Trust & Like Score for 124 financial companies in 13 countries based on 13,281 answers. The result for banks is 61.6, as compared to insurance companies, of 66.5 (both included in the average category, between 60 and 69). Unlike the aforementioned survey, at present, people in Denmark and Sweden record the lowest levels of trust in financial institutions, one explanation being that Danish and Swedish largest banks have been hit hard by significant reputational crises over 2018, relating to money laundering activities in their Eastern European operations. By contrast, banks in China and Brazil are well perceived, due to lack of specific scandals and crises within the financial sector in these countries.

Other studies focus on analyses conducted at a single country level. For instance, Knell and Stix (2010), referring to the Austrian banks, synthesize that: (1) in spite of the global financial crisis, the situation in Austria could not be described as a genuine „trust crisis”; (2) it was recorded a decline in trust but that was „restrained”, attributable to policy measures (such as the extension of deposit insurance coverage) which were successful in maintaining trust; (3) financial trust was influenced by the “perceived and expected performance of banks” (reflected by lack of bank collapses or customers' losses), which was satisfactory for Austrian bank customers and (4) trust, seen as an attitude, depends on other attitudes and subjective variables, its change can be rapid and unexpected. Jansen, Mosch and van der Crujisen (2013) take as example the Dutch banking sector and underscore that: (1) the relative importance of trust drivers varies over time; (2) the most robust reason why people lose trust in banks relates to large bonuses; (3) depending on the survey year, negative media reports, a drop in share prices, and opaque product information are also important factors; (4) government intervention (in particular through nationalizations) is not a major reason for losing trust. The research conducted by Gârdan, Geangu and Roșu (2011) reveals, among others, that, in general, at that time, the Romanian customers did not trust the mobile banking services. Based on evidence for Spain, Carbo-Valverde (2014) suggests that banks can improve the customers' level of trust by changing the services they provide.

3 The survey on reputational risk conducted within the Romanian banking system

According to the *Annual Report 2018* issued by the National Bank of Romania (NBR), at the end of 2018, the Romanian banking system was made up of 34 credit institutions, of which 27 Romanian legal entities and 7 branches of foreign credit institutions. The first ten credit institutions in Romania, ranked by their market shares were: (1) Banca Transilvania – 16.48%; (2) Banca Comercială Română – 15.05%; (3) BRD – Groupe Société Générale – 11.99%; (4) UniCredit Bank – 9.21%; (5) Raiffeisen Bank – 8.88%; (6) ING Bank N.V., Amsterdam – 8.51%; (7) CEC Bank – 6.50%; (8) Alpha Bank – 3.76%; (9) OTP Bank – 2.45%; (10) Garanti Bank – 2.27% (NBR, 2018a). Among them, there were nine credit institutions, Romanian legal entities, and one branch of a foreign credit institution - ING Bank N.V. The most part of the credit institutions Romanian legal entities were institutions with majority foreign capital. A single institution – CEC Bank – was a state-owned credit institution. Also, Banca Transilvania – the credit institution with the most important market share – was the only one with majority domestic private capital. Due to the cumulative market share of these ten credit institutions, totalizing 85.1% of the local market, our analysis is primarily focused on them.

The survey on reputational risk in the Romanian banking sector was conducted in February and March 2020, using as a working tool the questionnaire developed by Zaby and Pohl (2019) that, in the mentioned study, investigated banks in Germany and Switzerland. That allowed us to make international comparisons and identify similarities and differences between Romanian and banking sectors in other countries. In the first stage, the questionnaire was distributed via email to the ten largest banks in Romania. As the number of responses received was not satisfactory, the questionnaire was sent again in early March 2020. However, one limitation of the survey is the reluctance expressed by some banks. In this context, valid responses were received from 8 respondents, which, although cannot be considered representative for the entire Romanian banking system, are a benchmark and a first step in assessing how banks in Romania manage reputational risk.

Reputational risks are considered by most respondents (5) to be extremely important. However, only one respondent believes that reputational risk is less important than the traditional credit risk or market risk.

The overwhelming majority of survey participants (7) stress the increasing importance of reputational risk assessment over the past ten years, which highlights the impact the global financial crisis has on risk management in the banking sector. These results are in line with the results of the survey conducted by Zaby and Pohl (2019). *Customer satisfaction* and *the quality of internal processes* are considered by most respondents (8 and 7 nominations, respectively) as factors relevant to the banks' reputation they represent. On the following positions rank the *financial performance* of the bank (4 respondents) and the *legislative and regulatory requirements* (3 respondents). Surprisingly, the *social requirements* are considered relevant by only 2 respondents, which is a noticeable difference from the results of the survey conducted on the banking market in Germany and Switzerland, where the social requirements are considered as one of the most important factors influencing the banks' reputation. One explanation for these differences could be that in Romania, unlike the developed countries, the social responsibility has become an area of interest for companies (even multinational) much later, only after 1990. The *crises in other banks* and the *mass media* are nominated by few respondents in the Romanian banking system (1 nomination and 2 nominations, respectively). In comparison, in Germany and Switzerland, these two factors are considered decisive for the reputation of a bank.

Regarding the **means used by banks to identify the reputational risks**, the *surveys performed among the clients* were mentioned by the majority of the respondents (6 nominations). The *evaluations carried out by analysts, fund managers or rating agencies* are recognized as means of identifying the reputational risks by 5 respondents. The same number of respondents attaches importance to the *assessment of the requirements and expectations of all stakeholders*. The *surveys performed among employees* are considered by only 2 respondents, which suggest that the banks management pays less attention to their employees' opinions. All respondents believe that information on reputation is used to undertake risk prevention and mitigation measures. Reputation related information is also used to influence banks' important decisions (6 nominations), and increasing the awareness of the employees (6 nominations also). Several departments have responsibilities on reputational risks, among which: the risk management departments, audit, the public relations and communication, the complaints management departments.

4 Regulatory measures for enhancing trust in the Romanian banking system after the global financial crisis

Romania, as an EU member state, has transposed into national banking law the European directives on prudential regulation, aimed to strengthen the financial stability. Beside these directives, Romania applies the EU regulations in the field. Through their objectives, these documents also contribute to the depositors' and the public finances' protection, with positive impact on restoring and enhancing trust in the banking system.

The EU prudential framework for banks includes: regulation of capital requirements (the Regulation (EU) no. 575/2013 and the Directive 2013/36/EU); the Directive 2014/59/EU on recovery and resolution of credit institutions; the Directive 2014/49/EU on deposit guarantee.

The European rules require banks to hold capital of at least 8% of risk-weighted assets. To have sufficient liquid assets, certain liquidity requirements have been imposed. Also, in accordance with the provisions of the post-crisis regulatory framework, additional capital requirements have been introduced in the form of capital buffers.

In order to avoid over-indebtedness of households, the Romanian authorities adopted some regulations to limit the debt-service-to-income ratio (DSTI), i.e. the ratio between the borrower's total monthly payment obligations and its net income. The NBR Regulation no. 6/2018, which amends the Regulation no. 17/2012, stipulates that the DSTI cannot exceed 40% (NBR, 2018b). In order to discourage lending in foreign currency, a limit of 20% has been set for foreign currency loans granted to unhedged debtors. The results of the Nier, Popa, Shamloo, and Voinea (2019) support the regulations adopted by the NBR. The authors provide empirical evidence that proves the importance of these measures for reducing the probability of borrower defaults.

Macro-prudential measures aimed at strengthening financial stability include the imposition of a maximum maturity for the consumer loans, which may not exceed 5 years. Also, the NBR imposed caps on the loan-to-value ratio (LTV). The stipulated limits differ according to the currency and the destination of the loan. For the mortgage loans denominated in domestic currency, the LTV may not exceed 85%. This limit decreases to: 80%, in the case of mortgage loans denominated in foreign currency granted to hedged debtors; 75%, for mortgage loans denominated in euro, granted to unhedged debtors and 60%, for the other mortgage loans in foreign currency granted to unhedged debtors. The highest limit of the LTV - 95% - applies to the loans granted within the Prima Casă ("First Home") government social program, dedicated to the first home buyers. This

level applies both for the loans granted in domestic currency and for the loans denominated in foreign currency. The cap for the consumer loans was set at 75%. In order to avoid regulatory arbitrage, both the measures on loan maturity, as well as the provisions regarding the LTV have to be respected by banks and non-bank financial institutions (ESRB, 2019).

Under the current situation caused by the outbreak of the corona virus pandemic, the banks in Romania should bring their own contribution to solving the problems generated by the temporary lack of liquidity of companies and individuals affected by the pandemic. In addition, banks should safely continue their activity and provide financing for the economic recovery.

Similar to the practice in other countries, measures have been adopted to suspend the payment of loans also in Romania. The OUG 37/2020 allows borrowers affected by the Covid-19 crisis to request banks to suspend the payment of credit instalments for a period of 1 to 9 months (but not later than the end of 2020). According to a press release of the Romanian Association of Banks issued on May 18, 2020, Romanian banks received 317,000 requests for suspension of payment obligations related to credit agreements, which, so far, have been solved in proportion of 83%. The overwhelming majority of these requests belong to individuals (303,000, approximately 96% of the total number).

The European Central Bank (ECB) encourages banks in the Euro area not to pay dividends during the pandemic period, so that the capital conserved in this way and additional funds they have at their disposal, as result of temporary relief measures, to be used to finance the economy or absorb losses (ECB, 2020). This recommendation could also be applied by the Romanian banks, even if they do not belong to the Eurozone, which would contribute to improving their image among customers and, consequently, increasing their reputation.

5 Conclusions

The banking community considers reputational risk as one of the most important risks that it has to manage. The multiple dimensions of this risk have become even more relevant as the result of the global financial crisis triggered in 2007-2009 and different frauds episodes. Reputation risk is often linked with risk of deterioration of banks image among stakeholders – customers, in special –, and diminishing of trust in banks.

The results of the survey performed among major banks of the Romanian banking system reveal that reputational risk is crucial nowadays and, moreover, its importance is increasing in the past ten years. Customer satisfaction and the quality of internal processes are the most relevant drivers of reputation in the Romanian banking system, while the surveys performed among the clients are considered very useful to identify the reputational risks.

The post-crisis regulatory standards were set to improve financial stability but also to restore the confidence in the banking sector. In line with the European and international trend, the Romanian authorities adopted measures to enhance banking capital, including capital buffers. In order to avoid over indebtedness of households that generated major issues in the post-crisis period, triggering conflicts between banks and customers, were introduced some regulations to limit the debt-service-to-income ratio and to discourage lending in foreign currency to unhedged debtors. Macro-prudential measures include also the imposition of a maximum maturity for the consumer loans, and caps on the loan-to-value ratio.

At present, it is too early to assess the impact of the Covid-19 on the reputation of the Romanian banking sector. However, it is evident that banks' behaviour during this crisis and also in the post-crisis period will strongly influence customers' attitude towards banks. The amount of liquidity available for both companies and individuals and especially the borrowing costs will impact customers' satisfaction and trust in banks and, consequently, banks' reputation.

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Empirical Study about Prudence and Aggressivity in Valuation

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Abstract: In order to meet the objective of accounting, to present a true and fair view of the financial position, performance and cash flow of an economic entity, it is necessary to choose appropriate accounting policies. The accounting policies represent the rules regarding the recognition and evaluation of the structures in the balance sheet and the income statement. There is a degree of subjectivism in the evaluation, in the context of the intersection between the accounting and the fiscal objective. The notion of disconnection between accounting and taxation is pretty new. This is the reason for what there are a fear about valuation in the circumstances where taxation does not recognizes it. In this regard, we included in the present paper an advisory study involving professional accountants and presented their point of view in the field of valuation at different times of the financial year. One of the objectives of these study is to clarify underline the importance to choose the accounting policies with no implications of taxes rules. The accountant have to understand that in our days accounting policies must be independent. However, we cannot neglect the truism that it is in human nature that where there is no constraint regarding the provisions of a normative act, they will not apply.

Keywords: taxes policies, valuation, disconnection, prudence, accounting policies.

1 Introduction

Accounting theory was developed to support and unify accounting practices, by providing explanations targeted at defining it and served as a force of understanding necessary to ensure a system and logic for accounting practice. In time, the concepts of accounting theory and accounting practice were separate, and sometimes even they came to be contradictory. The practice has become less dependent on random and error.

Accounting research has progressively evolved from normative research to an empirical approach. Regarding the evolution of economic sciences, the introduction of a positive approach required the use of new tools whose first experiments were made on the validation of the decision-making utility hypothesis of accounting information.

Empirical tests have highlighted that the market has the power to predict the content of accounting information to be made public, which has raised the question of the nature of the usefulness of accounting rules and, in general, of the institutional role of accounting as a system for producing financial information.

This article is a synthesis of the research conducted with the objective of developing the concept of positive accounting research and reflecting the importance and timeliness of the assumptions regarding the accounting practices of the entities formulated and tested by positive steps.

In Romanian modern accounting reglementation there was a strong instability. For studding the risk aversion of accounting specialists when choosing accounting policies is necessary an approach to the relationship between accounting and taxation.

The notion of disconnection between accounting and taxation (fiscality) is pretty new. This is the reason for what there are a fear about valuation in the circumstances where taxation does not recognizes it.

In the absence of a modern accounting tradition, the accountant prefers to apply taxation rules in accounting purposes.

This is not a new topic in our work, we already studied the role of accounting policies in the image provided from financial statement, but in this paper we intend to include an advisory study involving professional accountants and provide their point of view in the field of valuation at different times of the financial year.

For this purpose, we have tried to involve fifty five accountant from companies with different business areas. Forty nine accountant have accepted to answer at our questions.

When we started the study, our intention was to detect the opinion of the accountant about the accounting policies, but we have met the ignorance about the difference between valuation and revaluation, between fiscal and accounting depreciation, between fiscal and accounting economic life of fixed assets.

At the end of the study we will analyze how the participants in the economic circuit, users of financial information, are affected by this relation starting from the goals of each area.

The topic we approached was analyzed by many researchers.

About the disconnection between accounting and taxation in Oprean and Oprean¹, 2012, p. 20) opinion the synchronization with the accounting firm's taxation system converges towards developing accounting methodologies by which to mitigate and to eliminate the carrying distorted representation of reality and to express achieving equity in financial accounting reports.

According to Băcanu² "The similarities between the accounting objectives and the taxation objectives are only at a general level. Thus, both for accounting and taxation there are various secondary objectives, which joined together help for fulfilling a main objective".

2 The accountant's aversion to risk when choosing accounting policies

The objective of accounting (financial statements) is to provide a true and fair view regarding financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in the decisions they take on providing resources to the entity.

Information about the financial position aims:

- economic resources controlled by the entity and that are useful for anticipating the entity's ability to generate future economic benefits;
- structure of funding sources, it is necessary to anticipate future needs credit and the possibility of obtaining such loans;
- the distribution of profits and future cash flows, liquidity, solvency of the entity and the ability to adapt to changes in the economic environment in which it operates.

Those who prepare the financial statements are people, and certainly their subjectivism also intervenes. Thus, besides the accounting objective, the company, the tax and the professional accountant also intervene. The accountant is the one that has to answer to all these objectives.

The objective of taxation consists in calculating, charging, placing, tracking payment of taxes and contributions due from economic units, state.

These objectives are achieved by promoting financial policy economic and social. Taxes are a form of sampling a part of the income or property of individuals or legal entities to the state to cover its expenses. This sampling is necessarily non-refundable basis and without consideration of the state. It is necessary that fiscal rules to be known and respected as from payer and the tax authorities.

The objective of the economic entity, of the owner is to make a profit. Ownership unbundling and power within the entity favored the development and other objectives, but whose implementation remains subject to obtaining a satisfactory profit. These goals relate to increasing or maximizing sales and the quality of service rendered or goods.

Making a profit remains, therefore, the first purpose of the entity, but not only.

The accountant objective is to achieve the first three objectives respecting accounting and tax rules so that:

- To present a true and fair view of the financial position, financial performance of the entity and changes in financial position and financial performance (the objective of accounting);
- Ensure the correctness of the calculation and recording taxes owed by the economic entity (which consists of fiscal objective);
- To build the desired result as beneficial owners using tax incentives and accounting and tax treatments, when the choice (within the limits of the objectives of the two fields of accounting and taxation).

¹ Oprean, V. and Oprean, D. (2012). Dileme ale ingineriei organizațiilor: complementaritatea relațiilor contabilitate fiscalitate în context macro și microeconomic. RFPC. No. 10

² Băcanu, M.N. - „Comparative Study Regarding the Taxation Objectives and the Accounting Objectives – Domains of Influence in the Economic Circuit” International Conference: Development as purpose of human action New challenges for the economic science, Special Issue Volume XXIII (2016)

In this study we will consider the behavior of the professional accountant, his choices in respecting the three objectives, considering his concern to circumvent the risks.

A comprehensive global financial reporting framework provides greater comparability of financial information, ensures the quality and transparency of financial information, increases user confidence in accounting information.

In order to create such a reporting framework, pursuing the reduction of creative accounting practices and accounting fraud, accounting research focuses on studies on the standardization of corporate governance practices among issuers in different market segments, the harmonization of accounting policies and practices, the laying down of interpretative provisions, allowing for the alignment of the accounting policies of the totally new operations that are basically ignored by current practices, reducing the number of options permitted by accounting policies and their interpretive delineation.

Emphasizing the conformity of annual financial statements with the provisions of accounting reference regarding their true image, M. Ristea³ underlines the fact that the conformities with the provisions from accounting regulations do not exclude the presence of some liberties.

For the realization of the empirical study we used as scientific research methodology, the accounting positivism, based on hypotheses, even arbitrary, proceed to their empirical testing based on observed data, seeking to explain and predict facts that identify an accountant predictable behavior. Focus of accounting theory is not represented by a conceptual edifice, the whole accounting postulates and principles, because principles are intended now to explain the experimental results without themselves being explained. "If the assumptions do not correspond to the results of empirical observation, theory is invalidated, requiring either abandoning assumptions either their reformulation.

As a research method, we used questionnaire-based research and, as a form of research, the statistical survey.

The questionnaire is a data collection method that includes a predetermined set of questions, built for information or opinion analysis, transmitted directly or by mail to designated respondents in a specific manner. Respondents should complete the questionnaire without the researcher's assistance, which diminishes the response rate. On the other hand, it is necessary to follow the relevance in the questioning of the questionnaire, which will ensure a short time that should be invested in order to respond and interest for the respondent. The format, content and mode of expression are key elements of the questionnaire. In this respect, an optimal wording must be found that does not bother the respondent, but at the same time ensures access to all the information the researcher needs.

We wrote the questionnaire using both closed questions (which involve answers by simply ticking a variant), but also open questions that offer the possibility of personalizing the response where the respondent considers it necessary.

Closed questions are characterized by the provision of predefined responses, which facilitates comparisons and analysis of the collected information, ensuring a higher understanding of the questions, and the information obtained is of great relevance to the study undertaken.

Open questions are used to test more complex elements that do not know all the categories of response and are usually used to establish the point of view of each respondent.

Open questions are directed to the outline of the professional judgment used in drawing the financial statements.

Respondents also had the opportunity to add their comments if the answers provided did not fully represent their point of view.

We took into account the boundaries of a survey based on a questionnaire reflecting the lack of flexibility, the low response rate, the lack of control over the studied environment, the impossibility of spontaneous reactions.

The general hypothesis of the study is: *In choosing the accounting policies, the accountants are prudent, they don't like the risks.*

The study was conducted between January and March 2019, and the analysis was conducted on the basis of a sample of fifty-three different business entities, small and medium-sized companies that prepare simplified financial statements.

³ Mihai Ristea, *Conformity and Liberty in Accounting Policies of Financial Period Closing*, article published in Pro Domo, Monthly Journal of CECCAR, no. 2/2011 pg 19-22

Our approach resulted in receiving fifty-three completed questionnaires. In the process of building the database for information processing, four questionnaires were filled in incorrectly. Wrongful questionnaires were not considered.

After the first selection stage, there were forty-nine questionnaires. Of these, thirty come from companies that have their own accounting department, of which twelve have part-time employees, and eighteen have full-time employees. Nineteen of the respondent companies chose to outsource the accounting service.

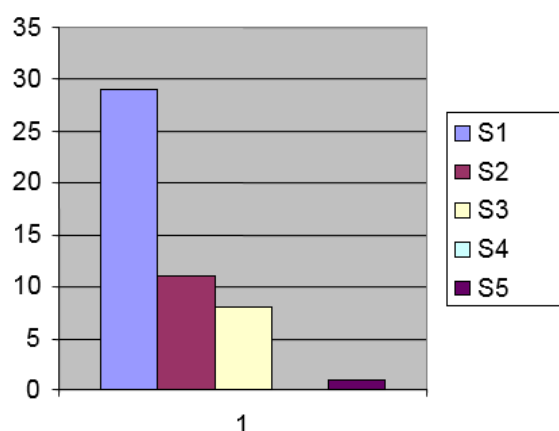
Thus, the responses taken into account and analyzed were received from forty-nine enterprises: thirty with their own accounting department and nineteen enterprises that turned to accountancy firms, information that we systematized in the following table:

Companies participating in the study	49	→ Outsourced accounting service	19		
		→ Own accounting service	30	→ Part time program	12
				→ Full time program	18

3 Presentation of collected data and their analysis in the context of the formulated hypotheses

The wording of the questionnaire was generated by the fact that in recent years, financial reporting as a product of accounting has become necessary for an increasingly diverse group of users. Therefore, the need to present a true and fair view of the financial position, performance and change in financial position becomes more and more motivated.

Eight respondents were dissatisfied with the lack of clear procedures for accounting and tax rules. What measures do you think should be taken so that the accountant can take time to apply the accounting policies?



S1 = Reducing the frequency of legislative changes;

S2 = Reduction in the number of tax returns;

S3 = Introduction of clear procedures for both accounting and tax rules;

S4 = Improve the accounting and tax knowledge of civil servants;

S5 = Other.

4 Limits of study and suggestions for future research

We accepted the small degree of response following the study of Selltitz and the collaborators, taken over by A. Duțescu, who managed to highlight the advantages, disadvantages and elements that lead to the availability or unavailability of answering a questionnaire by mail or traditional.

In this paper we did not propose, in the present study, to analyze the impact of non-compliance with the accounting principles, on the outcome I tried through a case study that I presented in another paper.

For closer the theory to practice, we propose for future research a study which start from the practical needs to the existing theoretical structures, to explain the extent requires all companies to enter in this carousel of convergence regarding submission of accounting information unpolluted from fiscality.

Understanding of the application of accounting principles through the components and joints philosophy of Recognition and Measurement (as practical) and rules on financial statements and disclosure (that theoretically) are at a very low level, which broadens very abyss between specialists in creating accounting standards and those applying them in practice.

5 Conclusions

In conclusion, the hypothesis formulated was confirmed, respectively, that a large part of the economic agents is somewhere on the edge between accounting and taxation when drawing up the financial statements from the point of view of recognizing and evaluating the balance elements. Because the time spent as well as the cost of tax processing of accounting information is significant, even an educated accountant professional may be forced to discount the accounting principles with the hope of saving time and administrative costs.

Questionnaires with questions about evaluation included the risk aversion of accountants. Thus, it is found that:

- The knowledge about the valuation of economic assets at the entrance to the entity is largely known. Only two of the respondents had incomplete answers in this area, ie they did not introduce the cost of the internal transport.
- The derecognition valuation rules are known by all accountants in the studio, including those on inventory (FIFO, LIFO, CMP).
- Confusion, (30% of respondents) between evaluation and reassessment is made.
- There are major reluctances to the inventor's valuation for the balance sheet. Forty five of the forty eight respondents answer that they find it risky to use inventory value, because there are no rules to guide them.

As a result of the study, our proposal is to develop detailed rules for the end-of-term evaluation, so that the view reflected by the financial statements of the companies is a true and fair one.

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Circular Economy in the EU- Correlation between the Tertiary Education Attainment and Recycling Rate of Municipal Waste

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Abstract: The new coronavirus crisis revealed the weaknesses of our linear economic model, particularly the overdependence on long supply chains and specific countries. In this new context, the circular economy and the principles of reducing, reusing, and recycling are getting new meanings, forcing the decision-makers into adopting new ways of achieving economic sustainability. In our paper, we investigate if, in the EU, there is any correlation between the tertiary education attainment and the recycling rate of municipal waste. We aim to emphasize that higher education is essential in the transition towards the circular economy. To this end, we used the database of Eurostat and several statistical tools.

Key-Words: - circular economy, waste, education, correlation, sustainability

JEL Classification: C12, O13, Q57

1 Introduction

On the official website of the European Commission, under Internal Market, Industry, Entrepreneurship and SMEs, there is a page dedicated to critical raw materials that are crucial for Europe's economy and are produced and supplied by non-EU countries. For example, China accounts for 62% of the supply of critical raw materials to the EU (e.g. rare earth elements, magnesium, antimony, natural graphite). Other major providers of such materials are the Russian Federation for palladium, the Democratic Republic of Congo for cobalt, the USA for beryllium, Brazil for Niobium, South Africa for iridium and other materials (European Commission, 2020). The EU decision-makers emphasise, thus, the risks associated with the concentration of production in specific countries and became increasingly aware of the necessity of reducing, reusing and recycling as a new normal, especially in the crisis generated by the new coronavirus.

The circular economy is: "a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended" (European Parliament, 2018). In this light, recycling is the last, but not the least component of the circular economy model, to which we are somehow familiar from the communist "golden age".

The recycling rate of municipal waste, one of the two indicators analysed in this paper, measures how waste from final consumers is used as a resource in the circular economy, providing a good indication of the quality of the overall waste management system (Eurostat, 2020a).

According to the statistical office of the European Union, tertiary education¹, the other considered indicator, covers short-cycle tertiary education, bachelor's or equivalent level, master's or equivalent level, doctoral or equivalent level (Eurostat, 2020).

OECD experts have found that 60%, or more, of growth in the gross domestic product, is generated by those who have attained tertiary education. They also emphasise that investing in tertiary education is associated with net returns of more than 60% larger than those linked to upper secondary education (OECD, 2012). Ergo, the quality of highly skilled human capital is critical for any economy.

In our paper, we want to find out if there is a correlation between higher education and the circular economy from the perspective of tertiary education attainment and recycling rate of municipal waste because intuitively it seems like there is.

¹ The level of tertiary education is the percentage of the population of the European Union within the age class from 15 to 64 years old that has tertiary education.

2 Problem Formulation

As a methodology, based on the Eurostat database, we use Pearson's r correlation coefficient to investigate if, at the EU level, there is a linear relationship between the tertiary education attainment and the recycling rate of municipal waste. In case there is such a relation, we want to find out how strong it is and also to test its statistical significance at a level of confidence of 95%.

3 Problem Solution

To calculate the Pearson correlation coefficient (Pearson's r) between the tertiary education attainment and the recycling rate of municipal waste, we collected the data from the statistical office of the European Union (Table 1).

Table 1. EU- tertiary education attainment and recycling rate of municipal waste in the EU, between 2007 and 2018

Year	Tertiary education attainment, %	Recycling rate of municipal waste, Thousand tonnes
2007	20.5	35.2
2008	21.1	36.5
2009	22.0	37.3
2010	22.8	37.8
2011	23.7	38.8
2012	24.6	40.8
2013	25.4	41.5
2014	26.0	43.4
2015	26.7	44.8
2016	27.3	46.3
2017	27.9	46.6
2018	28.7	47.4

Source: Author's based on data provided by Eurostat (2020).

The sample Pearson's r is calculated with the following formula (1):

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \sqrt{n \sum y^2 - (\sum y)^2}}$$

Using Microsoft Excel, we calculated the value of Pearson's r for the analysed data. The value of r is 0.989685. It means that there is a robust linear relationship between the analysed indicators, with a positive slope. Therefore, if one indicator increases, the other one increases too.

We test at a 95% level of confidence to see if the linear relationship between the analysed indicators is statistically significant.

The null hypothesis (H_0), implies there is no statistically significant linear relationship in the EU between the level of tertiary education and the recycling rate of municipal waste.

Our alternate hypothesis (H_a) is that we believe there is a statistically significant linear relationship in the EU between the tertiary education attainment and the recycling rate of municipal waste.

$$\begin{cases} H_0: \rho = 0. \\ H_a: \rho \neq 0. \end{cases}$$

While Pearson's r is the sample correlation coefficient, ρ is the population correlation coefficient. To test the hypotheses we use the *t-distribution*.
Given data:

- Level of confidence: LOC=95%;
- Level of significance: $\alpha = 0,05$
- Number of observations: $n=12$;
- Degree of freedom: Dof=10.

Calculations:

Since we have a two-tailed test, we calculate the value of $\frac{\alpha}{2}$, given $\alpha = 0.05$.

$$\frac{\alpha}{2} = \frac{0.05}{2} = 0.025$$

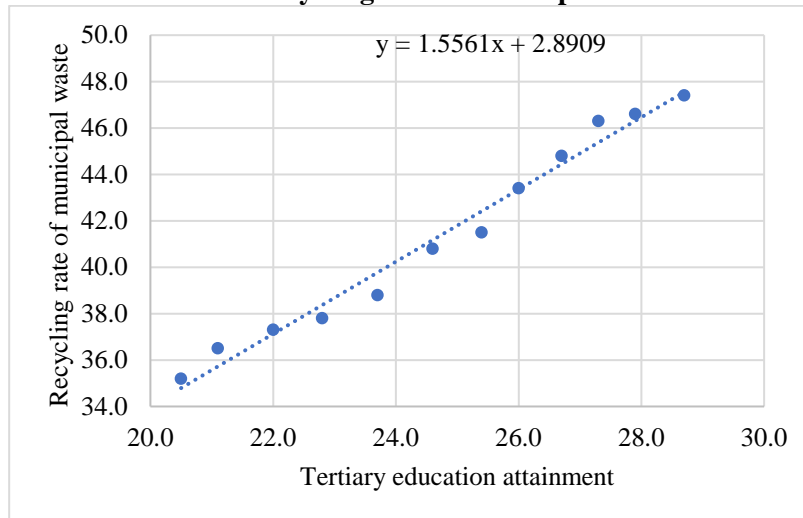
We need to find the value of t that gives the area of 0.025 to the right tail of the t -distribution, namely, $t_{\frac{\alpha}{2}}$ or $t_{0.025}$. For that we use the t -distribution table to find the value of $t_{0.025}$. Taking into consideration the degree of freedom and the level of significance α , we found that the value of $t_{0.025} = 2.228$ and consequently, since t -distribution is symmetrical, $-t_{0.025} = -2.228$ (the value of t that gives the area of 0.025 to the left of t -distribution).

We calculate the test statistic t using the formula:

$$t = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}} \Rightarrow t = \frac{0.989685}{\sqrt{\frac{1-(0.989685)^2}{10-2}}} = 21.84560821 \quad (2)$$

Placing the value of t in the rejection region, since the value of $t > t_{\frac{\alpha}{2}}$. Therefore, we reject the null hypothesis (H_0). We are 95% confident that there is a statistically significant linear relationship in the EU between the tertiary education attainment and the recycling rate of municipal waste, as chart 1 displays.

Chart 1: EU- The relationship between the tertiary education attainments and the recycling rate of municipal waste



The coefficient of determination (r^2) is 0.97948. That implies that the relationship between the analysed variables explains 97.94% of the variation in the recycling rate of municipal waste. It does not mean that one variable causes the other.

Since the relationship of the variables is statistically significant, we proceed at finding the equation of the linear regression line, or “the least-squares regression line”, which minimises the squares of the distances between the data points and the line (See Chart 1).

To this end, we calculate the regression statistics with Excel (Table 1).

The formula for the least-squares regression line is:

$$y = b_0 + b_1x \quad (3)$$

where:

$$b_1 = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2}} \text{ (slope)} \quad (4)$$

$$b_0 = \frac{\sum y}{n} - b_1 \frac{\sum x}{n} \text{ (y - intercept)} \quad (5)$$

Table 1: Regression Statistics

	Coefficients	Lower 95%	Upper 95%
b ₀	2.890925229	-1.0551885	6.83703896
b ₁	1.556147278	1.397428318	1.71486624

Therefore, the equation of the regression line for our sample is $y = 2.8909 + 1.5561x$, as displayed by Excel in Chart 1.

The equation of the population regression line is:

$$Y = \beta_0 + \beta_1 x \quad (6)$$

We can construct a confidence interval for the slope (β_1) and y-intercept (β_0), of the population regression line, based on the data provided by Table 1.

Thus, If we could know all the population data, and draw a regression line through it, we are 95% confident that the line will have $\beta_0 \in [-1.0551885, 6.83703896]$ and $\beta_1 \in [1.397428318, 1.71486624]$.

4 Conclusion

The analysis proved that there is a strong linear correlation (Pearson's r coefficient is close to one) between tertiary education attainment and the recycling rate of municipal waste, with a positive slope and a high determination coefficient. We also found that the relationship between the analysed indicators is statistically significant at a high level of confidence.

Ergo, the high skilled human capital can be an important driver of the circular economy, from the recycling standpoint.

Since the model of the circular economy is likely to get more traction in the post coronavirus crisis world, the decision-makers should not neglect tertiary education, as a driver of the transition to this renewed model.

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No Poverty - The Most Important Indicator of the Development of the EU

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Abstract: In this paper I am addressing a topic of great importance, namely poverty, which is considered to be a problem both locally and regionally, respectively globally. In the eradication of absolute poverty, an important factor is globalization, and in order to ensure decent living for all people, it is necessary to continue the efforts to reduce also the relative poverty. In order to achieve this goal, the 2030 Agenda targets the peripheral segments of the society and encourages the transformation of the society into a direction that will ensure a dignified and prosperous life for the citizens. The main approaches aimed at eradicating poverty, proposed to achieve this goal, include reducing the number of those at high risk of poverty and promoting social inclusion.

Keywords: poverty, development, European Union

JEL Codes: I32, N01, P46.

1 Brief history

The International Day for the Eradication of Poverty was marked for the first time on October 17, 1987, when more than one hundred thousand people gathered in the Trocadéro Square in Paris, and *a year later*, in 1988, the Universal Declaration of Human Rights was signed, as sign of solidarity with the victims of extreme poverty, violence and hunger.

Subsequently, by Resolution 47/196 adopted on December 22, 1992, the General Assembly of the United Nations, UN, declared October 17 as the International Day for the Eradication of Poverty, and thus invited all States to devote to it concrete activities regarding eradication of poverty, and intergovernmental and non-governmental organizations to support states in organizing activities at national level to mark this day. Although poverty is a complex problem on a national and international scale, no viable solution has been found to combat the phenomenon on a global scale so far.

We need to be aware that poverty is not due to the lack of a single thing, but it is caused by several interdependent factors that affect people's lives. This means that we must see that poverty is not just a lack of income or what is needed for material well-being - food, housing, clothes, etc. - and to understand it in its multiple dimensions.

Poverty worldwide is a "common thing" in some countries of the world, and global organizations seem to lack coherent policies to support these nations. According to a World Bank experts ranking, the world's poorest country is Haiti, where the poverty rate reaches 80% of its population of about 10 million people, followed by countries like Equatorial Guinea, Zimbabwe, Democratic Republic of Congo and the Kingdom of Swaziland.

Poverty refers to a number of correlated social phenomena, but in Anglo-Saxon literature, poverty refers to monetary poverty and the lack of enough money.

2 Defining poverty at European Union level

Most people define poverty in the European Union by referring to individuals, families or groups of people whose material, cultural and social resources are so limited that in most cases they are excluded from an acceptable way of life at least in the Member State to which they belong.

Extreme levels of poverty have been reduced by more than half compared to 1990. It is indeed a remarkable achievement, but 1 of 5 people in developing regions are still people living on less than 1.25 USD a day, and at the same time there are millions of other people who have even less, and many individuals are at risk of falling into poverty again.

As an evolution of poverty alleviation we have the situation of 1993, when extreme poverty meant living with less than 1.08 USD per day, the situation of 2008, when you had to live with less than 1.25 USD per day, and the situation of 2015, when extreme poverty meant to reach 1.90 USD per day.

At the European Union level, combating poverty and social exclusion is one of the specific objectives in the field of social policy. We must also take into account the fact that the Europe 2020 strategy has had a very important role, and one of its major innovations aims at a new common target in the fight against poverty and social exclusion, namely the 25% reduction in the number of European citizens living below the national poverty line and the pulling of over 20 million people out of poverty.

When we talk about poverty eradication, we must take into account the fact that every citizen should be offered the chance to live with dignity, and this is achieved through public policies aimed at reducing inequalities, towards a correct redistribution system, a progressive tax rate, public investments and access to health services and last but not least, to quality education.

Tabel 1. Data presented on October 16, 2017 by the European Statistical Office

In 2017, at European level, over one third of the population was at risk of poverty and social exclusion in three Member States of the European Union:	Bulgaria 40.4%
	Romania 38.8%
	Greece 35.6%
In the 28 states of the European Union::	22.5% of the population, respectively 112.9 million people - was subjected to the risk of poverty and social exclusion in 2017, a level almost similar to the one before the crisis, in 2008.

Source: Developed by the author based on data available on Eurostat

If we look at the involvement of EU member countries in eradicating poverty, we see that several decisions have been taken, such as: Communications from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions - A Global Partnership for Poverty Alleviation and Sustainable Development in the period after 2015, A decent life for all: eradicating poverty and creating a sustainable future for the planet, etc. However, the efforts must be joint, and its focus should be on establishing the appropriate policies and mobilizing the appropriate financial means necessary for their implementation. Depending on the capabilities of each country, appropriate policies should be put in place to enable them to implement their development goals as soon as possible.

At European level, most studies show that certain groups of the population have been particularly exposed to the risk of poverty, namely children, young people, single parents, people with a migrant background, certain ethnic minorities, such as Roma or people with handicap.

At the same time, the difference between women and men is clearly visible, and the risk of poverty for women is generally higher than for men. The problem in the case of women is shown by the exclusion from the home in which they grew up, on the grounds that the women marry, and the man is the one who comes with the house. Also, another manifestation of severe insecurity is the lack of fuels, which risks letting households not only without heating or reducing the temperature, but also without hot water, electricity and other essential domestic needs.

In Europe we unfortunately identify also the financial exclusion, which comes from the lack of access to basic banking services, as well as the high degree of debt, aggravated by the recent crisis. These can also be obstacles to finding a job and can thus lead to persistent marginalization and poverty.

3 Poverty in Romania

The Government of Romania, supported by the National Strategy on social inclusion and poverty reduction for the period 2015-2020, has proposed that all Romanian citizens have equal opportunities to participate in society, to be appreciated and valued, to live in dignity and their elementary needs to be satisfied and the differences to be respected. In this context, according to the goal assumed by Romania in order to reach the objectives of the Europe 2020 Strategy, the main result targeted by the strategy is to reduce by 580,000 the number of people at risk of poverty or social exclusion by the end of 2020.

In 2014 it was prepared a study with the poverty map at the level of Romania which shows that in the North-Eastern Region (Moldova), the highest rate of poverty is recorded, all six counties in that region

presenting a high risk of poverty. Also, the Southern Region includes counties with very high rates of poverty, such as Calarasi and Teleorman, as well as counties with relatively low rates, such as Prahova. At the other extreme we have the county of Cluj, which ranks second after Bucharest in terms of the low value of the poverty rate in Romania, and the counties adjacent to Cluj in the North-Western Region - Bistrița-Năsăud, Maramureș, Sălaj and Satu Mare - presents a higher level of poverty than the average of Romania.

The fight against poverty and exclusion in Romania must be based on economic growth and employment on the one hand, and on the other hand on modern and efficient social protection. At the same time, Romania must continue its economic development and growth through a permanent commitment in the relationship between the Government - Parliament, civil society - the academic environment, as well as all stakeholders. We want to eliminate poverty, but we must be aware that we must join forces to support inclusive and sustainable growth in Romania.

We need to understand that a good approach can produce positive effects in society only if the intervention operates simultaneously on several levels - in the social, education, health, employment, housing and protection of children's rights field, not only on one level.

Although many people associate poverty with lack of money, we must understand that poverty means much more than the lack of income and resources to ensure a sustainable standard of living, and for this we mention hunger and malnutrition, limited access to education and other basic services., discrimination and social exclusion, but also the lack of participation in the decision-making process.

Table 2. The current situation and what is desired in the future

Horizon 2020	Targets 2030
Establishing sustainable quality and cost standards for all social services, targeting vulnerable groups especially	Eradicating extreme poverty for all citizens of the European Union
Developing a national system of social inclusion indicators by integrating all databases in the field of social assistance into a digitalized regime that takes into account social mobility; effective annual monitoring of results based on these indicators	Reducing by at least half the number of citizens living in relative poverty
Stimulating the participation in the labor market of people able to work which are at risk of exclusion through the development of active counseling and social assistance measures	Strengthening the national unitary system of emergency intervention services, subsequent rehabilitation and compensation for losses in the event of natural disasters, industrial accidents or extreme weather events

Source: Created by the author

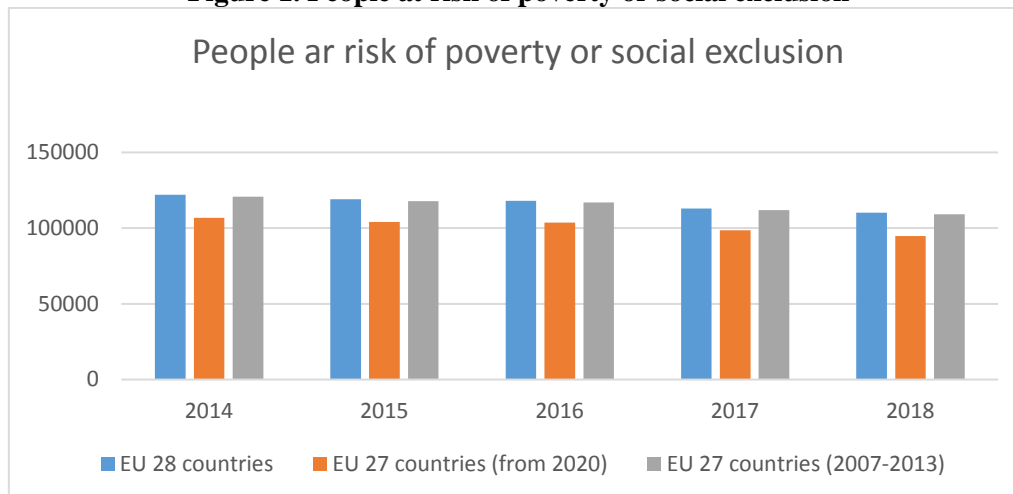
4 How is the situation presented according to the data?

Poverty is both a cause and a consequence of social marginalization and exclusion, and the task of governments and societies is to act to eliminate socio-economic systemic inequalities and to facilitate the participation or employment of the very poor so that they can help themselves, their families and communities, all these in order to build a better future. Poverty eradication can show results when access to education is broader, when agriculture receives support and shows improvement, but also when there are microfinance or other programs beneficial to the citizens..

The sustained efforts of the last quarter of a century lead the world closer to the historical goal of eradicating extreme poverty by 2030, as follows:

- The eradication of extreme poverty for all people, currently measured as the number of people living on less than 1.25 USD per day;
- The introduction of some social protection systems but also of the minimum guaranteed income, for a substantial protection of the poor and vulnerable by 2030;
- Ensuring that all men and all women, especially the poor and vulnerable, have equal rights to economic resources, have the right to property and control over land and other forms of property, inheritance, natural resources, new appropriate technologies, but also financial services including microfinance.

Figure 1. People at risk of poverty or social exclusion



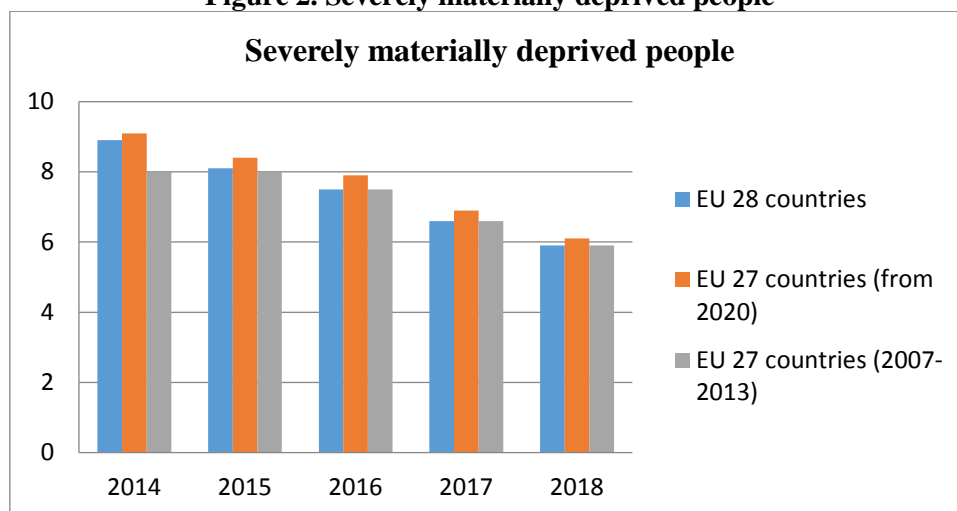
Source: Developed by the author based on data available on Eurostat

In the figure showed above we can see a decrease in the number of people at risk of poverty or social exclusion. If in 2014, the situation at European level (28 countries) presents us a number of 122,026 people, in 2018 we have a number of 110,235 people. Although the decrease was with about 12,000 people, it should be appreciated that from year to year there are decreases, and it is aimed that in the coming years we will be as close as possible to 0.

Next I will show the share of the severely materially deprived people, or who have living conditions constrained by the lack of resources at European level.

In this presentation I am going to analyze the following private elements: people who cannot afford to pay utility or rent bills, people who cannot afford to maintain their house warm, to cope with unexpected expenses, people who cannot afford to eat protein (meat or fish at least once every 2 days), but also those people who can not afford a phone, a colour TV, or a washing machine.

Figure 2. Severely materially deprived people



Source: Developed by the author based on data available on Eurostat

From the data found, we identified that the share of disadvantaged people is constantly decreasing, from year to year, which means that we are on the right track. If in 2014, in the case of EU 28 countries, we identify a number of 44,465 people, in 2018 we have only 29,750 people, which means a decrease of 14,715 people in just 5 years.

5 Conclusions

We all know that Europe is one of the best places to live in the world, but, as everyone "runs away" from poverty, it is very important that the implementation of the sustainable development goals of the 2030 Agenda to be achieved as quickly as possible.

Poverty eradication is framed as the first objective within the 2030 Agenda and it is considered that its achievement would give every citizen the opportunity to fully realize their potential, to participate actively in society and to be offered access to quality services. As I mentioned before, poverty refers not only to the lack of money, but also to material deprivation, discrimination or inability to participate in decision-making processes. Moreover, this can persist over time and can be transmitted from one generation to another. With the involvement of the European Union on several fronts, both internally and externally, from coordinating policies to promoting social responsibility, respecting, on the one hand, the principle of subsidiarity, and on the other hand the principle of proportionality, the poverty eradication has undergone real changes, and in 2017, for the first time after the onset of the global crisis, it was seen that the number of people exposed to poverty or social exclusion fell below the reference point in 2008, when the highest growth was registered. For a good development of the European Union, it is very important that in the process of eradicating poverty, the citizens to be very involved, and the competent authorities to ensure the access of all to adequate social protection, quality healthcare, education and an important role in this respect it will have the increasing of the employment level in the EU.

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A Comparison of Romanian Economy's Macro Indicators with Other Countries That Have the Same Credit Score

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Abstract: Credit Rating Agencies have become active promoter of neo-liberal policies since 1980s, and a strong credit rating plays an important role in determining the cost of borrowing. Although the transparency of credit rating agencies is discussed, the credit ratings given by these institutions shed light on the economies of the countries. These credit scores can be affected not only from economic factors, but also social and politic factors of a country. Romania has been given a credit score since 1996. According to 2018 ratings, Romania has been placed in lower medium grade countries category. This paper compares the macroeconomic indicators of countries in the lower medium grade category with Romania. This study also aims to determine whether the credit rating agencies consider the economic factors of a country objectively or act politically when they give a credit score. The results showed that Romania had a good performance at Total Debt/GDP ratio and relatively at interest rate, unemployment rate and real GDP growth rate, while it showed a bad performance at budget balance and inflation rate. According to the results, Romania had not the best or worst macroeconomic indicators in its category so it could be interpreted as credit rating agencies acted objectively by assessing Romania's macroeconomic indicators and placed a deserved investible category.

Key Words: credit rating, credit rating agencies, Romanian economy, lower medium grade, macroeconomic indicators, political economy

JEL Classification: F40, F50, F53, G23, G24

1. Introduction

Credit rating agencies announce their assessments of a country to the world at the same time in a global economy. In this way, investors measure the degree of risk they will receive. Standard and Poor's (S&P), Fitch and Moody's are the major and most well-known credit rating agencies today. It is an indisputable fact that ratings given by these institutions have an impact on capital flows in financial markets.

There are increasing debates about the objectivity of credit rating agencies and the various opinions that credit rating agencies serve many political purposes, such as the lack of transparency of credit ratings. Credit rating agencies' non-objective assessments may cause economic and financial risks especially in developing countries. Nevertheless, a credit rating exudes enourmous externality because it acts like a globally collective property.

A credit rating helps to determine the borrowing cost of a country, also have an impact on investors who want to borrow money in that country. In this sense, the various macroeconomic indicators take significant weight when credit rating agencies make country credit score decisions. The essential macroeconomic determinants of the sovereign credit ratings provided by the three major rating agencies are GDP per capita, government income, and inflation rate. In general, relatively significant macroeconomic factors, which are cited in rating agency reports as determinants of sovereign ratings, are economic growth, current account debt and savings, real exchange rate, foreign direct investment, fiscal balance, foreign debt and public debt (Aras and Öztürk, 2018). Although there are many macroeconomic indicators used by rating agencies, some of the key indicators were analysed in the study. This paper questions the impact of macroeconomic indicators of Romanian economy on the country credit score decisions of major credit rating agencies. Thus, the study compares the macroeconomic indicators of countries in the lower medium grade category with Romania.

The paper is organized as follows: Section-2 mentions about the historical development of the rating agencies in this paper. Section 3 and 4 explains the importance and the meaning of rating. Section 5 examines the rating history of Romania. Finally, Section 6 compares the macroeconomic indicators of Romania with the macroeconomic indicators of countries in the same category.

2 Historical Background of the Rating Agencies

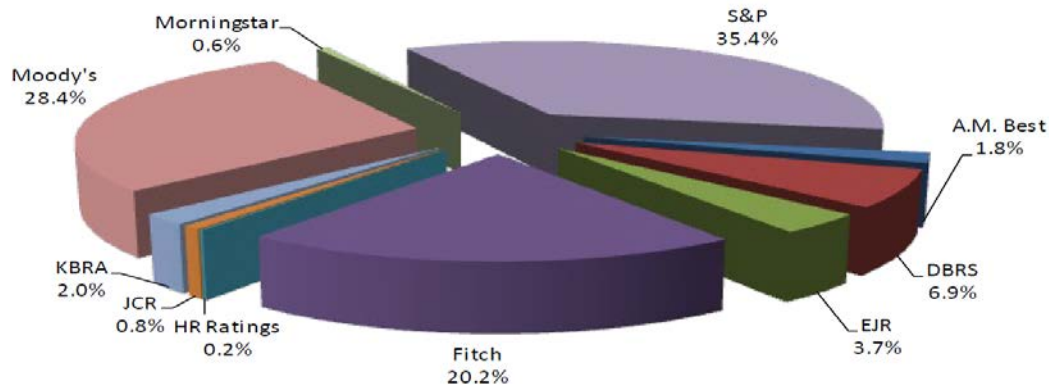
The services provided by credit rating agencies today were provided by specialized commercial and financial press, credit reporting centers and investment bankers affiliated to the 19th century. Specialized commercial press reported on the business conditions of companies and industries. The first of them was the American Railroad Journal, which was founded in 1832, and after Henry Varnum became the editor of Poor Magazine, he published “Poor’s Manual of the Railroads of the United States” in 1849 (Bayar, 2015). The Poor Company entered into the bond-rating sector in 1916. In 1941, Standart Statistics firm, which has been already in the rating sector, merged with the Poor Company, and they created Standart and Poor’s (S&P) company (Fernandez and Vila, 2015).

Accordingly, credit rating activity, which started in the commercial life in 1840s, for the first time in the world, became important in the financial sector at the beginning of the 20th century after 50 years. Louis Lewis Tappan founded the first credit valuation company in the world in 1841 in 1841. With the company founded by John Bradstreet, a lawyer in Cincinnati, Tappan’s company operated separately until the Great Depression in the US and merged into Dun&Bradstreet. In 1909, John Moody presented his first work called “Analysis of Railways Investments” in the United States. He evaluated the management, financial situation and operations of the railways. Moody’s work contributed significantly to the development of the rating concept. In 1914, John Moody (Setty and Dodd, 2003) established “Moody’s Investors Service”.

Fitch Ratings is the third largest rating agency. John Knowles Fitch founded it in 1913 under the name “Fitch Publishing Company”. Two books about Fitch Ratings attracted great interest in the United States and made it known then internationally. In 1924, he created the three-letter rating symbols that we use now. Fitch Ratings created a difference to the rating sector by offering a wide scale from AAA to D to show credit ratings in letters (Günel, 2019).

Although there are over 70 rating agencies, only three of them- Standart& Poor’s, Moody’s and Fitch Ratings are followed considerably by governments, banks and investors in order to evaluate the credibility of governments and financial products (Filip, 2019). After all, Moody’s, Standart and Poor’s and Fitch ratings dominated the credit rating sector. (Figure-1).

Figure 1. Market Share of Credit Rating Agencies in 2017

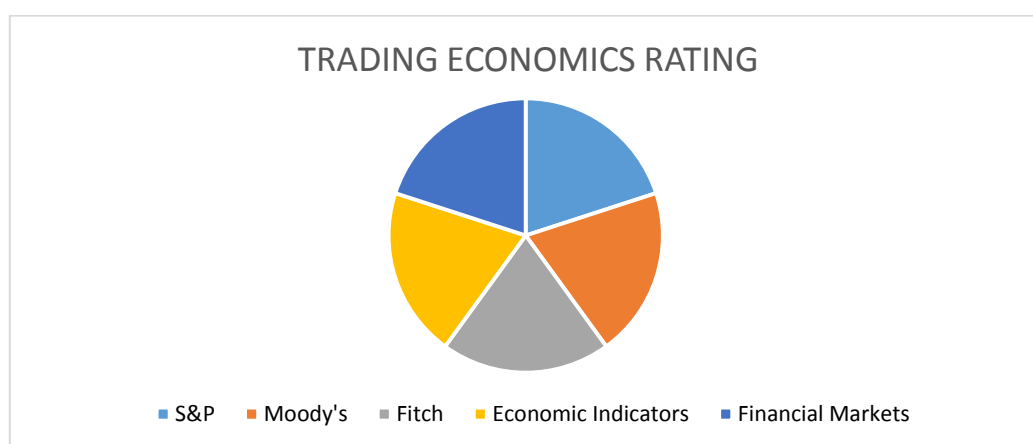


Source: SEC, 2018

3 The Meaning of a Credit Rating

The most well-known and the most effective credit rating agencies such as Moody’s, Standard and Poor’s and Fitch often symbolize their ratings with letter grades from A to D. Except little differences, these symbols are very similiar. The New York-based research institute, Trading Economics, gives ratings between 1 and 100, including Moody’s, Standard and Poor’s and Fitch ratings, as well as countries’ economic indicators and financial market indicators at an equal rate (Coşkun, 2016) (Figure-2).

Figure 2. Credit Scoring Method of Trading Economics



Source: Created by the author based on tradingeconomics.com data

Moody's conducts the government bond assessment process in four main stages. At first stage, economic strength of a country, including GDP per capita, nominal GDP and long-term economic strength, is assessed. At second stage, institutional strength of a country is analyzed, including the assessments on World Bank Government Effectiveness Index, World Bank Rule of Law Index and Transparency. At third stage, government financial strength is tested. There are some assessments about debt affordability, access to external liquidity and access to resources at this stage. At fourth stage, political risk, economic risk and financial risk of a country are qualitatively assessed under the susceptibility to event risk topic (Moody's, 2012).

S&P assesses countries' credit rating by making the use of the political score that reflects the corporate efficiency and political risks, the economic score that reflects the economic structure and growth expenditures, the external score reflecting external that reflects external liquidity and international investment position, the financial score that reflects financial burden, financial performance and flexibility and finally the monetary score that reflects the monetary flexibility (S&P, 2011).

Fitch, on the other hand, determines the credit rating of countries by taking into account the macroeconomic performance, expectations and structural characteristics that make the economy vulnerable to shocks. In addition to this, Fitch analyses public finance, including public debt structure and sustainability and also external financing factors, including external debt level and structure of private and public sectors, international trade balance, funding of current account balance and sustainability of capital flow (Fitch, 2019).

Table 1. The Meaning of Credit Ratings

Table 1: The Meaning of Credit Ratings					
Trading Economics	S&P	Moody's	Fitch	Description	
100	AAA	Aaa	AAA	Prime	Investible
95	AA+	Aa1	AA+	High Grade	
90	AA	Aa2	AA		
85	AA-	Aa3	AA-		
80	A+	A1	A+	Upper Medium Grade	
75	A	A2	A		
70	A-	A3	A-		
65	BBB+	Baa1	BBB+	Lower Medium Grade	Non-Investible
60	BBB	Baa2	BBB		
55	BBB-	Baa3	BBB-		
50	BB+	Ba1	BB+	Speculative	
45	BB	Ba2	BB		
40	BB-	Ba3	BB-		
35	B+	B1	B+	Highly Speculative	
30	B	B2	B		
25	B-	B3	B-		
20	CCC+	Caa1	CCC+	Substantial Risks	
15	CCC	Caa2		Extremely Speculative	
10	CCC-	Caa3		In Default with Little Prospect for Recovery	
	CC	Ca			
5	C	C		In default	
0	D	/	DDD		
		/	DD		
			D		

Source: Created by the author based on tradingeconomics data

The symbols used by Fitch, Moody's and S&P in their country's credit ratings are given in Table 1.

According to Trading Economic's credit scoring system, countries that have a point in the range of 55-100 are considered as investible countries. The lowest grades of the investible countries are in the lower medium grade group. Countries with the grade "BBB+, BBB and BBB-" and "Baa1, Baa2 and Baa3" are considered to have sufficient capacity in terms of capital and interest solvency. Although these countries have sufficient solvency, it is highly probable that the solvency may weaken due to negative changes in economic conditions. Lower medium grade countries are more sensitive to economic changes than the upper medium grade countries. The risk of nonredemption of a debt must always be taken into consideration. Countries in the range of 0 and 54 are considered as non-investible countries and they have highly speculative characteristics. They have a weak solvency so they carry a risk for investors.

4 The Effects of Credit Rating on Countries

The increase in the volume of international trade, the development of international relations, the acceleration of international monetary movements, more liberal policies of the countries increased the need for rating. International companies operate in other countries through foreign direct investments. An international firm wants an economically and politically reliable country, when it intends to make an investment. This is also determined by the credit rating of that country. For this reason, international companies prefer to invest in countries with high credit ratings (Coşkun, 2016).

Country credit rating not only determines the borrowing cost of a country, but also affects all investors who want to borrow money in that country. Therefore, a credit rating has a crucial importance for a country's economy (Cantor and Packer, 1996). Credit worthiness of a country is measured according to short-term, long-term, borrowing with domestic currency and borrowing with foreign exchange criterias. In the long-term assessment, basic structural characteristics about economic, political and social situation of a country are discussed, in line with the national and global possible developments. In the short-term assessment, power of the debtor's financial balance sheet is tried to be determined in order to confirm the repayability of short-term debts. Countries that get high scores from these assessments have an advantage to borrow more easily with lower interest rates and longer maturities (Elkhoury, 2008).

Despite positive effects of credit ratings, academic and political authorities for credit rating agencies have voiced many criticisms. Particularly after the bankruptcy of Lehman Brothers, the criticism of credit rating agencies-, which claim that derivative products were misrated- grew on the country's credit ratings due to the increasing problems specific to Eurozone countries (Gür ve Öztürk, 2011). The common point of the criticisms is that the process of issuing country credit ratings is not transparent. Another criticism is that the credit ratings follow the market indicators very far behind and changes in credit rating have a potential to distort the market perception unnecessarily. Credit rating agencies are perceived as systematic triggers of the crisis by the continual increase in the problems of a country after the downgrade of that country –which is having financial or economic problems.- Intensive use of country credit ratings in risk management is also criticised and it is recommended to use different indicators as an alternative to credit ratings (Partnoy, 2001).

Following the credit rating agencies' assessments, more closely and with great importance, brings along several risks in developing countries. The credit rating agencies' wrong predictions about developing countries may cause national and global crisis with a higher cost (Kraussl, 2005). This paper examines whether the credit rating agencies consider the economic situation of a country or politic interests, so the study compares the economic ratings of Romania, a developing country, with the countries in the same grade category.

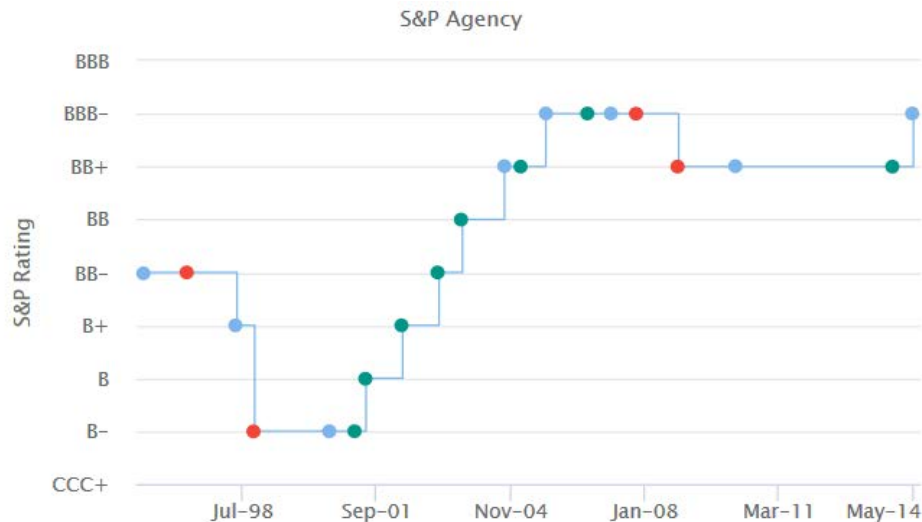
5 Romania's Credit Rating Development

On March 6, 1996, 3 major credit rating agencies started to give rating credits for Romania. The Balkan country received valuations of its long-term obligations from three major credit rating agencies- Moody's gave Ba3, S&P and Fitch gave BB-. These ratings lie within the desired "investment grade", and are somewhat lower than those of Hungary and Poland. The agencies took note of Romania's low level of indebtedness, which according to the country's National Bank, amounts to 24 % of GDP. Other positive development include a steady three-year economic growth to 6.9 % in 1995, and a drastic decline in the inflation rate from 61.7 % in 1994 to 35 % in 1995 (Zwass, 1999).

We can see from the three graphs that although there are little differences in the progress of the ratings given by S&P, Fitch and Moody's in some periods, there is generally a parallelism. Although the credit ratings

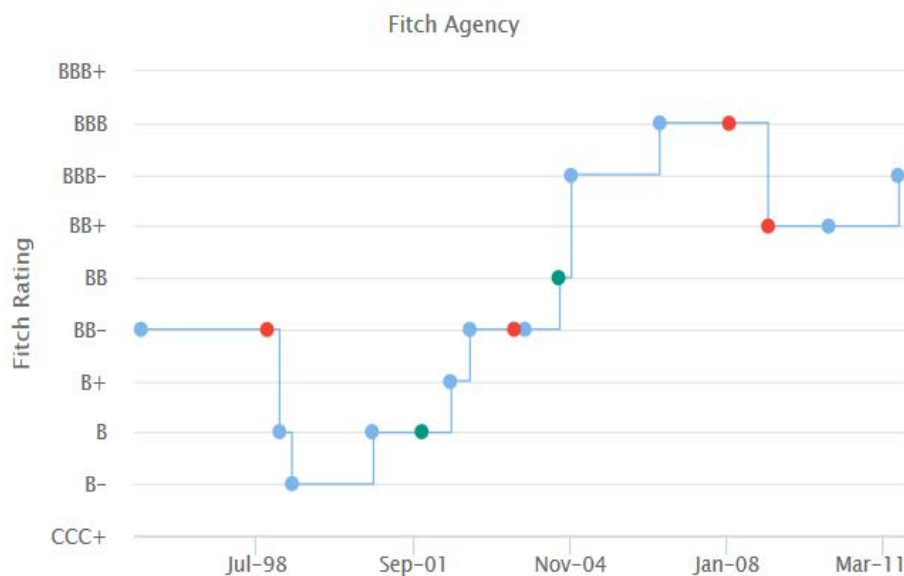
of Romania reached their lowest level in 1998-2001 due to crisis in Russia and Balkan countries, it recovered rapidly in 2002. With Romania's accession to the EU membership in 2007, the credit ratings reached their highest level and have been generally stable since the beginning of 2010s (Figure-3,4,5).

Figure 3. S&P Rating History for Romania



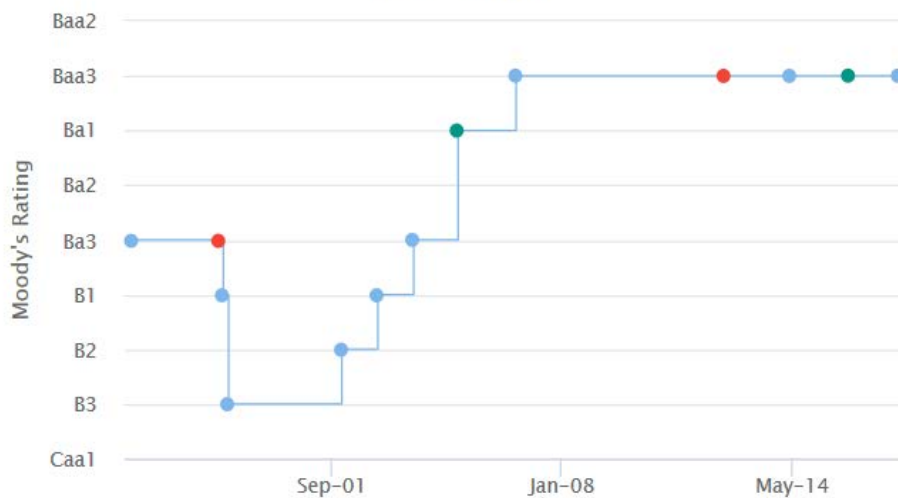
Source: <http://www.worldgovernmentbonds.com/credit-rating/romania/> (10.25.2019)

Figure 4. Fitch Rating History for Romania



Source: <http://www.worldgovernmentbonds.com/credit-rating/romania/> (10.25.2019)

Moody's Agency



Source: <http://www.worldgovernmentbonds.com/credit-rating/romania/> (10.25.2019)

6 A Comparison of Romanian Economy's Macro Indicators with Other Countries that Have the Same Credit Score

As it is mentioned before, a New York based research organization called Trading Economics gives credit scores between 1 and 100 points to countries. This scoring system includes not only credit rating agencies' notes (Moody's, Standart and Poor's and Fitch), but also countries' economic indicators and their financial market indicators. The meaning of the scores given by this organization is explained in the Table-1. According to it's classification, 21 countries which has the range of 55-69 points, are placed in lower-medium grade category. Romania has 55 points and is considered as a lower-medium grade economy. Countries that are in lower-medium grade category are listed at Table-2.

The data of Romania's and other lower-medium category countries' macroeconomic indicators was extracted from the Global Economy website. Because the complete annual data for 2019 could not be obtained, data for 2018 was used in this study. Some key macroeconomic indicators such as export, import, foreign direct investment, trade openness etc. couldn't be included in the study because some of the countries only had data for 2017 and earlier.

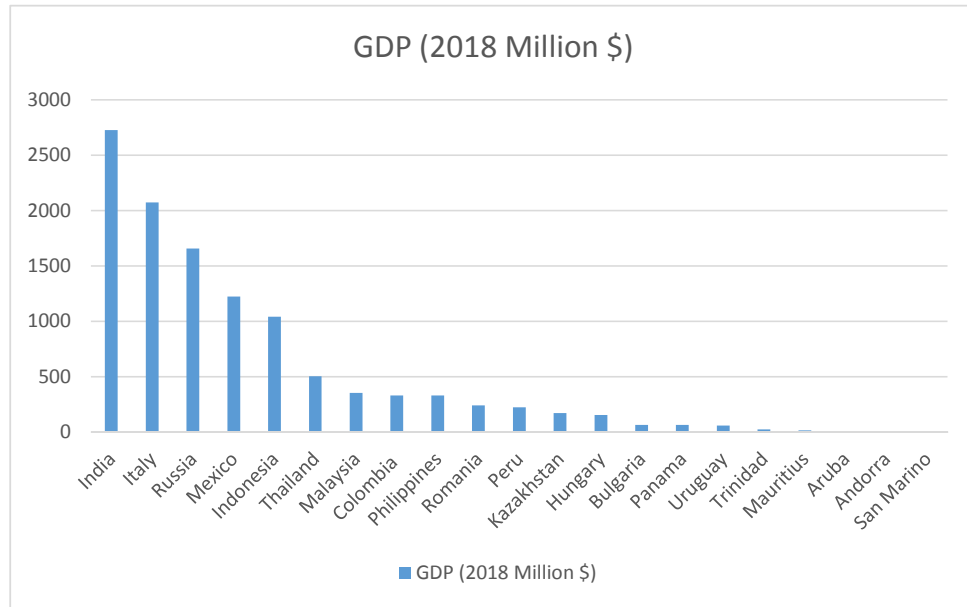
Table-2: Countries in Lower Medium Grade Category

Countries	S&P	Outlook	Moody's	Outlook	Fitch	Outlook	Trading Economies
Andorra	BBB	Positive			BBB+	Stable	62
Aruba	BBB+	Stable			BBB-	Negative	60
Bulgaria	BBB-	Positive	Baa2	Positive	BBB	Positive	58
Colombia	BBB-	Stable	Baa2	Stable	BBB	Negative	58
Hungary	BBB	Stable	Baa3	Stable	BBB	Stable	56
India	BBB-	Stable	Baa2	Stable	BBB-	Stable	56
Indonesia	BBB	Stable	Baa2	Stable	BBB	Stable	58
Italy	BBB	Negative	Baa3	Stable	BBB	Negative	62
Kazakhstan	BBB-	Stable	Baa3	Positive	BBB	Stable	56
Malaysia	A-	Stable	A3	Stable	A-	Stable	66
Mauritius			Baa1	Stable			65
Mexico	BBB+	Negative	A3	Negative	BBB	Stable	65
Panama	BBB+	Stable	Baa1	Stable	BBB	Stable	61
Peru	BBB+	Stable	A3	Stable	BBB+	Stable	65
Philippines	BBB+	Stable	Baa2	Stable	BBB	Stable	60
Romania	BBB-	Stable	Baa3	Stable	BBB-	Stable	55
Russia	BBB-	Stable	Baa3	Stable	BBB	Stable	55
San Marino					BBB-	Negative	55
Thailand	BBB+	Stable	Baa1	Positive	BBB+	Positive	65
Trinidad and Tobago	BBB	Stable	Ba1	Stable			57
Uruguay	BBB	Stable	Baa2	Stable	BBB-	Negative	55

Source: Created by the author based on tradingeconomics.com data (October,2019)

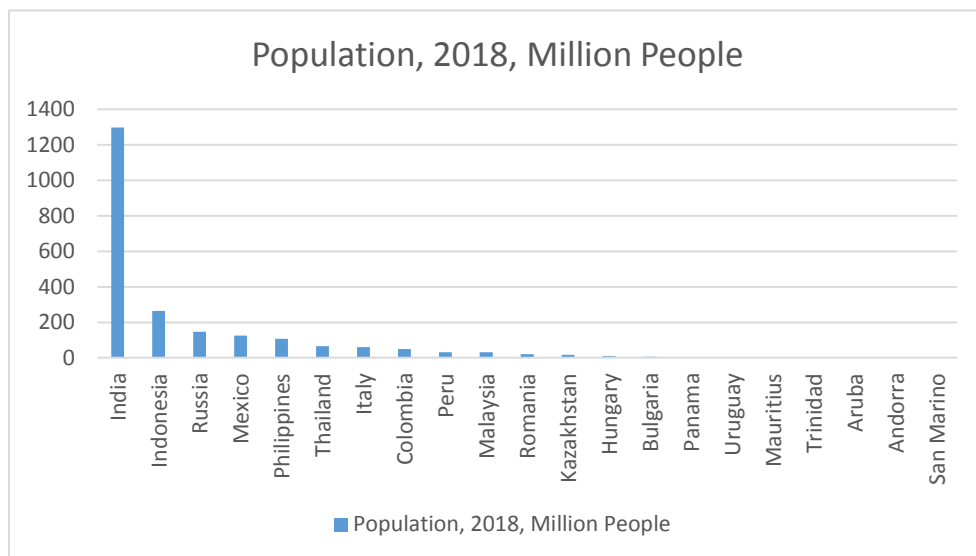
If we look at the amount of GDP of countries in lower-medium grade category, we see that Romania ranked at 10th in 2018. 8 of 21 countries had GDP lower than 100 billion dollars. Romania is in the same category with neighbour EU countries Hungary, Bulgaria and charter member Italy. Poland, a developing EU member country like Romania, had a credit score between 70 and 84 so placed in upper medium grade category. Last EU member country Croatia's credit score was in the range of 40-55 and showed a worse performance than Romania. Germany, Netherlands and Sweden had the best credit scores among EU member countries (Figure-6).

Figure 6. GDP of Countries in Lower Medium Grade Category



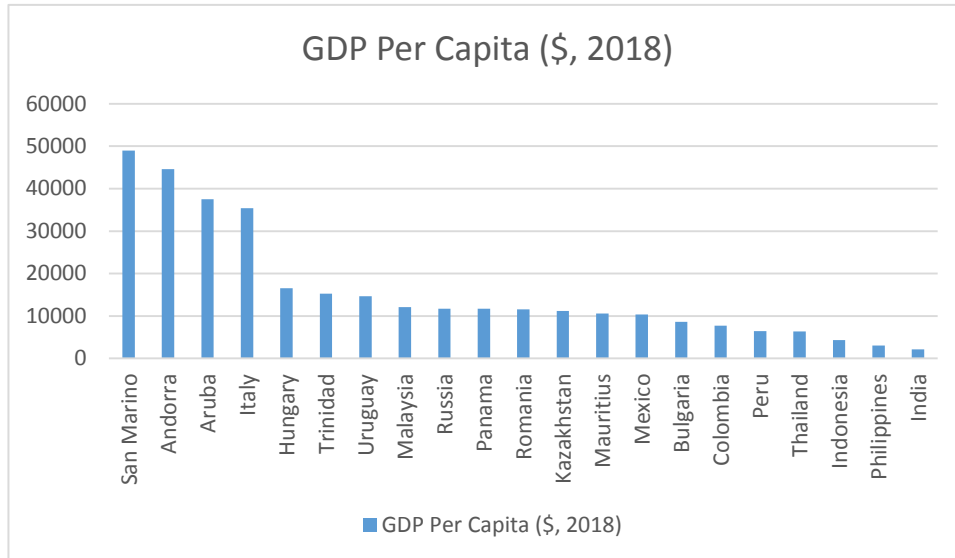
When we analyzed the population of the countries in lower medium grade category, the result indicated that Romania was the 11th the most crowded country in the middle of the list. The population of 10 countries is below 20 million. Four of the top five countries (India, Indonesia, Russia and Mexico) are G20 countries (Figure-7).

Figure 7. Population of Countries in Lower Medium Grade Category



Romania placed in 11th, according to GDP per capita ranking. GDP per capita of Romania was 11534\$ in 2018. Micro countries like San Marino, Andorra and Aruba shared the top three position respectively. The countries that are in the range of 95-100 credit score have generally a per capita GDP more than 40000\$ (Figure-8).

Figure 8. GDP Per Capita of Countries in Lower Medium Grade Category



In terms of real GDP growth rate in 2018, Romania ranked 6th with a growth rate of 4,1 % among lower medium grade category countries (Figure-9). Romania's neighbour country, Hungary, showed a better growth performance than Romania in 2018, but the other neighbour Bulgaria had a lower growth rate. While the real growth rate is low in developed countries with high credit ratings, it is noteworthy that the growth rate in developing countries is high. Eastern European EU countries like Romania, Hungary, Poland, Bulgaria, Latvia and Estonia have a growth rate between 3 % and 6 % (Figure-10).

Figure 9. Real GDP Growth Rate in Lower Medium Grade Category

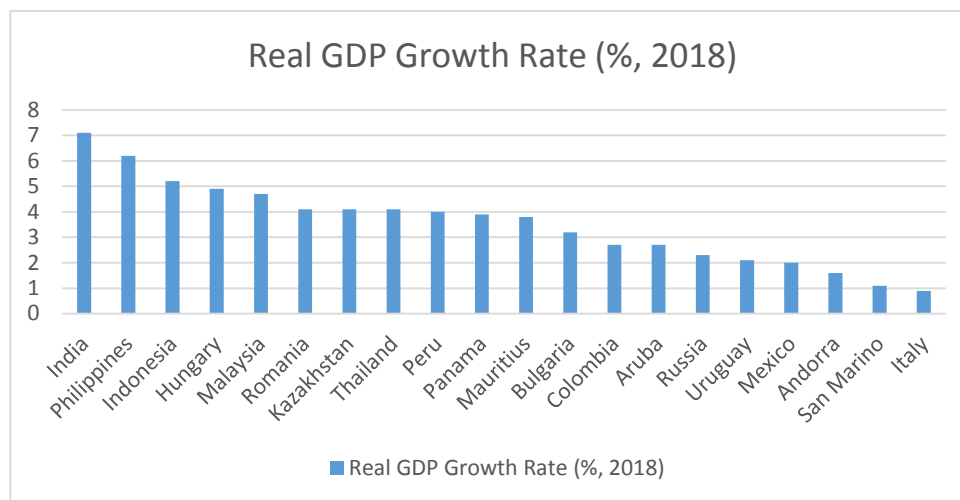
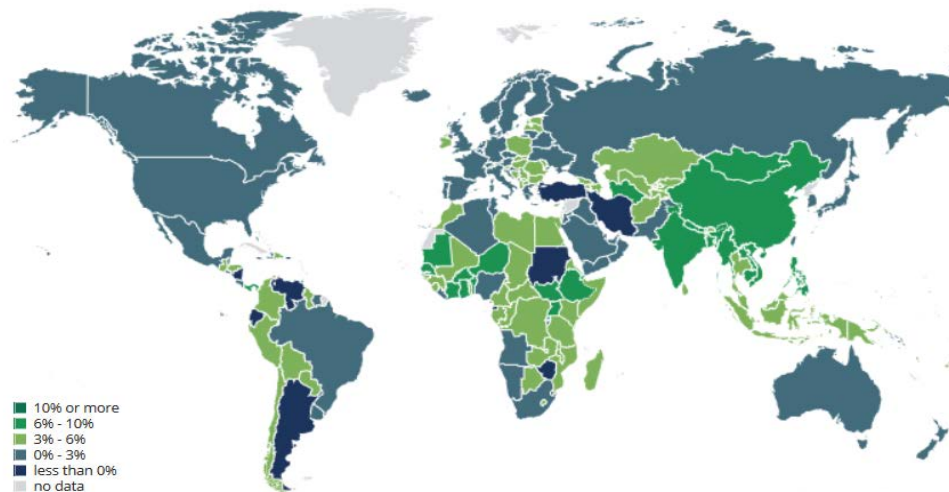


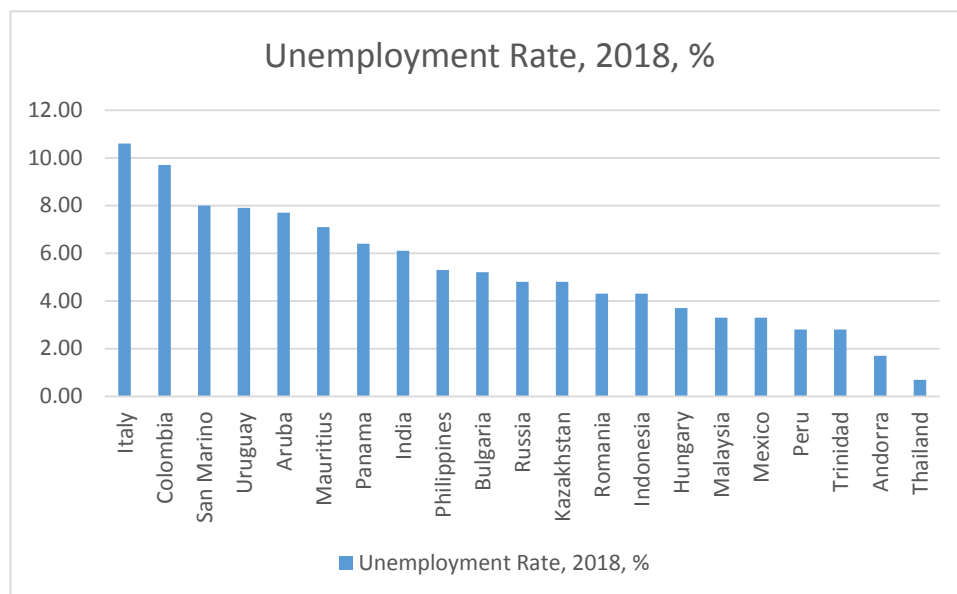
Figure 10. Growth Rate in the World



Source: https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD (05.10.2019)

When we examined the unemployment rate of countries in the lower medium grade category, the result showed that Romania had an unemployment rate about 4,3 % in 2018 and ranked at 13th among 21 countries. In other EU countries, Italy and Bulgaria, the unemployment rate was higher, while Hungary's unemployment rate was lower than Romania's (Figure-11).

Figure 11. Unemployment Rate in Lower Medium Grade Category



In terms of Budget Balance/GDP ratio, Romania was the 8th country with the worst budget balance (Figure-12). Contrarily, Romania showed a good performance in 2018 in terms of Total Debt/GDP ratio. Romania had a better condition than 15 countries in this category, including Italy and Hungary (Figure-13).

Figure 12. Budget Balance/GDP Ratio of Countries in the Lower Medium Grade Category

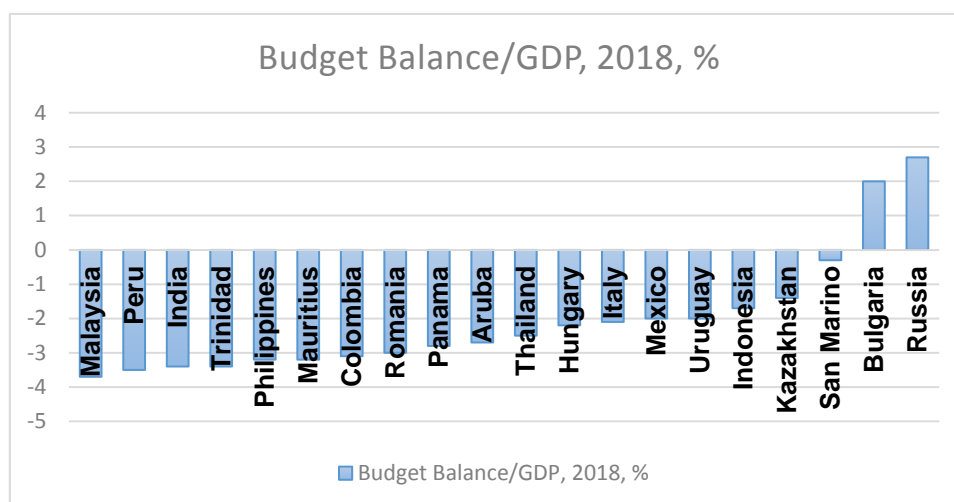
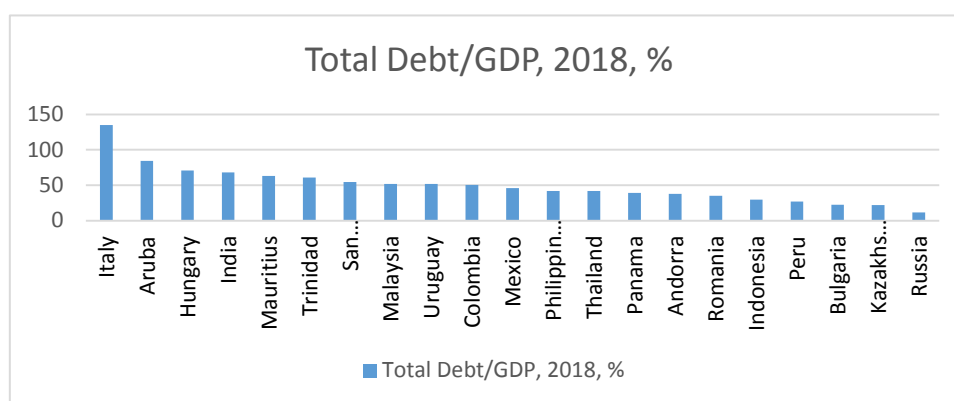
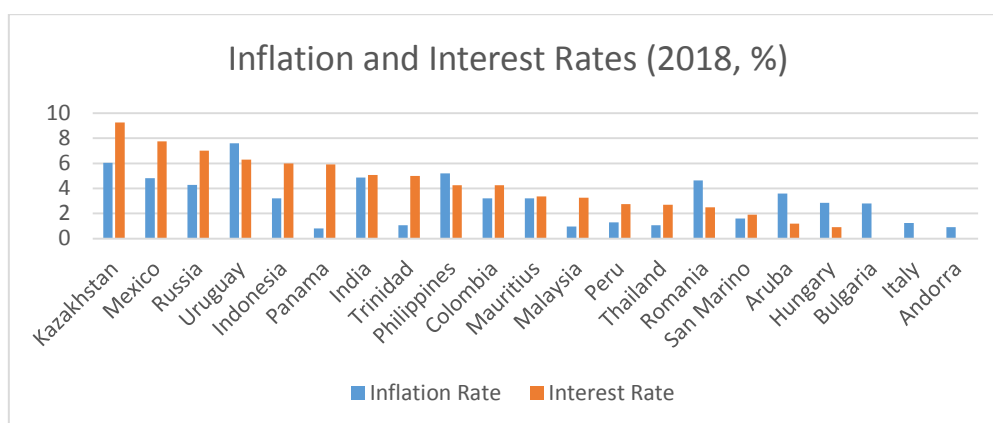


Figure 13. Total Debt/GDP Ratio of Countries in the Lower Medium Grade Category



In terms of interest rate, Romania showed a good performance in 2018 and had the 6th lowest interest rate in this category, but had one the highest inflation rate in 2018. Romania's inflation rate was approximately 5 %. Although this rate is considered as moderate, Romania's inflation is higher than many developing countries like Hungary, Bulgaria and Russia (Figure-14).

Figure-14: Inflation and Interest Rates in the Lower Medium Grade Category



7 Conclusions

Many academicians, politicians and other members of the public have criticized credit notes given by credit rating agencies. This study aims to determine whether the credit rating agencies consider the economic

situation of a country or politic interests, so the study compared the economic ratings of Romania, a developing country, with the countries in the same grade category.

After a successful development during the mid 90s, Romania got BB- grade from Fitch and S&P, and Ba3 from Moody's, as the country's first credit rating assessment. Although the credit ratings of Romania reached their lowest level in 1998-2001 due to crisis in Russia and Balkan countries, it recovered rapidly after 2002. Romania got high credit ratings from three major credit rating agencies after the country's EU membership in 2007. According to trading economics' credit score system, Romania has 55 points and is assessed as a lower medium grade economy with the other 20 countries in that category. A lower medium grade country is an investible country which has a credit score in the range of 55 and 69, according to trading economics.

When we investigated the economic statistics of 2018 for Romanian economy, we realized that Romania wasn't the country that had the best or the worst macroeconomic indicator in the lower medium grade category. Romania has an average GDP, GDP per capita and population in the lower medium grade category. Romania has a GDP per capita about 10000\$, but the countries which are in the upper medium grade category have a GDP per capita more than 40000\$. Romania showed a good performance at Total Debt/GDP ratio and relatively at interest rate, unemployment rate and real GDP growth rate. Despite the country's good statistics, Romania showed partially bad performance at budget balance and inflation rate among 21 countries in lower grade category. A high budget deficit may trigger the inflation rate and that may affect the growth rate. According to the results, Romanian government should apply tight monetary policy with budget discipline. This situation may be effective in preventing foreign investment to come to Romania. It can be concluded that credit rating agencies give credit scores by considering macroeconomic indicators of Romania rather than making political decisions. Thus, we can say Romania places a deserved, investible rating category.

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Prospects and Challenges for Global Natural Gas Market

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Abstract: The rapidly evolving COVID-19 crisis presents profound challenges for the global natural gas industry, as it does for the energy system as a whole and the economy at large. While LNG prices are collapsing due to oversupply and poor demand, US natural gas production and LNG exports may decrease for the first time in a decade. Major Russian gas projects, like Power of Siberia, Turkish Stream, North Stream 2 will increase its exports and competition on China and EU markets. US-China trade war is affecting US exports of LNG to Chinese market, while coronavirus pandemic affects industrial activities and global demand for natural gas. In Europe the influence of mild winter, pandemic and LNG oversupply was obvious and prices have decreased during the first four months. Traditional LNG exporters, such as Qatar, or Middle Eastern producers/exporters were hit by the large surplus on the market and some LNG projects will be postponed. Any demand and price recovery depends on the speed and amplitude of economic recuperation within the global economy. Romania will try to exploit, use and export the important off shore gas reserves, estimated at 200-300 TCM. Taking into considerations all mentioned above, our research has as main objective to presents the major challenges for the future evolution of natural gas market while depicting the main drivers of those challenges. The methodology used is based on an empyrical analysis using both latest international statistics and relevant case studies.

Keywords: natural gas, predictions, coronavirus pandemy, LNG

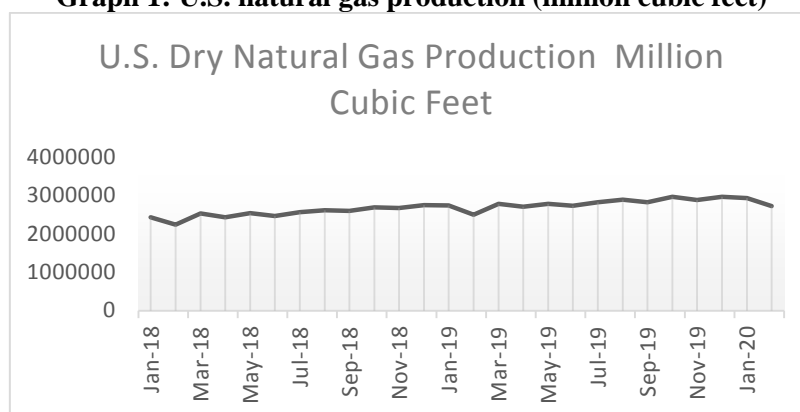
JEL classification: Q11, Q31, Q43

1. U.S. natural gas situation

1.1. Natural gas production

U.S. natural gas production may be reduced for the first time. Apart from a back-up during the 2016 market crisis, U.S. natural gas production has increased in the last decade. This upward trend may be nearing its end as prices have reached less than \$2/mil. Btu.

Graph 1: U.S. natural gas production (million cubic feet)



Source: Authors based on U.S. Energy Information Administration
(<https://www.eia.gov/dnav/ng/hist/n9070us2M.htm>)

Global LNG prices are collapsing. LNG prices are on track to reach their lowest level in Asia this summer. Natural gas is also experiencing its weakest season in the US and Europe since the late 1990s. "There is a supply surplus already in the US and Europe. And the mild winter in Asia means another surplus that is being made there," Marco Dunand, chief executive of the Merarid Energy Group Ltd., told Bloomberg. Torbjorn Tornqvist, chief executive of Gunvor Group Ltd., said the U.S. LNG exporters are 50 cents away from blocking the business.

Two new major Russian gas projects are already completed, Turk Stream and Power of Siberia, and the third, North Stream 2 through the Baltic Sea is in the advanced phase of completion. China is already connected to gas fields in Turkmenistan through a pipeline with a capacity of 55 BCM per year. China's northwestern region bordering Siberia is a major producer of crude oil and gas. Putin is trying to lure Mongolia into another project of a large gas pipeline to China.

1.2. The U.S.-China Trade War

Despite the fact that U.S. President Donald Trump declared from Switzerland a truce between the U.S. and China in the trade war that has been going on for more than a year, we should not expect to see rapid economic change. The problem, as explained in the article entitled "Trump's Phase I with China will not undo the damage to the trade war", is that the positive results of the agreement remain on paper in the future, while the damage caused by the US - China trade war will continue (Griswold, 2020).

Moreover, the 'Phase I' of the end of the trade war is only an initial phase, not a lasting change. In fact, Trump remains in his position that his high tariffs for China are a good policy. The president said in Switzerland that "these achievements would not have been possible without the implementation of the taxes. And the taxes will be used also for other products. This is why most of our taxes for China will remain in force during the "Phase II" negotiations.

It is not only US tariffs for China that will remain in place, but also Beijing's tariffs on the US. "The Phase I agreement maintains both U.S. tariffs on imports from China worth \$360 billion and Chinese tariffs on more than half of U.S. goods exported to China," reports The Hill. "These tariffs are an open wound to the United States economy."

At the same time, China continued its efforts to strengthen domestic energy production in order to decrease dependence on imports to ensure energy at national level. Beijing is currently preparing for a major revival of the energy sector, facing growing pressure to increase energy production. "The managers of Chinese energy companies are ready for a revival of the energy sector, as steps are being taken to reorganise management and energy infrastructure," Bloomberg reported in early April 2020. As part of an effort to strengthen production, last week Beijing "opened its sector for extraction from abroad, and last month it drew up plans to move pipelines to a new firm that would allow more companies access to energy infrastructure."

In addition, China's largest oil company, China National Petroleum Corp., and the major refinery Sinopec have announced major changes. China "intends to boost shale gas production in Guizhou", while next year shale gas mining will be slowed in the US, where the country's "shale revolution" is beginning to diminish. Officials in southwest Guizhou province announced an "ambitious plan to develop local shale gas resources over the next five years", by drilling more than 80 new wells "to achieve an annual production capacity of 2 billion cubic meters by 2025".

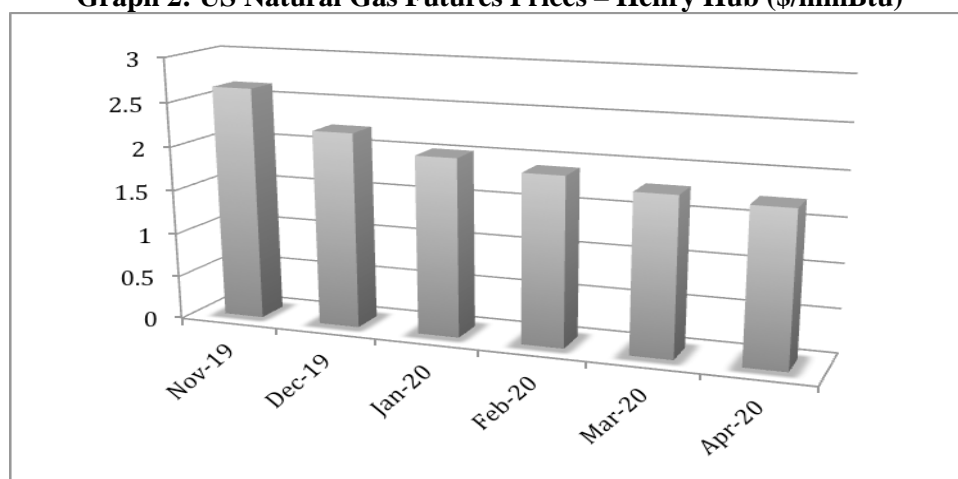
As an additional blow to U.S. shale gas, the recent trade agreement between Beijing and Washington does not mention the reduction in Chinese tariffs on U.S. energy imports, which are currently set at 5% for oil and 25% for liquefied natural gas (LNG). China, however, agreed to import more U.S. fuels.

As the New York Times headlines, "as part of the agreement, China has committed to purchasing dozens of American fuels of all kinds this year and future worth billions of dollars. But the entrenched public perception is that both the Trump Administration and China are still manoeuvring to gain the advantage. As China and Beijing are competitors to gain an advantage, there are many risks to the economies of both nations and to the massive workforce employed in the energy sector."

1.3. The influence of the coronavirus pandemic

Overproduction, low demand and low prices: these elements describe the natural gas market at the moment, as well as the oil market. Unfortunately, given that the outbreak of coronavirus in China has become global, the situation in the natural gas market may worsen before it improves (Oil and Companies News, 2020). And while the oil market is suffering, at least it benefits from the fact that it has a cartel that can try to balance things out. In the case of natural gas there is no such cartel, which is an even greater disadvantage.

Graph 2: US Natural Gas Futures Prices – Henry Hub (\$/mmBtu)



Source: Authors based on U.S. Energy Information Administration
(https://www.eia.gov/dnav/ng/ng_pri_fut_s1_m.htm)

The global oversaturated supply of natural gas is not a new element. A combination of new LNG capabilities and pipelines, and milder winters in some parts of the world, especially in the northern hemisphere, have oriented the market towards the oversupply that persists to this day. In addition, demand has decreased due to the coronavirus pandemic. In the United States, Henry Hub futures were at the end of April below \$2/mmBtu until July, when the futures price reaches \$2/mmBtu. According to Richard Soulanian, president of energy consulting company NUS Consulting Group, prices in the United States could fall even further, up from \$1.50-\$1.60 for near-month contracts, before they begin to improve in the last part of the year.

What could possibly support gas prices? Europe has natural gas deliveries secured in large quantities and so is Asia. The Energy Information Administration has forecast that U.S. gas stocks will hit a record at 589 billion cubic meters later this year, which would be up 12 percent from the five-year average.

Production shows no signs of slowing for the most part, as much of the United States's natural gas production comes from shale oil mining fields. There seems to be no way to raise prices, and this affects some gas producers and especially U.S. "upstream companies". A recent report by energy data provider Enverus "Rockies and Bakken in Focus" shows that many producers active in the two shale areas have production costs considerably higher than the reference prices, some greater than \$3/mmBtu. Unless things change quickly, this can lead to bankruptcy.

The transportation problem remains, although mitigation is expected with the construction of Permian's Kinder Morgan natural gas pipeline, which was established earlier in April. The pipeline will carry 2 billion cubic meters of natural gas to the Houston area. However, this will not change the situation of saturation in terms of domestic gas demand in the United States. According to Bloomberg, the world needs more gas-fired power generation capacity to recover gas prices. "Global prices are converging and by the time there are no new generation capacity built domestically and abroad, there won't be much space in the market," said Campbell Faulkner, data analyst at OTC Global Holdings. However, demand could grow earlier, at least in some parts of the world and especially in the U.S., according to NUS Consulting Group. An increased electricity consumption is expected in the summer season to provide some recovery for U.S. gas prices, the same with gas exports to Mexico, the country that is one of the largest buyers of U.S. gas. As demand grows, as its population grows, Mexico will remain an essential consumer for US gas surplus due to a lack of sufficient domestic production.

US LNG exports are also expected to grow this year, although "the U.S. LNG export capacity will continue to contribute to increased global demand for LNG, particularly in emerging Asian markets, as long as U.S. gas prices remain competitive," according to the EIA. Competitiveness is the rule of play in the LNG market, as all large producing countries feel the effect caused by the coronavirus epidemic. Those who trade a lot of energy resources with China, according to NUS Consulting Group, will feel a greater effect than those less dependent on Chinese imports. Also according to the EIA, US LNG will remain competitive until around 2030. However, buyers in Europe are already refusing the cargoes, that are too expensive, and this suggests a different reality at the moment. U.S. LNG producers plan to put more liquefaction capacity into operation.

Cancellations for cargoes cannot be a good thing for these plans. However bleak the gas landscape is at the moment, there is hope and this hope comes from oil prices.

"Covid-19 is causing crude oil prices to fall rapidly," Richard Soulanian told Oilprice, "which is likely to lead to a decrease in U.S. shale oil production from 2020 - which was originally foreseen - thus reducing some of the associated natural gas production." NUS Consulting Group believes that the natural gas market will not be rebalanced until mid-2021 due to the impact of the coronavirus pandemic on global supply patterns and demand. Without it, the market could have rebalanced by the end of this year or in early 2021, at the latest. This means that smaller U.S. producers, vulnerable to price changes, will have to bear an additional impact in one or even two stages. Big players, especially those supported by the state, such as Qatari or Russian companies, but also other major companies, are likely to emerge from this new gas crisis, largely slightly affected, but we may see bankruptcies in the US shale industry, unless a truly warm summer will lead to a major improvement in the demand for natural gas for electricity generation.

2 Natural gas situation in Europe

The International Energy Agency believes that a number of factors converge on the idea of evaluating the real potential of European gas demand in the short term, said the head of the agency's natural gas market analysis department (Zaremba, 2020). Jean-Baptiste Dubreuil, in an exclusive interview with S&P Global Platts, stated that the energy sector would be the only driver of increasing European demand in the coming months, as also in this sector hydrocarbons have faced increased competition from renewable sources.

The spread of the COVID-19 virus has led to a decrease in industrial activity in Europe, at a time when gas prices were already at their lowest levels in a decade due to an oversaturated global market and record LNG inflows, at a time when the end of the continent's heating season contributed even more to declining demand. As the heating season has ended and industrial and commercial activity is currently restricted, electricity generation would be the only sector for potentially increasing demand in the short term. But the potential is limited, as the share of heat production continues to decline with the development of renewables, while the switching from coal to gas at European level has already taken place on a large scale in recent years.

It has also been one of the mildest winters to date, affecting the demand for natural gas in the heating sector, and Dubreuil has been cautious about blaming the current landscape for low European demand for natural gas solely in the light of the impact of the coronavirus. Data on total consumption reported by network operators in Italy, Spain, France and Belgium show a decrease from 6% to 20% since the application of isolation, but, again, some of this would be explained by temperature factors.

Traditionally, a source of demand in the summer months in Europe is the storage sector, but after stocks were raised to record highs last winter, due to concerns about the Russia-Ukraine transit, the deposits remain full. According to specialists, storage offers less leeway than in previous years, as stock levels at the end of winter are higher than average.

In view of the reduction in global supply and potential demand, all producers and exporters could seek options to optimise the trade positions and create some operational flexibility in the short term. Eyes will be on Russia and Norway to see if there is any change in behaviour that could lead to a reduction in flows to Europe. Given that prices in Europe were below €8/MWh (\$ 2.50/ MMBtu) in the recent period, there is concern that the price for natural gas in Europe is high enough to cover marginal costs in the short term. Last summer Equinor of Norway significantly restricted its production in its Troll and Oseberg fields, hoping for higher prices later.

"In terms of supply, proving flexibility to balance the European market includes a wide range of factors," Dubreuil said. These include contractual flexibility (intra-annual and beyond the current year) and operational flexibility, such as maintaining and optimising production, he said. As far as Russia is concerned, in particular, the structure of its exports to the EU in the coming months will depend in part on customer demand. Independent of Russia's strategy as a long-term producer and exporter, its short- or medium-term flows to Europe will remain mainly driven by its long-term contractual commitments and will therefore fluctuate according to buyers' nominations under the flexibility clauses of their contracts.

Gazprom wants to keep its exports to EU and Turkish markets at around 200 BCM/year over the next decade and has other tools at its disposal to maintain market share. The main is its electronic sales platform (ESP), where Gazprom can place volumes that are not agreed through long-term contracts. The development of sales within the ESP - and direct sales at the price of the moment on hubs - shows Russia's growing role as a short-term supplier to Europe and its competitiveness for short-term buyers.

LNG has continued to come to Europe in large quantities since the beginning of 2020, then the

situation has escalated as a result of the collapse in China's import demand for LNG due to coronavirus. However, again, Dubreuil said that the mild winter could account for some of the decline. The end of this very easy heating season introduces a temperature-determined impact on heating demand, which adds additional complexity in assessing the impact of COVID-19 on consumption. While the virus had an impact on China's annual growth in gas demand in January and led to a decrease in February, industrial activity increased in March. Early estimates for March tend to show a return to growth, as the Chinese industry is gradually returning to normal activity.

LNG imports were constant in Japan, increased in South Korea and increased in several fast-growing markets, such as India and Bangladesh. However, most of these emerging markets in Asia appear to be in the early stages of COVID-19 development, having recently taken the first containment measures. Cheap LNG could continue to be an attraction for Asian LNG importers, especially to price-sensitive buyers in fast-growing markets. However, rapid market expansion also depends on a wide range of internal factors, such as access to regasification capacity, potential pipeline network bottlenecks, downstream market organisation and potential competition with locally produced sources.

While short-term market dynamics do not seem favourable, Dubreuil said the impact of COVID-19 would not "fundamentally" change the role of natural gas - and renewable gas - in the long term. "The development of hydrogen, biogas, etc. follows market objectives and medium- or long-term policies. It is again too early to say that COVID-19 will have a short-term impact on the investment programme for these projects, but if it should happen, it does not change the long-term reasoning behind these projects," Dubreuil said.

3 The LNG market

3.1. The LNG excess

Global LNG markets are struggling with an unprecedented surplus. Production expansion in Australia, Qatar, Mozambique and Egypt, combined with continued progress by the export of shale gas from the U.S., has further lowered prices. Analysts have previously warned that a possible surplus of LNG could have serious consequences, but no one expected the market to be affected by a shock from demand, such as that caused by the coronavirus outbreak. The main LNG producers, such as Qatar, Australia, Egypt, are already feeling the effects of this situation. During the "EGYPS2020" oil and gas conference in Egypt, participants expressed concern for the imminent future of the East Med gas hub, as no new LNG export contracts have yet been signed and the required prices are not likely to be obtained.

The announcement that Qatar delayed the election of Western partners for the world's largest liquefied natural gas project by several months will not go unnoticed. Without direct statements by Qatar Petroleum, sources said the delay decision was made on the basis of current market elements and given the still unclear impact of the Coronavirus outbreak. Qatar is fighting a sustained battle for its market share as the market has been saturated by U.S. shale gas exports and it has been recorded a drop in Chinese demand.

International interest in the expansion of LNG in Qatar was high, and among those interested were industry giants such as Shell and ExxonMobil. Qatar Petroleum (QP) has not published any list of stakeholders, but about six Western companies are believed to have shown interest. The market was waiting for QP to announce its partners in the first quarter of 2020, but this event will be delayed by the end of this year.

It is not only traditional LNG exporters, such as Qatar, or Middle Eastern producers/exporters such as Egypt or Algeria that are hit by the current surplus. U.S. shale gas exporters are still facing a major crisis. Dreams of entering strong, high-priced markets worldwide were destroyed because, due to the existing surplus of natural gas, prices fell. U.S. gas exports now only contribute to saturation, pushing prices further down.

Booming U.S. exports, combined with low demand from Asia, are an important recipe for disasters, affecting most companies, especially Shell, Total and ENI, as they all focus their own investment and expansion strategies to the natural gas sector. Some American manufacturers, such as Chesapeake Energy, are already struggling with bankruptcy, and companies have been hit by a drop in profits.

For Arab producers, especially Qatar, Algeria or Egypt, the future is uncertain. New natural gas discoveries will need to be monetized to support economic growth and diversification plans. Current expansion plans are needed for Qatar, not only for new exports, but also to keep investors and international operators interested in Qatar's success story. Algeria, at the same time, is moving to other routes to get extra money to support its developing economy for years to come. The strategy for the Energy Hub in Egypt, in cooperation with Cyprus and Israel, is a matter of life and death. International cooperation and investment strategies are needed to develop the regional economy. Without markets or customers everything will be frozen, because no

investor or company will be willing to spend another \$10 billion on a possible new 8 million-ton LNG convoy. In the case of Qatar, the planned expansion is about \$60 billion.

Today, all eyes are on China, as the Asian giant has accounted for 40% of the global growth in LNG demand since 2015. The expansion strategies were adopted in view of the fact that demand forecasts for China will exceed 82 million tonnes/year by 2023. The same was expected, at lower volumes, for India and possibly for other areas of Asia and even in Europe. The current situation and effect of the coronavirus pandemic have questioned all this. A main concern will be that surplus LNG could get out of control, pushing major operators to uncertain areas (Rystad Energy, 2020).

3.2. Shell forecast

According to information published by Shell in its last forecast for 2020, the increase in supply of liquefied natural gas (LNG) on the world market is expected to slow down by the end of this year and in 2021, when the last of the new projects currently under construction will be completed (Paraskova, 2020). Starting with the second half of this year, Asia will absorb excess supply, and Europe will cease to be the "balancing market" in absorbing the growth of supply coming from new projects in the US and Australia, according to Shell, which is a major player in the LNG trading market." Europe has absorbed the majority of the increase in supply in 2019, as competitively priced LNG favoured the shift from coal to natural gas in the electricity sector and replaced the decrease in domestic gas production and gas pipeline imports," Shell specialists said. LNG imports from Asia increased modestly in 2019 compared to previous years due to milder winters and increased nuclear power generation in major LNG import countries in Asia, Japan and South Korea, Shell said. In the spring of 2020, LNG prices reached the lowest level in a decade, due to warmer winter in many parts of Asia, rising LNG supply and lower growth in China's imports. In April spot prices for LNG in Asia fell to a new low of \$2.70/MMBtu - decreasing due to low demand in China amid the outbreak of coronavirus, industry sources told Reuters.

"While at the moment we are seeing weak market conditions due to the increase of supply, two successive mild winters and the Coronavirus epidemic, we expect to return the balance, driven by a combination of continued growth in demand and the reduction of new supply by the mid-2020s," Maarten Wetselaar, director of natural gas at Shell, said in a statement. In the longer term, Shell expects global demand for LNG to double to 700 million tonnes by 2040.

3.3. The impact of coronavirus pandemic on LNG market

The global natural gas market was already oversaturated at the beginning of Spring 2020 due to relatively modest demand and declining prices amid a mild winter in the Northern hemisphere. The pandemic has created an unprecedented situation that has made things worse. And while analysts still expect cargo ships to be loaded to levels close to normal in the coming months too, global stocks could be reduced by an early autumn.

At the beginning of the year Europe took over excess cargo ships to China when the viral epidemic first broke out in China and Eastern Asia, but demand has narrowed significantly on the continent since mid-March with the spread of the Coronavirus. India was the opportunistic buyer, but the government closed the country for 21 days from the end of March, aggravating the problems for the LNG market. "Another thing that affects the market is that India tends to be very price sensitive and buys a lot of LNG when prices are low," said Kristen Holmquist, director of Poten & Partners. According to Kpler, India's LNG imports reached a record of 2.75 million tonnes in February, when a number of cargo ships were redirected there from the Far East. Demand for natural gas in India has been growing rapidly, driven mainly by its increase in the residential and commercial sectors, with LNG accounting for more than 50% of the country's gas consumption. The largest number of contracts with India are provided by the producers of LNG in Qatar and USA.

The number of floating LNG vessels worldwide has increased again, as happened in mid-February, when China was battling the outbreak of infection. The number of ships on water is an indication of global demand because ships are trying to find a buyer or waiting for prices to rise. Major buyers in India declared force majeure in early April for losing labour to unload ships and facing declining demand due to the country's closure. Kristen Holmquist said the invocation of force majeure was denied. "What we have seen is that instead of accepting force majeure, suppliers are working with those countries to temporize or delay cargoes and also to find a short-term solution," Kpler said.

The coronavirus pandemic continued to push prices down, in Europe and Asia. Since the beginning of the year, Dutch Title Transfer Facility and Japan Korea Marker have fallen by 44% and 57% respectively,

according to a Goldman Sachs analysis from mid-April which underlined that "we will now see that U.S. LNG exports will be unprofitable for most of the summer." While in the US LNG capacity closure is becoming a probability, as storage capacity in Europe has started to fill up since the end of last year, a more robust response from LNG bidders may be necessary from other producers if the market continues to deteriorate. "At that point, we may start to see more extreme needs to stop LNG production in locations where no capacity closures have occurred."

4 Global Natural Gas Market Forecasts

Rystad Energy claimed in its latest report in April 2020 that natural gas would continue to feel the shock triggered by coronavirus for many years to come. Global gas demand is affected by the Covid-19 pandemic, and Rystad Energy estimates that, although they will not be reduced to the same extent as crude oil, international gas prices will reach lower averages in 2020 than previously forecast. Prices had already fallen due to the abundance of liquefied natural gas (LNG) on the market and it will take years for the pandemic effect to dissipate completely (Paraskova, 2020).

Prices in Europe (TTF) for 2020 are now forecast at \$3.2/MMBtu, a decrease of \$0.62/MMBtu from the February forecast. Similarly, the forecast for spot prices in Asia was revised to \$3.80/MMBtu. The lower forecast is based on weaker demand at the global level throughout the year as a result of lower trade and industrial activity, which will exacerbate market weakness. Price forecasts for 2021 and 2022 have also been revised on the basis of lower economic growth and significant LNG supply. In view of the recent collapse in oil prices and Rystad Energy's downward revision for the oil price forecast, the price indexed with crude oil has also been revised.

Given the six-month gap in oil price indexation in most long-term contracts, the indexed oil price is expected to reach a level of \$5.68/MMBtu in 2021, which is \$1.05/MMBtu below the previous forecast (-16%). The US gas prices in Henry Hub are also expected to remain below \$2.5/MMBtu for an extended period, at an average of \$1.94/MMBtu in 2020 and \$2.43/MMBtu next year.

Rystad Energy expects the fundamentals of the global market to remain the same until 2022, but rising LNG demand could exceed liquefaction capacity due to more delays in starting projects. Rystad Energy forecasts a balance of the LNG market in 2024 and 2025 and, with it, an increase in prices. After this period, we may see a downward trend in risk for 2026 and 2027 prices, driven by potential excessive investment in 2019 as new deliveries begin to enter the market. However, the downward trend in prices during that period may be more limited than previous estimates, as the smaller number of liquefaction projects taking place will help to maintain a better balance in the market.

Much of this year's demand losses come from limited appetite for LNG, with buyers reducing orders amid reduced industrial and trade activity and excessive offers, as low prices sometimes make transport inefficient. As a result of lower demand and lower prices, exporters have had to adjust their LNG production, and the US is among the countries that will feel the greatest impact on LNG exports. The raw material supply of liquefaction facilities on the US Gulf Coast has slowed in the past two months, with part of the gas being redirected to domestic consumption, where the shift from coal to natural gas in the electricity sector is observed. The amount of natural gas subject to liquefaction peaked at 269 million cubic meters/day on 31 January and has seen a decreasing trend since then, with an average of 224 million cubic meters/day in March. The amount of natural gas that was liquefied at the Sabine Pass LNG terminal decreased from 120 million cubic meters/day on 31 January to 49 million cubic meters/day on 17 March.

"While US LNG exports fell, demand in the electricity sector continued to rise in March, fueled by low gas prices. US gas demand in the electricity sector has recently reached almost 900 million cubic meters/day, an increase of 30% compared to last year. However, as the Covid-19 epicenter moves from Europe to the US, there was a decline in demand for natural gas from the electricity and other sectors, adding pressure on Henry Hub prices" said Carlos Torres- Diaz, director of Rystad Energy for the natural gas and electricity markets.

In terms of production, in the US, gross natural gas production is expected to decline from 3.28 billion cubic meters/day in the fourth quarter of 2019 to about 3.05 billion cubic meters/day in the same period this year. It is estimated that in a WTI crude oil price scenario of \$ 30 /barrel (the price falling below \$ 15/barrel in the second half of April), Permian gas production could fall by more than 11 million cubic meters/day (expressed in dry gas), just before the end of the year, and may decrease by another 28 million cubic meters/day in the period 2021 – 2022, if crude oil prices do not recover. Although this rate of decline may not seem significant, it is a big difference compared to the initial growth expectation of 113 million cubic meters/day for the period 2020 – 2022.

Permian and Whistler pipelines will most likely become operational and achieve adequate utilization rates, but the use of old pipelines and the need for future projects are now in jeopardy. Lower natural gas production from associated wells could help balance the market and push Henry Hub prices back to \$2/MMBtu by the end of the year.

5 Conclusions

Natural gas is a resource closely linked to crude oil, with which it competes and to which it relates to the pricing of long-term contracts, usually indexed to the price of crude oil/fuel and Diesel oil. The decline in prices in 2019 and especially in 2020 will have significant effects on supply, in the medium and long term, while balancing the supply/demand ratio in the global market will take at least a few years. Natural gas has been established as an important substitute for coal and oil, which are much more polluting resources, but it also feels the competition of renewable energies. Transport projects developed by Russia, through large pipelines and liquefaction projects in the US, Australia and Arab states have favoured the global expansion of natural gas, temporarily hampered by the crisis triggered by the Coronavirus pandemic.

Romania has limited onshore reserves (100 billion cubic meters in 2017) and with significant offshore reserves (at least 200 billion cubic meters). Now, our country can also take advantage of the opportunity created by market condition for some imports of natural gas for storage in underground deposits, at the low prices in the second and third quarters, although resuming relations with Romania's traditional pipeline gas supplier, Russia, would be relatively difficult, but also of LPG (liquefied petroleum gas) in deposits in the Midia port. In recent years Romania has reduced its gas imports from Russia to a minimum, to almost zero. The average price of natural gas import contracts in Western Europe on 31 March 2020 was \$2.71/MMBtu (about \$94/1000 cubic meters), practically equal to the average import from Russia (\$2.7/MMBtu). Instead, Romania could exploit the possibility of importing gas from spot markets by interconnecting to European networks through the Hungarian-Szeged pipeline. In the EU spot markets (Baumgarten-Austria, Zeebrugge-Belgium) the natural price at the beginning of April was \$1.60/MMBtu (\$56/1000 cubic meters), with a downward trend, the lowest level in 25 years, both because of the crisis caused by the pandemic but also the very mild winter and the record supply of LNG from the US.

In contrast, Romania has a major advantage in the field of natural gas following the important discoveries made in the Black Sea continental plateau. The reserves in this perimeter are estimated between 200 and 300 billion cubic meters and would guarantee Romania long-term energy independence/autonomy and significant export through the BRUA pipeline, which is in the final stage of construction and financed by the EU. The fact that the new discoveries of oil and gas come largely from deposits that are increasingly difficult to exploit technologically, geologically and commercially, however, puts the governments of the countries holding these reserves in a position to make the regulations on the foreign investment regime more flexible in exchange for assistance in the exploration and production of their primary energy sources, and the extremely low prices of crude oil and gas further encourage this trend which is not to the benefit of resource holders. The economic, energy and geopolitical stakes of the exploitation of these reserves in the Black Sea are so great that it has generated extremely strong external political pressures from some states that have companies involved in the project, to which the state should not give up, but try to make the most of them properly, including through their use in petrochemicals and in the supply of the population.

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Development of Consumption of BIO products on the Romanian Market: an Entrepreneurial Approach

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Abstract: In a world dominated by the process of globalization and the accelerated process of population growth, organic products are often seen as a luxury. This type of product has seen an increase in consumption and marketing. People want to be healthier, live longer and be more environmentally friendly. In Romania, the trend is similar to what is happening worldwide, but there is a certain peculiarity: organic raw materials are exported and organic finished products are imported. The increase in the consumption of organic products has and will have a positive impact on the Romanian market, including on the economy and on the health of citizens, which is anticipated and benefited by young entrepreneurs who have developed small businesses from growing and selling organic products. In this article, an exploratory research of the specialized literature and a case study on the present situation regarding the production and consumption of organic products at global, European and Romanian level were carried out. Also, the situation of young Romanian entrepreneurs who invested in businesses with organic products was analyzed, by applying a specific set of questions through which it was wanted to identify the reasons that were the basis of the business decision in the field of organic products.

Key-Words: BIO products, organic product, sustainability, consumer behavior, entrepreneurship

1 Introduction

Organic products, which are also called ecological or bio, are gaining more and more ground. The reasons that led to the increase in the share of these types of products are numerous. One of these reasons is related to humanity's desire for sustainability, to use technology to produce renewable goods, to protect the environment and to increase people's life expectancy, including their health.

In order for a product to be considered bio / organic / ecological it must be certified as such by an authority and must comply with certain rules, mainly it must not be produced with the help of chemicals. In other words, the finished product should contain only natural products and the raw materials of the product should not have been subjected to chemical treatment by humans. And for a production to be organic, 3 conditions must be met (Yu et al., 2018, p. 53): 1 - not to use genetically modified products or organisms; 2 -

do not use chemical fertilizers, pesticides or other types of additives and fertilizers; 3 - to use a technology based on sustainable agriculture and to keep the ecosystem intact, based on the rules of nature and ecological principles.

When mentioning the name of bio / organic products, most consumers think of food because it is directly related to their health and concerns them directly, industrial products being less in their attention. Today, the global organic food market has reached a value of \$ 80 billion (2014), after at the end of the twentieth century (1999) it was worth \$ 15.2 billion. This increase was also due to the awareness of the benefit of consuming an organic product: improving health and protecting the environment, but also due to the fact that the products are tastier, have different flavors and look better (Hidalgo-Baz, Martos-Partal and Gonzalez -Benito, 2017, p. 31).

Due to these characteristics presented above, but also because it was found that consumers are willing to pay more for organic products, large chain stores have refocused and added sections of organic products or opened specialty stores exclusively for these types of products. Consumers are willing to pay more because they charge products as having a higher value. Studies have also shown that only for certain types of food consumers pay more: virtuous ones (yogurt, fruits, vegetables) and less for those that are considered a vice (chocolate, beer and juices). Another aspect that needs to be considered for organic food is the fact that they are perishable, so they do not have a long shelf life, so they can not stay on the shelf of a store very long, compared to other products (Ozinci, Perlman and Westrich, 2017, pp. 74-75).

Organic food has also led to the development of organic farming, which has been supported in Europe by the European Union since the early 1990s (1991). Many countries have developed organic farming through European Union funds. Among the best examples of countries that have developed organic farming is Greece. Cultivated organic food products include olives, wheat and vines (Argyropoulos et al., 2013, pp. 324-325).

2 Organic food all over the world

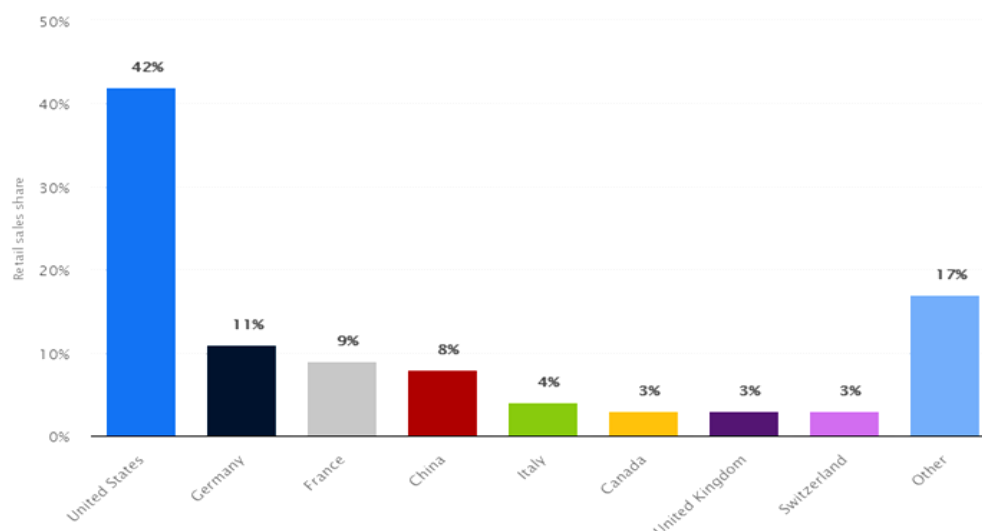
The natural development is perhaps the greatest pattern over the most recent couple of decades that is staying put. Despite the fact that there is a progressing banter about the advantages of devouring and utilizing natural items versus traditionally delivered items, natural nourishment is an installation in supermarkets over each of the fifty states and one can locate various natural corrective and individual consideration marks in stores and on the web. As of June 2016, almost 68 percent of American shoppers bought natural nourishment at any rate once in the previous 30 days, while just 25 percent never bought any. Demographically, by far most of customers of natural nourishment are Caucasian and under 29 years old.

Probably the most widely recognized cases related with natural nourishments in the US are that they are liberated from additives, hormones, added substances, and hereditarily altered life forms. Among customers of natural nourishment, there has all the earmarks of being a degree of doubt for present day mechanical cultivating and nourishment preparing strategies, as 76 percent of American natural shoppers refer to the medical advantages of natural nourishment as the fundamental explanation behind buying it. Other regular variables affecting the acquisition of natural products of the soil are that they have less of an ecological effect and that they taste better. An overview of U.S. customers found that 55 percent of Americans accept that natural produce is more beneficial than routinely developed nourishment. In any case, natural nourishment is quite often more costly than ordinary food sources, which factors into the dynamic procedure of most Americans considering a natural nourishment buy.

Notwithstanding the greater expense and uncertain proof about the advantages of natural items, the utilization estimation of natural bundled nourishment in the US is relied upon to develop from 15.5 billion U.S. dollars in 2017 to more than 18 billion dollars by 2020. A 2017 study found that 31 percent of female U.S. customers and 38 percent of male U.S. customers were happy to pay up to 20 percent more for natural excellence and individual consideration things. Obviously, this extent increments in size with pay.

Regarding strictly the diet of organic products, we can see a significant difference between buying and consuming in the United States and the rest of the countries analyzed. This measurement shows the natural nourishment retail deals share worldwide in 2018, separated by nation. As indicated by the report, the US represented roughly 42 percent of worldwide natural retail deals that year.

Figure 1. Retail sales share of organic food worldwide by country, in 2018



Source: The World of Organic Agriculture 2020, page 66

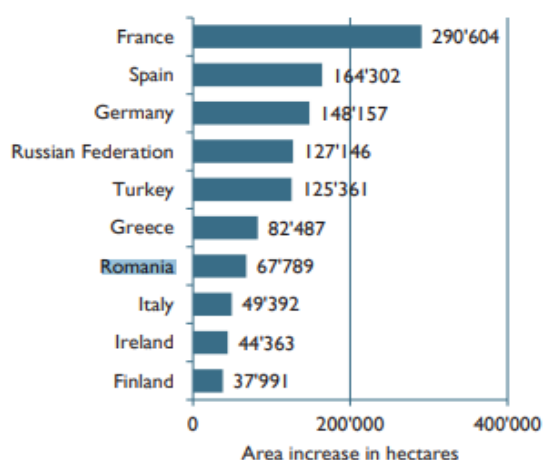
The organic food industry in Europe is a worthwhile market, with a retail deals estimation of 29.8 billion euros in 2015. While the settled Western European market experienced development of 5.4 percent somewhere in the range of 2015 and 2016, Eastern European deals are finding a development pace of 8.8 percent in a similar period. Germany is the main market for natural items in Europe with a 11.4 percent portion of worldwide natural deals, trailed by France with 7.3 percent.

All nations in Europe, aside from Belarus, Russia, Ukraine and Kosovo, had completely actualized enactment characterizing natural creation principles starting at 2019. The aggregate of Europe saw natural retail deals of roughly 37.3 billion euros in 2017. The market has been reliably developing since 2004 with a prominent ongoing increment in development beginning in 2014.

Figure 2. The ten countries with the highest growth in organic agricultural land in hectares and percentage in 2018

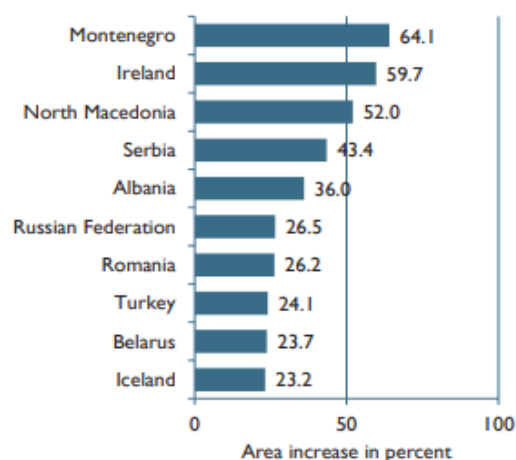
Europe: The 10 countries with the highest growth in organic farmland in 2018 (hectares)

Source: FiBL-AMI survey 2020 based on Eurostat and national data sources



Europe: The 10 countries with the highest relative growth in organic agricultural land in 2018 (%)

Source: FiBL-AMI survey 2020 based on Eurostat and national data sources



Source: The World of Organic Agriculture 2020, page 236

The German market was the greatest European market for natural items in 2017, with more than ten billion euros in deals. Regarding the production and production area of BIO products in the European Union, we can analyze the next top according to which France is on the first place, but Romania appears on the top 10 list which leads to an encouraging forecast for the development of BIO products.

3 Romanian organic products market

Romania was admitted as a member of the European Union in 2007, together with Bulgaria. Among the conditions that had to be met by Romania were those related to agriculture, including those related to organic / organic products and their labeling.

Romania is one of the countries in the European Union that is based on agriculture, with a cultivated area of 9% of the cultivated area of the European Union. However, agricultural production is only at the level of 5% of total production, because the land is fragmented in terms of ownership, and the owners do not associate to be able to produce more. Most of the times a rich production of cereals in Romania is due to the weather conditions (rich rainfall), just as a bad climate can bring a poor harvest. When there is such a situation, Romania resorts to imports. There are years when there is a deficit in terms of trade balance in agriculture, such as 2010-2012 and 2015-2016. Another problem is that most of the time finished products are imported and raw materials are exported (Export.gov, 2017).

Table 1. Trade on Romanian agriculture (2012-2016)

Millions of US dollars	2010	2011	2012	2013	2014	2015	2016
Agriculture Imports	5,200	6197	6161	6579	6797	6710	7512
Exports Agriculture	4122	5581	5193	7042	7371	6572	6823
Agriculture trade balance (deficit / surplus)	-1.078	-615	-967	463	575	-132	-689

Source: Global Trade Atlas

The export of raw materials and the import of finished goods is also confirmed in the case of organic products. Domestic consumption of organic products is increasing in Romania, being estimated in 2016 at 45 million US dollars (USDA, 2017). As in other countries, An important role in the growth of this market is played by store chains, which have dedicated districts to organic products, involving the promotion of these products and their presentation in an attractive way for consumers. The increased demand and supply of organic products in Romania was also due to the fiscal facilities offered by the state: VAT on food was reduced to 9% from 24%, and VAT on non-food products was reduced to 19%. The increase in the guaranteed minimum income, which increases every year, has also contributed to these tax cuts.

In Romania, the release and authorization of organic products is carried out by the Ministry of Agriculture and Rural Development, with annual controls and inspections to verify the maintenance of the rules.

Areas cultivated with organic products have decreased in recent years, from 301 thousand ha in 2013 to 245 thousand ha in 2015.

Areas cultivated with organic products are divided into (Eurostat quoted in USDA, 2017):

- one third are grown with cereals and hay;
- 20% for industrial crops of sunflower and rapeseed;

Wheat is the most cultivated (52%), followed by corn (28%) and barley (11%).

Romania is a favorable market for organic products, but due to low demand, over 80% of domestic production, estimated at 250-270 million US dollars, is exported.

Of the total food industry intended for the population (retail) less than 1% is represented by organic products, a very low level in the European Union, where countries like Germany have 5%.

Despite these figures, the Romanian market is an attractive one, being growing due to the fact that the educated and high purchasing power population has increased in the big cities and in Bucharest, the demand being directly influenced by these variables (purchasing power and level of education).

Among the main trading partners regarding the import of organic products for Romania are Austria, the United States, Japan, Germany, France, Italy and Denmark.

The main types of organic products consumed in Romania are currently consumed food products, followed by baby products, cereals and pastries. Among the least consumed products are garments, oils and fats and sweets (Euromonitor quoted in USDA, 2017).

At the distribution level, organic products are placed for sale most often in modern supermarkets, hypermarkets and discount stores (63%), followed by other types of stores (16.4), traditional stores (11.5%) and the Internet (9.1%). Large stores have the advantage of offering organic, natural and vegan products in the same place, the consumer being advantaged. A disadvantage in terms of distribution channels is also the fact that there are no collection centers for fresh products, which disadvantages small producers because they have nowhere to sell their production, being forced to sell it in large quantities at a price smaller or sell it close to the place of production.

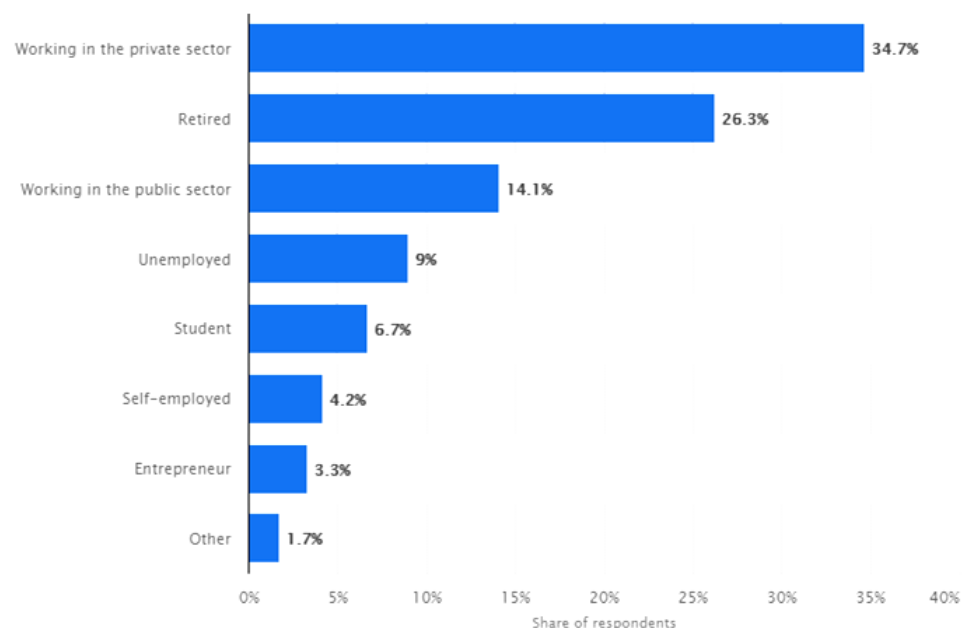
In the future there are the premises for an increase in consumption of organic products, the main consumers being women. They buy organic products for children: food (50%), detergents, cosmetics, but also cosmetics for women. The European Union supports and will continue to support the production of organic products by providing subsidies for arable land (US \$ 240-320 / ha), for herbs and medicinal plants (US \$ 385-400 / ha) and for vegetables (US \$ 475-550). Americans / ha) (European Commission cited in USDA, 2017).

4 Organic products entrepreneurship

As we discussed, the number of small and medium enterprises with the field of activity of production and sale of organic products has increased considerably in recent years, becoming one of the most desired businesses by young entrepreneurs.

Entrepreneurship in Romania can be used in recent years, data on the desire of young people to be independent and equipped for themselves and data that offers several offers of European subsidies for start-up companies. At the end of 2019, the situation of the employed in Romania shows approximately 3.3% of the employed population is represented by entrepreneurs.

Figure 3. Main occupations in Romania 2019



Source: INSCOP Research; April 12 to May 3, 2019

Of these, only a small part were oriented towards entrepreneurship with BIO products, having small production greenhouses or contracts with local farmers for the distribution of organic food, relying mainly on fresh fruits and vegetables and less on prepared foods.

Asked why they chose this business idea, most of the entrepreneurs we talked to (64%) said that they are passionate about a healthy lifestyle and that they want to promote and pass this on to others. BIO products being recognized for their beneficial effects on the body and on their health. Another part of them said that they saw on the market the opportunity to develop in this area of activity, the demand for organic products marking an upward trend.

5 Conclusion

Organic products have developed worldwide and are constantly expanding. Romania is no exception to the rule, even if it is considered an emerging economy. People want to have better and better health and have realized that this is possible by changing the behavior of consumption: by switching from classic products, mass-produced, to organic / organic, which have no chemicals in their composition and which respects a natural technological process. The change in consumption will take time due to the high price of organic products and because they are not manufactured in large quantities. Many consumers do not know how to distinguish an organic product, so they are often deceived by the packaging of products and the advertising that these products have.

At the level of Romania, organic products have an increasing impact, but still at a low level if compared to the one in the European Union. The poorly developed manufacturing industry causes most organic products grown in Romania to start exporting and return in the form of finished products, but at a much higher price. The consumption of organic products has developed in big cities and in Bucharest, due to the increase in the number of people with a high level of education and implicitly of incomes. Another element that must be taken into account is the fact that the woman is the main consumer of organic products, but she buys not only to consume it, but also with the babies.

Acknowledgement

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Use of E-Learning Platforms in the Training of Personnel in the Air Transport Industry

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Abstract: The use of e-learning platforms for staff training in the services of the air transport industry is a topic of interest today, both for air transport service providers and for training providers in the field. With the massive expansion and development of technology in the world, the study is beginning to develop quickly with steps from the classic model, on paper, to an online model, more efficient. E-learning nowadays is a significant component of education in the case of high schools or faculties. In this study, I intend to analyze how this phenomenon is applied in the air transport industry, a field as dynamic as the educational process. The aim was to investigate the perception of persons who benefited from the courses of aviation schools, by conducting a quantitative research, in which the questionnaire was used as a research tool. Among the research objectives are: highlighting new learning methods in the aviation industry, how to carry out continuous training, as well as highlighting the benefits of learning through simulation. Besides, another objective worth mentioning is the identification of the attitude of the trainees in the training schools in the field of aviation and air transport services, about the use of e-learning platforms in the teaching process, both in the institutional environment and looking for information individually. Also, I sought to highlight the advantages and disadvantages of using e-learning tools and mobile learning applications, even in the information-learning process. I believe that the credibility of the source is essential in the process of initial training and continuous education of the students from the schools of the aeronautical industry. The questionnaire used as the primary tool for the research consisted of more than 21 questions and it was applied to a sample of 52 respondents. Four questions were open and a content analysis was performed on them.

Key-Words: air transport services; mobile learning, e-learning;

1 Introduction

In the aviation industry 120,000 flights take place every day, thus facilitating the transport of 14 million people from different locations on Earth (Source: <https://aviationbenefits.org/>). It all began in 1903 when the Wright brothers made the first powered and controlled flight, phenomenon that never ceased to amaze until today. Since then, it was laid the foundation for the first institutions to form the first skilled pilots, laying the foundations of the workout aviation, which remains to this day the initial stage of the formation of a pilot.

Courses conducted at that time assumed theoretical and practical work training aircraft made apprenticeships (the process by which pilots experienced guides pilots to early career) until the students acquire essential knowledge.

The second major step in aviation education took place between 1929 and 1979 and defined a new concept for its time - the simulation. Through simulation, profile schools did not depend on weather conditions to carry out training. Thus training costs have been reduced considerably, making it possible to prepare more students than before. Flight simulators were initially developed to test instruments and systems available on board of an aircraft. It evolved gradually and today it incorporates the latest visual technology that reproduces real flight conditions. Created initially for reproduction systems in the aircraft, simulators have contributed to technological advances. Through planes were improved aircraft component elements, such as navigation system, radar system and various sensors.

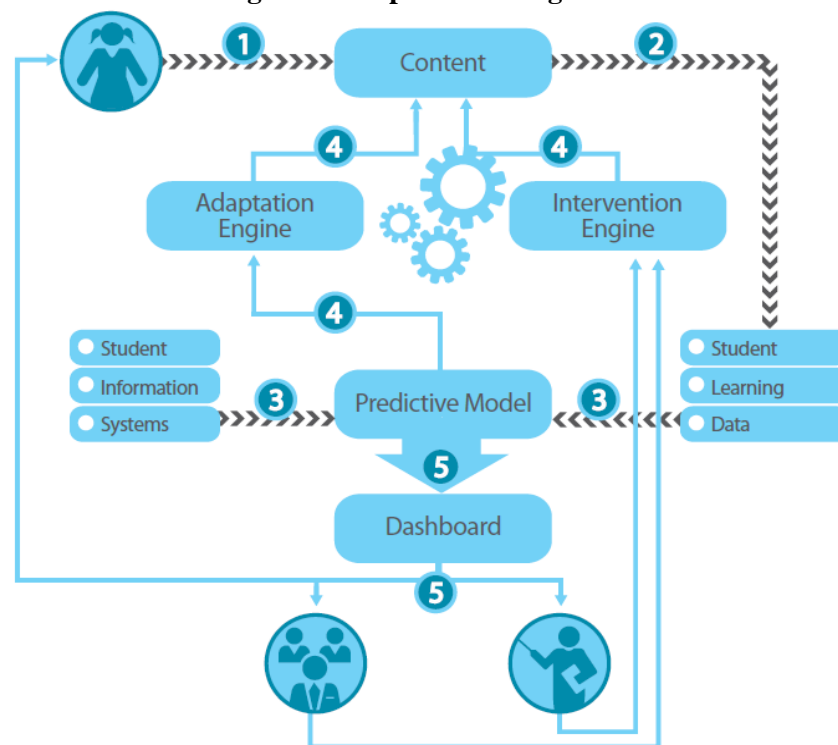
The third stage in the training of aviation started in the early 80s and runs until today. This stage aims to ensure the safety of the aircraft using all hardware resources. The software to obtain the simulation stage called CRM (Crew Resource Management) was complicated and it was improved because until then it was the only replacement device unanimously agreed to follow the space of knowledge, meteorological elements and

in-flight aircraft operation. Although the new changes were perceived as complicated and challenging to follow, the attitudes changed, and annual CRM training, for civilian and military pilots became mandatory (Reigeluth, 1994). E-learning systems were fully integrated into training programs in the airline industry. The developments in e-learning programs include:

- *Flight simulators for pilots and flight crews.* They contribute to cost efficiency by applying theoretical knowledge and simulating actual flight conditions;
- *Based on training scenarios.* It can be used to acquire the necessary skills to ensure the actual operation or maintenance;
- *Training for the efficient operation of systems (EMS).* Help maintain the current level of all information for safe operation and corresponding decision-making (webanywhere, 2012).

In line with the views of authors in the field, the current learning methods aimed aviation, predominantly skilled personnel selection corresponding air transport industry. The training focuses predilection on following procedures at the expense of making procedural decisions in crises.

Fig no 1. Adaptive learning model



Source: <https://www.dreambox.com/adaptive-learning>

The volume reached by the air transport world has come to overcome any Outstanding and this has contributed to the use of advanced technology in the cockpit but has forced airlines to use the services of pilots for low-skilled, who often end complete their training during racing.

In order to produce faster pilots, the industry can not provide less training but is forced to rethink fundamentally how education and training while pursuing efficiency.

2 Comparative analysis of the advantages and disadvantages of e-learning system in aviation

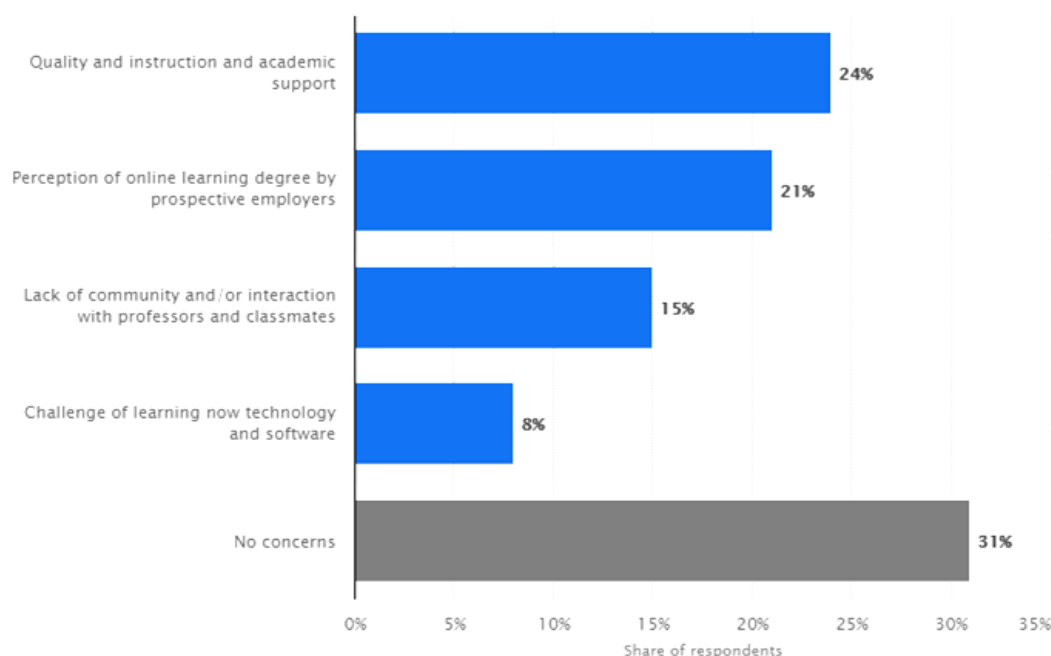
Preparation based performance creates an opportunity for aviation and trainers are looking for new ways to organize and carry out training. Based e-learning methods include adaptive instruction and practice can be continually improved, contributing to improving the skills of each pilot. Thus, to a level that can overcome practical actions. Current methods of learning (e-learning), are deemed feasible, especially in the individual training of pilots.

The advantages of e-learning:

- Cost-effectiveness;
- Courses can take place anywhere on Earth;
- Available 24/7;
- Courses can be standardized (common database by accessing instructors);
- You can use exercises attractive;
- Standardized software (training facilitate same);
- Activities are executed based on augmented reality;
- Activities receive feedback in a short time;
- The performances of students are tracked in real-time (Bernard et al., 2004).

Also, according to a study conducted in 2019 (2020 Online Education Trends Report) the most common concerns about online versus on-campus learning options according to participants in online courses are the perception of their online degree by prospective employers. However, most of them, according to the analysis, have no concerns about education through e-learning platforms.

Fig no 2. Concerns about choosing online education in 2019



Source: 2020 Online Education Trends Report, page 13

The number of advantages of the e-learning system and the support is an excellent advance that it has gained compared to traditional learning systems, while it aims to reduce the training time due to the needs mentioned above. Although the number of benefits that the e-learning system is considerable, it should be noted that each student who uses this system must have a substantial volume of knowledge and design principles and specially adapted to the needs of the individual and the company.

By analyzing the financial benefits, the company can analyze factors such as productivity, safety, turnover and individual passenger satisfaction. Compared to the elements discussed above, the amount of preparation can be calculated. It is also possible to analyze pilots (in terms of performance) who have followed various training programs, which aim to calculate individual performance (flight times, flights made without pilot error, surveys among passengers). The evaluation of the return on investment can be analyzed using the following formula:

$$\text{ROI (\%)} = (\text{Benefits} - \text{Costs}) \times 100 / \text{Costs}$$

The airlines of the specialized departments regularly analyze the costs of the training, always looking for efficiency, while eliminating the aeronautical deficiencies.

Learning programs have been significantly developed in recent years. Researchers in the field have concluded that the effectiveness of e-learning, benchmarking with conventional analyzed is very high compared to the efficiency obtained in the classroom. Even so, there are several e-learning based courses whose performance is low. These findings illustrate that not all e-learning is useful; they vary depending on the area of the curriculum followed and how it was a structured training program. However, there are several disadvantages associated with e-learning, such as:

- Creation and implementation of courses can cost more than projected savings;
- Success depends on a knowledge platform for learners to use computer and platforms;
- Students must be motivated and self-taught;
- Instructors and students lose direct contact;
- Courses and materials classically transmitted cannot be fully used in the e-learning;

Although courses e-learning has been initially designed to save money in training costs as they can get can be very large, having considered the development of the course and the possibility that it will not achieve its purpose it was created. Companies pursuing reduced training costs develop training programs without knowing in detail the elements of aviation, come to establish training programs ineffective. Products used to convert traditional e-learning courses often promise users a course ready for deployment in a few weeks. This type of software will only convert PowerPoint slides into a web-based training (WBT) program. The best result that can reach a level of knowledge is addressed to the students in the class. It is also possible that students learn less because the materials were not designed to teach computer delivery. The risk exposure of learners to a training program for poor and their first reaction will follow boycott training program (Piskurich, 2006).

Systemic e-learning is revolutionizing the interaction of instructors and students. Analyzing the size of a large group, that e-learning system facilitates, reduce interaction with the instructor who has no way to determine whether all group members pursue their attention is distracted or material, to test or final exam. But electronic learning interactivity allows instructors to monitor students whose results are poor. When properly implemented, e-learning does not reinvent the wheel, but a redraw. Although e-learning has its place in the third generation of aviation training is anticipated transition to training methods customized using the training program of each pilot.

As for flight simulators not totally replaced preparing learners on aircraft, the e-learning system cannot replace traditional learning systems. E-learning system does not eliminate the need for the use of instructors with a large amount of knowledge and experience. Even if technology facilitates moving action within aviation will always need competent instructors (Kearns, 2016).

2.1. Methods of transmitting information by e-learning

E-learning system facilitates use three primary methods of transmitting information: synchronous method, asynchronous method and mixed-method.

The synchronous method involves connecting instructors and students in a virtual classroom simultaneously from different locations. This e-learning method is based on the idea of forming a community using forms of CMC live via a webcam, a headset instant messaging.

The asynchronous method involves the use of an independent system for each student. As for synchronous method can be used CMC platforms, but it is used as a mailing list where students write messages that are subsequently analyzed by an instructor. In this case, students have more time to think of responses; thus, their quality is higher. Also, they train at their own pace, contributing to increased motivation. Asynchronous learning, self-learning allows the organization to provide a few or vast racing significant cost differences.

Mixed-method facilitates the use of two types of learning to achieve expected outcomes. The very basic training in aviation combines both school education, and classes of aircraft can be considered using mixed methods. Some universities have recently introduced aircraft blended learning courses. These combined courses are taught in a traditional, with some students staying F2F with their instructor. By using live cameras and microphones installed in class, the course is broadcast live online. Through a portal, students in remote locations connect synchronous classroom. In this way, e-learning students can observe discussions between the instructor and classmates. Students connect remotely to the classroom whenever they need, and when they need resources to supplement what they have learned in class. An online class can support and forums where students can communicate with each other to share different ideas or resources. Instructors can generate reports

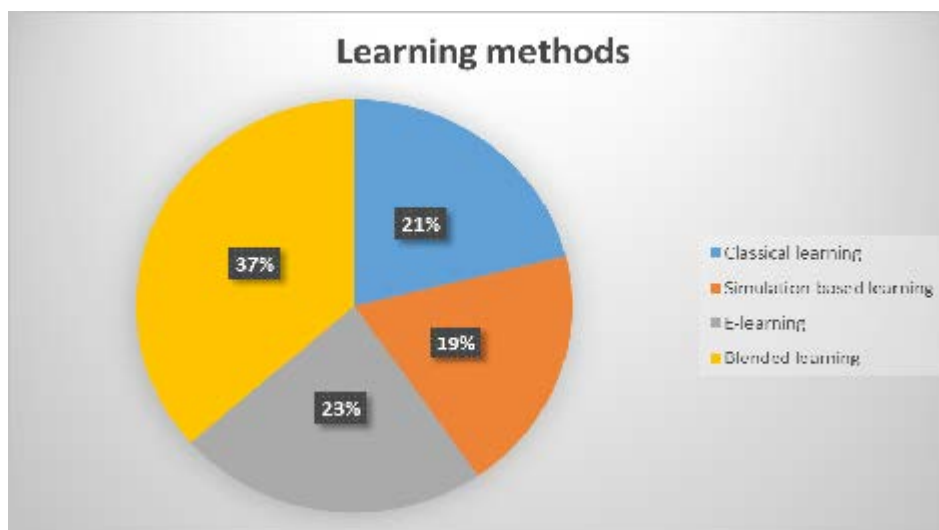
that show the time each student has spent in the classroom online and available resources—this e-learning application called LMS (Davidson-Shivers, 2000).

2.2 E-learning system questionnaire

The questionnaire consists of 21 questions, of which two first filter questions through which only the appropriate respondents were selected for the study, classification and identification of six questions and 13 questions to highlight the research objectives. It was applied to 52 respondents operating in the air transport industry. The interviewed personnel come from both the civil aviation industry and the military air transport, composing instructors, pilots and technical staff and shareholders of the air transport companies. The research took place in Romania, in Bucharest and Constanta.

1. What is the method of learning that you consider appropriate for you?

Fig no 3. Learning methods appreciate by participants



Respondents felt that the best way of learning incorporates the advantages of classical and modern. This method contributes decisively to retain information that they transmit instructors, bringing together transmission more classic, modern and based on simulation. Also, e-learning is in the second position in respondents' preferences. This may be related to the fact that in Romania, the implementation of modern learning occurred relatively recently.

2. How effective do you think is the application of e-learning in the airline industry?

Most respondents appreciated the fact that an educational profile, military and civilian, brought Track the educational method, arguing their responses via these platforms advantages they offer immediate availability of databases and interactivity offered. The activities through e-learning systems have facilitated apply knowledge acquired in a much shorter time, primarily through simulation. In aviation, standardization is vital, and this is another element that respondents have noted, considering that the training programs organized by common custom, instructors, pilots and technical staff will acquire interdependent skills.

3. To what extent the e-learning can replace traditional teaching-learning systems?

Although previous responses supported and listed the benefits of this system, most respondents disagreed with the idea of interacting with a full waiver statement. Arguments that interviewed staff has supported the general opinion tracked the experience that instructors are acquired along career and reproduction is severe, the interaction between students have both the group and the contact with the instructor and depersonalization educational process. Also, instructors surveyed supported the remarks by other interviewees and additions such as students are not always the same level.

3 Conclusions

Through this article, I set out to evaluate the elements that contribute to the use of electronic learning in air transport, in the preparation stages of pilots and related personnel. As this area is fundamentally different, it requires personalization of learning methods so that all staff benefit from new technologies. This article aims to provide relevant information for professionals in the field, both as instructors and students, by theorizing the design and application of instruction in e-learning in practice.

There are distinct benefits, as pilots also benefit from staff support through e-learning, by improving existing issues such as ambiguity, feedback and some training issues. Also, in this field, investors choose to invest in this type of training because the training period is financially efficient.

Even if through technology aims to overcome core values system of the modern e-learning has progressed to the point where there is a solid base of principles and practices. Features various technologies and delivery methods (synchronous, asynchronous, blended learning) electronic learning will contribute to the continued growth of our ability to meet the targets learning training programs for pilots and technical staff. Also, this article has highlighted the idea that modern teaching methods be used together with conventional methods and simulation-based activities in order to obtain good results.

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Delimitations of the Professional Judgment within an Economic Environment

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Abstract: The professional judgment is a base concept “sine-qua-non” within a company because it displays the intrinsic attribute for performing the activity.

In our accepting, bringing together the determinant factors of the professional judgment and also the universality of the component parts and the influences oriented on the professional judgment we obtain an ample professional result for which we propose the title of “spectral value of the professional judgment”. Through this paper we aim to describe the classical component of the professional judgment and also the secondary elements that we have built at a conceptual and original level starting from the base notions presented.

Key-Words: - knowledge professional judgment, the spectral value of the professional judgment, determining factors of the professional judgment, eufunction, professionalism.

1 Introduction

The axiological defragmentation of the content of the professional judgment imposes the conditioning to thoroughly explain the determining factors, the composing elements and also the modulatory purpose in issuing and forming the decisions.

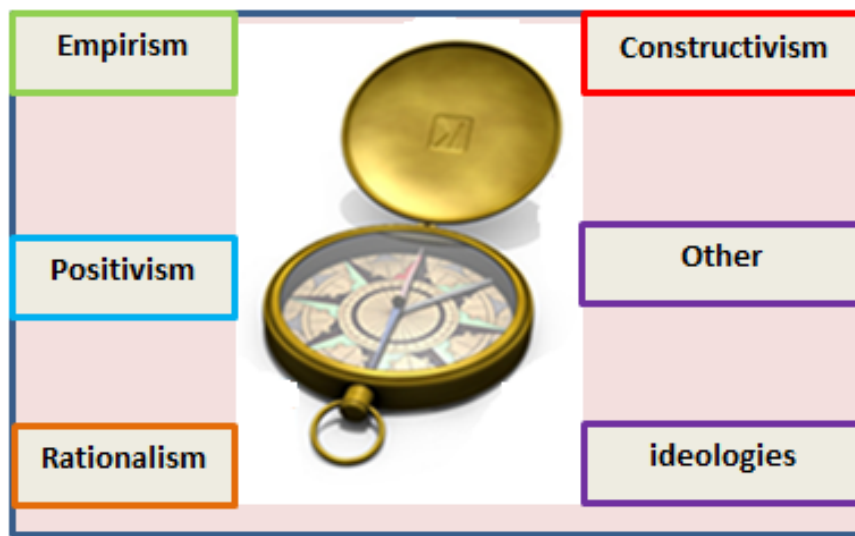
This ample action integrates the core of the research of descriptive phenomena and starts a mechanism of conceptual fission that results in a process of examination, identification and a study over the elements within the exposed concept

2 The conceptual development of the expression “professional judgment”

The spectral value of the professional judgment is to convergence point of the directions given by the factual delimitations of the historical rationalist values with the flexible and multi-shaped directions of the approaches extended under the form of fluxes of ideas that came from the positivist, rationalist, empiric, constructivist etc ideologies and also, to ensure the character of non-deniability and continuity in the progressive development of the professional judgment. The flows of ideas are substantiated on the meanings of the professional processes that are determined by „judgment” as a notion that transcends all the ideological frameworks stated earlier, the judgment meaning „the ability to think”.¹

¹ L. Șăineanu, „Dicționar universal al limbii române”, Ed. a VI-a, Ed. „Scriul românesc” S.A., 1929.

Fig. 1. The spectral value of the professional judgment



Source: issued by the authors

In the history of the human reasoning a number of philosophers were interested in producing knowledge, among we mention a few step up: René Descartes, Immanuel Kant, Baruch Spinoza, Georg Hegel, etc.

The judgment marked by the Cartesian side is presenting René Descartes in the kaleidoscopic activating posture of the judgment. The informational load of the ideas transmitted by him has removed the patterns of the current judgment by substantiating a new method of thinking that excludes the knowledge marked by the impact of the affective unfiltered influences through the spectral judgment and has introduced the initiative of an analytical thinking through a clear decompose of phases and parts of the judgment.

René Descartes states that he does not know „higher appropriation than those that serve to the spiritual fulfillment! The ration or faculty to judge appropriately, because it is the only one that heightens and differentiate us from animal, it thing is whole within each of us”².

The philosopher therefore projects the judgment to the state of true absolutions enhancing the personal demarche that guides the judgment through the knowledge brought together in spiritual biographies meant to lead to the perfection of the spirit and according to the concept used by him: „la perfection de l'esprit”.

Immanuel Kant places in his work of reference the postulates regarding the construction of a solid judgment by claiming that „the human judgment has in some kind of knowledge its particular faith because it is overwhelmed by questions that cannot be avoided because its imposed by the nature of judgment itself, to which it cannot respond because it exceeds the whole capacity of the human judgment.”³

Kant integrates into his philosophy Descartes's conceptions over the judgment and develops a classification of judgments into analytical judgments (the truth results from the analysis of concepts excluding the need of experimental testing and sensorial perfections) and synthetic judgments (gained by experience).

Applying the meanings of „integronic theories” on an adaptive verticality we observe that in Kant's case there is a quantification of pure judgment through the prism of practical judgment by „the consideration of judgment a distinct faculty of thinking and then of reason, as a faculty of judgment”.⁴

The correlation between the notions Kant presented show us that „pure judgment must be solely practical for itself, meaning that it must determine the will by the simple form of practical ruling”.⁵

² R. Descartes, „Discurs asupra metodei de a călăuzi bine rațiunea și de a căuta adevărul în științe”, translated by George Iancu Ghidu, Ed. Mondero, București, 1999, pg. 8.

³ I. Kant, „Critica rațiunii pure”, translated by Nicolae Bagdasar and Elena Moisuc, Ediția a III-a îngrijită de Ilie Pârvu, Ed. IRI, București, 1998, pg. 9.

⁴ N. Matășaru, coord., „Actualitatea filosofiei lui Immanuel Kant”, Cuvânt înainte – Al. Surdu – „Dialectica speculativă în Critica rațiunii pure”, Ed. Aius PrintEd, Craiova, 2007, pg. 15.

⁵ I. Kant, „Critica rațiunii practice”, translated by T. Brăileanu, „Colecția cărților de seamă”, Ed. Paideia, București, 2003, pg. 44.

Baruch Spinoza brings an addition to the informational load of today's notion of the judgment stating that „all efforts that we make after reason, do not tend towards anything but knowledge, and the soul, using the reason, does not consider anything more useful than what provides judgment.”

The philosopher points the unshattered prevalence of the substantial truth emanating by the fact that „reason truly understands all thing, meaning as they are, by other meaning it considers them necessary but not randomly.”⁶

The judgment, through Hegel's projections has as vector the reasoning that „tries to find an order in the chaos of singular subjectivities”⁷.

„Within „The phenomenology of the spirit” reasoning represents the unity of conscience and of self-conscience (or the unity of self-interpretations and understanding of the world), meaning that it is a spiritual attitude that, at least in principle, is bases on this unity”⁸.

Reasoning will always represent and infallible *edru* of the universal dimensions but also a state of michurinism for humanity. The ability to reason has crossed stages loaded with ideologies reshaped by existing currents.

Consisting of linked judgments based on reasoning, the judgment is that concept that finds itself also at a particular level, constrained by conceptual components fixed upon domains but also at an extended level through professional deviation by fitting in multiparty sections of the social reality and through the association with „economies - universe”⁹, reflections of the human collectivity.

The professional judgment is not „a simple matter of applying general rules by particular cases and not the least a simple matter based only on intuition but more likely a process that gives a note of coherence to the opposite values within the general rules and treats with sensibility the actions and circumstances that are extremely contextualized”.¹⁰

3 The determining factors of the professional judgment

The problematic of the professional judgments draws trajectories of potential figuring on all existing domains and keeps its direct corollary status within the decision making process.

Through the demarches carried within our research it is aimed at explaining the professional judgment and the formative elements in the ideological exposing framework. The determining factors of the professional judgment standardizes the characteristics that lead through their existence to the induced causality by the association of logical processes over the defining concept found under the form of the professional judgment.

3.1 The determining factors of the professional judgment

A potential determinism transferred in the factorial system of the professional judgment is provided by the professional training. The accumulation of experience is considered a premise of a good use of the professional judgment.

By gaining a factual culture from carrying out specific activities, the employee develops its capacity to use the professional judgment in optimal conditions, with the effects aimed at.

The professional training is provided a temporarily classifications that highlights, on one side a general professional training, and on the other side a specialized training.

The general professional training brings into discussion the stages of the intellectual formation of the employee. From this category we name: profile high school studies, professional certificates, the international experience, scholarships, practice and internships in big companies, university studies etc.

The professional training based on carrying and passing national and international studies brings detailed construction optics of the informational system formalized by the accumulation of knowledge needed in the use of the professional judgment.

⁶ Dr. I Brucăr, „Filosofia lui Spinoza”, Revista de Filosofie, Vol. 12, Ed. Tipografia „Bucovina” I. E. Torouțiu, București, 1930, pg. 73.

⁷B. Balogh, „Libertate și recunoaștere în Fenomenologia spiritului: modelul hegelian al libertății” within the paperwork „Alexander Baumgarten – Adela Cîmpean (eds.): Studii de istoria filosofiei dedicate profesorului Vasile Muscă”, Ed. Eikon, Cluj-Napoca, 2009, pg. 322.

⁸ Ibidem.

⁹ Concept used by Fernard Braudel in the paperwork „Timpul lumii” representing „a fragment from the Universe, a part of the planet, economical autonom, capable to satisfy all its needs, having an unity in internal exchanges and connections”, Vol. I, translated by A. Riza, Ed. Meridiane, București, 1989, pg. 14.

¹⁰G. J. Postema, „Moral responsibility in professional ethics”, quote by K.R. Kruse in „Professional role and professional judgment: theory and practice in legal ethics”, University of St.Thomas Law Journal ,Vol. 9, Issue. 2, Article 2, 2011, pg. 250.

The specialty training is referring to the knowledge accumulated by working on a certain job within the company, by fulfilling all the obligations stated in the job description, by overcoming all obstacles and recession or decline periods and also by setting the rich knowledge into the growth of the company.

The accumulation of knowledge leads to an optimal use of the judgment and the caption of a highly wanted „know-how”. Within this category, the employee seeks an experience formalized on the working place through advance courses in the field and solved circumstantial instances and through the deep understanding of the causing elements generated by the particularized interactions on the company. Within the specialized training we also find master studies that have as purpose the enhancement of knowledge and specialization on the aimed field, optimized studies on the desired job etc.

The professional judgment under its two aspects, general and specialized represent a qualification factor in the determination of the professional judgment and it is found in all the important stages of its development.

3.2 Deontological factors

Fitting a judgment in an organizational environment brings by itself written and unwritten rules of the professional circuit.

Referring to the written rules through a deontological vision of the professional judgment we name the existence of a set of documents that guide the decisional mechanism and implicitly the professional judgment. Within these we name some ethical codes of conduct, work procedures, standards, regulations, instructions, internal policies, manuals etc.

The professional judgment has a complex guiding mechanism on both the flexible side that is related to the behavior and on the fixed side of the whole process – current documentation.

4 The purpose and the valences of the professional judgment

The separation between the professional judgment and the actual activity of the company is impossible. The professional judgment is a background sub-horizon of the professional judgment and is always linked to a poli-temathical compulsion with a continuity character.

The role of the professional judgment transcends the axiomatic importance provided by the decisional process and represents in fact a **eufunction**¹¹ at a company level that enhances both the decisional process and the remaining of related processes that lead to a progressive organizational mechanism of the macro-environment.

The purpose of the professional judgment is to provide a rigorous delimited placement of the activities performance in the organizational environment and to aid a polyvalent professional reasoning system. The lack of professional judgment can be named as a high-lighting of its importance within a pro-economical society.

Within a company professionals are required to get involved in activities that do not always have predictable trajectories. The specificity of their work imposes taking responsibilities provided in the job description and also responsibilities that are forming as the situations gain a particular note. In this point, the professionals are being required to act with professional judgment that is rigorously formulated by and invariable quality: professionalism.

Professionalism (the professional consciousness) is complex, discretionary, requires theoretical and practical knowledge, qualification and also the acceptance that humans without experience cannot understand and pass through whole and evaluate a high level of the carried work.¹²

The professional practice, without a strong judgment that can substantiate it cannot be cataloged more than a technical work.¹³

Professionals use the professional judgment as a fundamental logical form consisting of a correlated stream of arguments.

The judgment, as stated by prof. Herb Miller appears because the interaction between education and experience.¹⁴

¹¹ „Functions that maintains or increases the adaptation of a given unity at its social” – definition from the dictionary named *Dicționarul explicativ al limbii române* (ediția a II-a revăzută și adăugită, 2012).

¹² E. Freidson, „Professionalism reborn: Theory, prophecy, and policy”, University of Chicago Press, 1994, pg. 200.

¹³ C. Coles, D. Fish, „Developing professional judgment”, *Journal of Continuing Education in the Health Professions* , Vol. 22, Issue 1, 2002, pg 5.

¹⁴ H. Miller, „Collectivization of Judgement”, *The Arthur Andersen Chronicle*, 1974.

According to prof. David Tripp the professional judgment takes 4 shapes¹⁵:

- Practical (formulated almost instantly);
- Diagnostics (generalized within professional judgment);
- Reflective (the evolutionary and descriptive nature judgment that reflects deeply on its own actions and effects by weighting all the alternative strategies) for example „to describe how accountants can promote their activity and, in the same time, to respect the ethical rules”.¹⁶
- Critical (accumulates both a critical and reflexive stance and also the diagnostics process of professional practices).

Prof. Della Fish and prof. Colin Coles are proposing the following classification the professional judgment¹⁷:

- intuitive
 - appears in situations that need an immediate reaction and imposes a quick establishment of working instruments and needed abilities in order to solve the issue. It does not imply a pre-existent judgment, this type of reasoning being labeled more as technical or „instrumental”.¹⁸
- strategically
 - has an imperative character that implies a wide range of possibilities.¹⁹ It is based on practices highlighted in well-defined procedures. For example „the harmonization of stakeholder’s interest has become in the past years the base objective of the company²⁰, being necessary to have a common strategic professional judgment.
- reflective
 - refers to the situations that appear in practice along with a high level of uncertainty. This category implies in the solving process a deep thinking, a cumulus of personal thinking filter, of own abilities.
- deliberative
 - is characterized by the moral character of decisions and focuses both the personal and company’s interests. The professionals see these practices as being morally competitive that can generate conflicts and hard solving dilemmas.²¹

5 The conclusions of the quantitative research regarding the perception of the professional judgment within the companies

As a result of the theoretical research carried we have obtained a lot of information and visions that helped us to formulate more acceptations of the concept of “professional judgment”.

Therefore, in our opinion, the professional judgment can be defined in four ways:

- 1) as a set of logical linked thinking that has as purpose to obtain some conclusive results for the activity carried taking into consideration certain circumstances, knowledge, evidence, methods, criteria and proper regulation;
- 2) as a process that intervenes when the regulation in place does not cover all the cases found in practice;
- 3) as a mechanism to form an opinion and take decisions taking into consideration the interaction between the experience gained in the field, accumulated knowledge and circumstances;
- 4) as a cognitive process that takes account of ethical codes, knowledge, circumstances but also the behavioral structures of the employee.

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¹⁶ M. Sudacevski, „The promotion of the accounting services within the limits of professional ethics”. Challenges of the Knowledge Society, 2016, pg. 718.

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¹⁸ W. Carr, „For education: towards critical educational inquiry”, The Open University, Buckingham, UK, 1995, pg 59.

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Study of Employee Motivation in Organizations

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Abstract: The purpose of this paper is to understand the strategic importance of motivation in the management process, being well known that the performances obtained at the level of the organization and its prestige depend strongly on the quality of human resources. Human resources have the central place within the organizations at present, starting from the theories that the personnel represented simple means to achieve the proposed goals; we get to learn that they are the organization itself. The employees can be motivated to increase their job performance and increase their level of satisfaction. Depending on the reason behind any action, the performance and satisfaction of employees can reach a high level or, conversely, a very low level. The reason is an internal cause that determines our conduct. Synthesizing a series of factors involved in the motivation of the individual, after completing the study we will be able to understanding better a person's options, eventually to understand the position he will adopt in different situations, or to exert an influence on it and even to better understand the levers through which different situations influence us, it is necessary to we know the mixing of the motives in an action and the relative force of the motives.

Key-Words: human resources, employee performance, motivational factors, employee commitment, training.

1 Introduction

Motivation is the process by which employees are directed to work towards achieving the set objectives of the organization, the way in which this motivation is realized being understood differently by employees due to the subjective vision of each individual. Providing and arranging offices, acquiring modern work technologies, a competitive salary or promotion are some of the motivating and driving ways, each contributing in a certain way to increasing the performance and satisfaction of the employees. Unfortunately, not all ways to motivate can produce lasting, long-term effects (Burlea-Schiopoiu, 2013).

Managers pay special attention to the human factor and the development of efficient human resource systems that support all other existing processes within the organization. An important aspect is how employees can be motivated to increase their job performance and increase their level of satisfaction. Depending on the reason behind any action, the performance and satisfaction of employees can reach a high level or, conversely, a very low level. The reason is an internal cause that determines our conduct. Regardless of the type of work performed, professional development is a motivating factor. Human resources specialists plan strategically, in direct collaboration with the organization's management, training courses and training, so that employees develop their knowledge and skills and contribute to the achievement of a knowledge-based organization.

The ability of the motivation to determine a number of characteristics of the behaviour at work is very well surprised by Pinder (1998, p.11) which stated that motivation is a set of energetic forces that originate both inside and outside the individual to initiate the behaviour associated with work and to determine its shape, direction, intensity and duration. Contrary to these approaches, there are a number of psychologists who believe that motivation can only be partially the determining factor in the way employees work and that there are other equally important factors that determine their attitude towards work, people working very hard, much even when they are not obligated to do so, or motivated (McClelland 1980).

Park and Word (2012) demonstrated the existence of a positive correlation between motivation and performance in organizations, emphasizing that employee performance is also influenced by other factors, such as employees' perceptions of the workplace climate. Furthermore, employee perceptions and reactions to performance appraisal and the appraisal process have a significant impact on performance enhancement. (Dusterhoff et al., 2014).

Organization managers have observed that the success of an organization is determined by the efforts of its members and that the approach to behaviour in terms of motivation is a complex method of analysis.

Therefore, managers concerned with the evolution of the organization must constantly evaluate the people they work with, to ensure that employees gain a sense of total involvement in the excellence of the company, through managerial programs to motivate and train staff (Burlea-Schiopoiu and Idowu, 2016).

Most institutions and organizations strive to improve employee performance, quality of services and products, but their quality may vary depending on the organization's goals. Employee motivation is essential for achieving organizational goals. A deep knowledge of motivation and its meaning is therefore essential for the success of the organization (Paré, 2001).

In achieving the goals, each organization combines in different proportions material resources, financial resources, information resources and human resources. HR is essential to ensure the success of any business. Human resource management is the consequence of the organization's concern to have quality employees, and combines a series of activities designed to influence the performance of the organization's staff.

The strategic activities are those regarding the planning of human resources in the long or medium term, in order to fulfil the objectives of the organization: recruitment and selection of employees, management of personnel orientation, analysis of information on occupational safety and security and accidents at work, resolution of employee complaints and grievances, personnel records, staff training and development.

Operational activities are tactical and administrative, referring to various and specific issues. These include activities related to testing and examining candidates for employment, orientation and accommodation of new employees, adequate training of managers, solving problems of safety and labour protection, rewarding and remunerating staff, human resources planning, and relations with unions. In other words, the operational activities are the daily ones of managing the staff as adequately and efficiently as possible.

But working with people means taking into account the emotional sensibilities and characteristics of each individual. People have ambitions and anxieties, they need a measure of their results and they have a complexity of needs.

There are a number of terms that describe the activity that is carried out to help the organization to use its human resources to its full capacity, the most widely used term today being "human resource management". This concept refers to three aspects related to human resources:

- use of HR;
- motivation of HR;
- Protection of HR.

In the continuation of the study we will address the motivating elements of human resources and their impact on the performance of the organization.

2 Analysis of elements with impact on individual and organizational performance

The international specialty literature, both in the field of management and in the field of organizational-managerial psychology, speaks of motivational strategies, methods of increasing employee satisfaction and obtaining the best organizational performance through work motivation. Lévy – Leboyer (2001) he even considered motivation a decisive element in the survival of enterprises and an important springboard for global competitiveness.

Through their potential for development and improvement, human resources are of unique importance. Perspectives on personal development and career advancement are elements that are carefully considered when choosing a job. We will present below the elements with an impact on individual and organizational performance. At the same time, organizations need to be aware of the benefits they can get from studying their effects.

- Investments in the training and improvement of their employees, the training and improvement procedures can be divided into two categories:
 - Formal procedures - are often associated with a new job, or with the introduction of new technologies or production processes. Training using formal procedures is often applied by human resources specialists or technical experts within the organization; at other times, employees take courses offered by specialized institutions;
 - Informal training - is conducted at the workplace and is administered by the employee's experienced supervisors or colleagues.
- Rewarding employees

Recognition and reward of employee performance are central elements in human resource management, are ways in which organizations estimate the level of employee performance and determine how they will be rewarded or eventually sanctioned.

The HR manager will work with mid-level managers or employee supervisors to establish a performance appraisal process as well as a way to provide feedback (Burlea-Schiopoiu and Remme, 2017).

Although performance evaluation is not the favourite management activity, it should not be neglected; it must be carried out at the right time and have a high degree of accuracy, given its importance (Burlea-Schiopoiu, 2008).

Rewarding is a complex and specialized activity. Rewards can take either the form of direct benefits (salary, bonuses) or the form of indirect benefits. But, in addition to the level of payment, a reward system agreed upon by employees must demonstrate fairness. The remuneration system is subject to several legal regulations, such as the minimum wage, overtime pay, etc.

The reward system must be designed to meet the strategic objectives of the organization and ensure the coordination of the level of payment in the labour market with the profitability and ability of the organization to pay (Anghel, 1999).

- The salary level must be in line with that of other companies for similar positions and reflect the differences between various categories of positions within the organization, as well as between employees, depending on their qualifications and performance. In this sense, the main activities refer to: job evaluation; performance evaluation; payroll; granting bonuses (performance-reward correlation); anticipating the need for salary increases and granting them; finding an appropriate benefits package; administration of the salary fund (Hăhăianu, 2000).
- Maintaining a healthy workforce - the responsibilities of the human resources manager are not limited to hiring, training and rewarding employees, but also include maintaining security at the workplace, maintaining good relationships with employees and making employees available.
- One of the main reasons for redesigning jobs was the desire to provide safer and healthier working conditions.
- Another function of human resources management is to establish and maintain effective relationships with employees. One form of manifestation of this function is the collective negotiations, in order to establish cordial relations between the management and the employees.

The dismissal of inefficient employees or those who no longer find their place in the organization is another problem of the human resources manager. Sometimes, as a result of economic conditions, a merger or an acquisition, the decision must be made to lay off some of the employees and to optimally redistribute the remaining ones. The redundant employees must be assisted in finding another job, within another organization.

Human resources programs need to be closely correlated with the needs and overall strategy of the organization. The selection, training, evaluation and reward procedures must form a unitary whole, so that employees are not put in contradictory situations. When properly integrated, strategic human resource systems motivate employees and make it possible to implement strategic plans.

3 The effects of motivation

Employee motivation must be approached differently, taking into account the individuality of each member of the organization, the potential, needs, interests, behaviour, ambitions, and desire to take on new responsibilities.

The content of the concept of motivation mainly concerns the will of the employee to make an effort to achieve the objectives of the organization while satisfying individual needs. Such an approach highlights three major coordinates: the needs, effort and objectives of the company.

In the literature, empirical theories and research on work motivation have been structured in different directions. The most modern and useful in the study of management and in understanding the behaviour of the personnel of a company is presented in the following table.

Table no. 1. The main motivational theories

Categories	Characteristics	Theories	Examples
Content theories	It targets the factors that incite or initiate motivated behaviour	- the hierarchy of needs - X - Y - Dual factors - ERG - the acquisition of successes	Motivation through money, social status and achievements
Process theories	It focuses on the factors that direct the behaviour	- expected performance - fairness	Motivation through the inner start of the individual for work, performance and recognition
Strengthening theories	It focuses on the factors that determine the repetition of a behaviour	- operating conditioning	Motivation by rewarding behaviour

Source: Mathis Robert, Nica Panaite, Rusu Costache, **Human resources management** , Ed. Economică, 1997, p. 40

Motivating factors include those elements (salary, desire for affiliation, social status needs, etc.) that determine a person to perform certain actions or to adopt certain attitudes. Satisfaction represents the state of satisfaction resulting from the fulfilment of a desire. Therefore, motivation is the support of employment in the race to obtain a result, and satisfaction is related to the result already obtained. The difference between the two concepts explains why a person can have a high job satisfaction and a low motivation for the respective work and vice versa.

A good manager intuitively understands the priority needs of employees and acts in such a way as to motivate them properly. It must start from a series of premises, among which are more important: the structure of human needs varies according to the individual level of development and the general standard of living; the interaction needs - motivations leads to the formation of complex motivational models that explain the different meaning for different people of the same reward; the individual is able to learn new motivations through experience within the organization; the same person may manifest different needs, in different groups, in the same organization or in different organizations; each need motivates the employee, causing him to act accordingly, only until the moment of satisfying the respective need; employees may respond differently to different managerial strategies, depending on the factors that motivate them, personal qualities (Drăgușin, 2003).

The concrete content of the motivation in each company reflects the managerial and economic conception promoted within it. The wide variety of concepts, combined with the diversity of staff and managerial situations, is reflected in the heterogeneity of managerial concepts and practices.

The lack of motivation of the staff are directly conditioned by the quality of the decisions, the application of the managerial methods, techniques and procedures and the general effects, the accuracy and flexibility of the informational subsystem, as well as the functionality of the organizational modalities in the company.

Analysing the organizational role, we consider the impact that motivation has on the way the company works and its performances, due to the fact that motivation motivates the skills, know-how and energy of staff.

The individual role - aims at the strong dependence of the satisfactions and dissatisfactions of each employee in the company, of its evolution, on the motivation exercised in the organization. The more intense the motivation, the more satisfied the staff is, the more the company uses its capacity and grows faster and more intensely.

The economic role refers to the indirect conditioning of the economic performances of each country by the motivation that predominates in each company operating on its territory. When the motivation of companies is insufficient, their economic results do not rise to the required level and are negatively reflected in the overall performance of the country concerned.

The social role represents the synergistic effect of the previous roles in terms of psycho-sociological elements that characterize the population of a country. The social climate of a country, the social relations are determined to a certain extent by the effects of motivation prevailing in the companies and organizations where the population operates.

The key to motivating people is to create opportunities to meet individual and team goals, to take responsibility, to measure results, to be recognized and rewarded. If they are not given responsibilities, employees do neither more nor less than their limited role allows.

As a form of personal development, training is one of the ways in which people acquire a sense of self-realization. But this is not the only possible way, nor does it suit any type of individual. Many employees do not feel the need to be trained all the time, they may be motivated by other aspects of their work. But regardless of the aspect that motivates him, any employee feels the need for his activity to be to some extent subject to self-control, respected and recognized.

In order to achieve the objectives of the organization, the contribution of all employees is needed, therefore, all employees must be treated with the same trust and respect.

Wage increases and bonuses are not enough to create a well-motivated workforce. Staff motivation can only be achieved through a set of policies and actions, both financial and non-financial, which meet the aspirations of employees, their need for individual development, self-esteem and self-realization (Coates, 1999).

4 Benefits of motivation within an organization

Motivation helps employees achieve excellent results in the workplace, but when they are dissatisfied, demotivated people can achieve poorer results. There are many factors that can generate lack of motivation: personal problems, disagreements with colleagues, dislike of the type of work that the employee has to do, or other individual reasons. This is because people are different, each person has their own character, principles. From this statement it is important to understand that individual solutions must be found to help demotivated employees find their "interest" in the work they do.

Motivating someone means understanding their needs, what motivates them to work better and make them want to get better results.

The advantages of working with motivated people are:

- The work will be done at the set standards and within the established deadlines
- People will work with pleasure and they will feel appreciated and this will be immediately reflected in their performances
- The high morale of the people will provide an excellent working atmosphere
- The results will be monitored even by the people involved and will require less supervision
- The results will be monitored even by the people involved and will require less supervision
- People will work better because they want to get good results
- The employees will show a positive attitude towards the organization
- There will be a reduced staff turnover
- Low rates of absenteeism
- Creativity and taking responsibility by employees

Once people are motivated, maintaining this condition will require constant vigilance, but the effort will be rewarded: highly motivated people will behave well and get more than satisfactory results.

In terms of compliance with deadlines, many studies suggest that pay isn't the biggest motivator for employees, but it sure helps. When there is a structured process to tie performance appraisal scores to merit increases, employees are more motivated to meet deadlines and get things done.

Well-motivated people harness their creativity and top management skills to re-engineer their workflows and resources to finish the job faster and exceed expectations

In an organization, the success of the qualitative side of the human factor and his motivation towards the work performed are ensured to the greatest extent. Satisfaction with work is associated with performance up to a point, from which performance influences satisfaction. The direct link between performance and work satisfaction is mainly provided by the feedback and reward system.

The key to motivating people is to create opportunities to meet individual and team goals, to take responsibility, to measure results, to be recognized and rewarded. If they are not given responsibilities, employees do neither more nor less than their limited role allows.

In the company's management, the real meaning of an employee's action or behavior, the attitude adopted by him in a given context cannot be perceived without understanding the reasons that have generated them. Thus, behind the action of the individual there are usually some reasons; knowledge of the reasons

supports the attempt to predict human behavior, supports the attempt to unify the efforts of an organization aimed at achieving clearly defined objectives.

The most important motivational factor is the goal, which gives meaning to professional activity. He must be attractive and, at the same time, lead all employees in a common direction, appealing to their feelings and judgment.

5 Conclusions

Managers and employees have a responsibility to ensure that the workplace can be the best job that can exist. If managers need to do everything to ensure that employees are satisfied and motivated and employees have the responsibility to accept the means of motivation they act on, they must be open to communication. A job is much more desirable if all parties are willing to participate and get involved in the motivation process.

Social and organizational existence has always been under the influence of needs and motivational factors. The fact that the process of motivation was realized relatively late does not diminish its historical or formative value in the process of becoming human.

Forms of motivation group the circumstances, modalities and means of various nature through which organizations and, respectively, managers influence and guide the behaviour of individuals and groups.

A manager must create a climate in the organization that motivates employees. Although the organizational climate is difficult to measure, the observation of its symptoms indicates the appearance of problems that are signs of inefficient staff motivation (Burlea-Schiopoiu, Idowu and Vertigas, 2017).

Employee motivation is the main engine for achieving organizational performance. Analysing motivational factors and the influence of each category of motivational factors on performance can help managers create a performance-oriented motivational climate.

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Research on the Impact of Social Media on Consumer Trust

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Abstract: Trust is one of the most important elements in the process of purchasing and customer loyalty. The benefits of companies that enjoy a high degree of trust are well known. On the other hand, the effects of the lack of confidence are also obvious (unsatisfied consumers, lost sales) and very expensive for the company. Word-of-mouth or "buzz marketing" has gained a great deal of credibility and, implicitly, contributes to increasing the credibility of a company. A positive online presence can add value to the company's products and services, but it can also contribute to increasing the level of trust in its brand. Trust is an important and, at the same time, very complex relationship between the participants in a social network. Trust plays an important role in forming communities within social networks, in assessing information in terms of quality and credibility and decisively determining how information is transmitted across the network. In this context, we intend to bring through the following study more understanding on the extent to which brands have gained consumer confidence through social media.

Key words: marketing research, consumer behavior, consumers trust, statistic survey, social media

1 Introduction

Trust is one of the defining aspects in the relationship between two entities, being essential in assessing the level of risk [2] and overcoming insecurity. Also, trust determines the level of customer involvement and satisfaction, facilitates long-term inter-organizational interactions and strengthens the organization's reputation. Consumer trust is extremely important for a company because it expresses the latter's ability to retain its customers, maintain sales growth and performance on the market of interest. Trust is the cornerstone of consumer loyalty.

In addition, the lack of trust in a brand causes consumers to look for products and services offered by competing brands. Successful companies develop their strategies based on consumer confidence and winning their loyalty.

On the other hand, word-of-mouth or "buzz marketing" has gained a great deal of credibility and, implicitly, contributes to increasing the credibility of a company. A positive online presence can add value to the company's products and services, but it can also contribute to increasing the level of trust in its brand.

Given that more than 4 out of 10 Romanians from the urban area, over 15 years old, have a Facebook [8] account where they spend an average of 5.5 hours per day [1] additionally, 21% of Romanians spend online at least 8 hours daily and 87% of Romanians are social networks users [7], we can say that part of the confidence invested by the Romanian consumers in various brands has been gained to a certain extent through the companies' activity on social media platforms. In this context, the purpose of the exploratory research presented in this paper is to identify the impact of social media on consumer confidence in existing brands on the market and to identify those specific social media elements that contribute to increasing the level of consumer confidence in a brand. The results of this research provide entrepreneurs interested in gaining consumer confidence a few coordinates for an effective activity in social media.

2 The importance of consumers' trust

The concept of trust is usually defined as representing a person's hope that it can rely on the word of another or the extent to which a person is confident and willing to act on the words, actions and decisions of others [10]. Confidence in a brand can be considered to be that consumer's attitude in which he chooses to rely on the brand's ability to fulfill its stated function [3].

Consumer confidence translates into confidence in the company's products and services as well as in its activities [4]. Trust is an extremely important element in business as it contributes decisively to reducing costs, improving efficiency, increasing flexibility and supporting long-term market planning.

Confidence causes consumers to adopt three behaviors that are of most interest to companies: to follow the advice offered by the company, to share personal information and to buy the company's products/services [6].

Usually, when deciding whether or not to trust a person, we are influenced by a number of factors, such as:

- a. our own predisposition in granting confidence, which is in relation to his own psychology, influenced, in turn, by numerous events throughout his life; these events may not have any connection with the person we decide to trust or not;

- b. current relationship and past experience with the person in question and his/her friends, including rumors and gossip;

- c. our own opinions about the actions and decisions that the person in question has made in the past.

And as a significant part of the information that subscribes to points b and c, mentioned above, circulates with the greatest freedom in the online environment, and with a predilection on social media platforms, we can say that social media contributes significantly to gaining and maintaining consumer confidence.

3 The contribution of social media in building consumers' trust

It's no secret that online social networks now offer companies the opportunity to approach and interact with actual and potential consumers, to create and maintain a sense of intimacy with the customer and thus to establish a solid relationship with them, relationship that leads to the integration of brands in the lifestyle of consumers, a goal of any company, especially in the current competitive environment characterized by the volatility of consumer loyalty, which can disappear at the slightest mistake of the company, mistake that propagates in a geometric progression in the online environment [11]. This is not surprising if we consider the formidable speed with which bad news are circulating in the current period, considering that social networks provide their own messaging system that allows anyone to share and connect stories with each other. Social media has added new dimensions to communication, surpassing the classic system in which the flow of messages came mostly from the organization [5]. The social media category includes a variety of online applications that allow users to share information: social networking sites (such as Facebook), content communities (YouTube, Flickr etc.), collaborative sites (Wikipedia) or microblogging (Twitter).

One of the most significant implications of social media is the increase of consumer power due to the easy access to information previously unavailable to them, acceleration of the flow of information as well as to the possibility of having conversations at global level. Currently, consumers have a strong voice and companies do not have any control over the conversations that take place between them. In these circumstances, consumers and their conversations are a topic of maximum interest to marketers [3].

The interactions that take place within social networks are a good indicator of the relationship between individuals. One of the aspects of trust is based on the notion of integration, which shows that interactions between individuals form the basis of developing a relationship based on trust. A number of specific characteristics such as the persistence of the communication process and the balance regarding participation are the signs of the presence or formation of a relationship based on trust.

Social media is both an opportunity and a great challenge in the process of building and maintaining consumer confidence, the marketing practiced in this context exceeds the simple activity of transmitting messages, consisting rather in participating in a dynamic conversation, listening and creating relevant content that will lead to consumer confidence. Social media allows companies to develop a strong relationship with consumers in a form that is closest to the relationships between people [9].

4 Research methodology regarding the impact of social media on brand trust

The research presented in this article is based on a quantitative research carried out among a small group of residents in Bucharest aged 18 and over, active members of a social network with a level of education ranging from high school to postgraduate studies.

The research aims to determine the impact of social media on consumer confidence in brands and to identify those specific social media elements that contribute to increasing the level of consumer confidence in a brand.

The main objectives corresponding to the above formulated purpose are:

- Determining the main social media applications used for interaction with various brands;
- Identifying brands' spontaneous notoriety obtained through social media;
- Establishing the extent to which Romanian consumers interact with brands within social media applications;
- Determining the level of trust inspired by brands that consumers interacted with within social media applications;
- Identifying the actions taken by the Romanian consumers in the social media applications in relation to a brand in which they trust;
- Establishing the main attributes of trusted brands;
- Determining the social media applications that Romanian consumers trust regarding information about brands;
- Establishing the extent to which the social media activity of the companies with which the consumers interact has contributed to the increase of the level of confidence gained by them;
- Identifying the impact of social media activity related to a company on the level of confidence that consumers give to it;
- Determining the types of messages conveyed on social networks that inspire consumers to trust a company;
- Determining the factors within the social networks that influence the level of consumer confidence in a company;
- Identifying the main sources within the social networks in which consumers have confidence regarding brand information.

The data collection method used in the research was the face to face survey due to the complexity of the questionnaire that was used. The questionnaire contains 21 questions, of which one open question that allowed the measurement of the brands' spontaneous notoriety in social media, 13 closed questions with multiple choice answers (of which 3 dichotomous and 10 multichotomous) and 7 semi-closed questions. The introductory part of the questionnaire was developed in such a way as to allow the measurement of habits in the use of social media applications, the main section of the questionnaire was developed to allow the identification of the social media impact on consumers' confidence in brands, and the final part of the questionnaire was designed to identify the socio-demographic characteristics of the respondents. A wide variety of measurement scales, generally nonparametric, were used, such as Likert's scale, semantic differential and rank-ordering method.

The limited financial and time resources restricted the research to the Bucharest area. Considering that the research has an exploratory nature, the sample size was set at 285 people, its elements being selected using the non-probability method of snowball sampling.

5 Research results

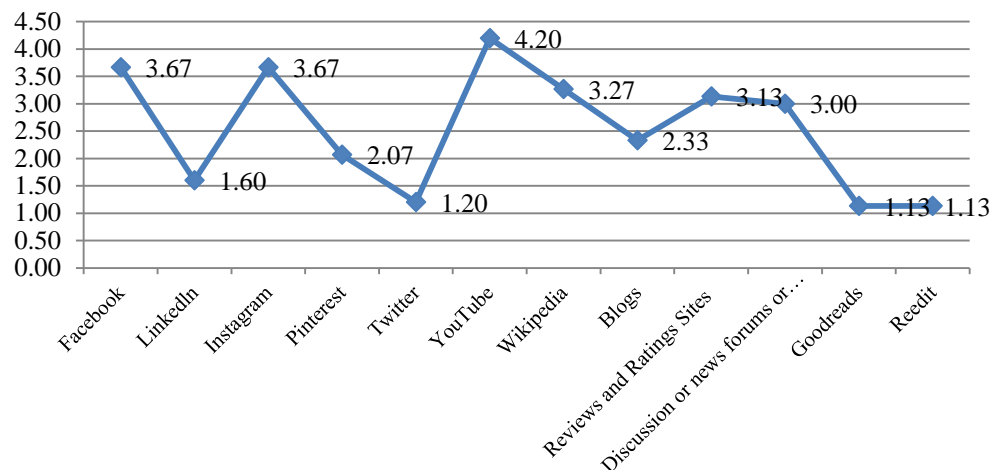
The data collected shows that 88.23% of the users of social media applications interacted in this environment with various brands, the rest of 11.77% stating that they never used such applications to interact with any brand.

The main applications used by the Romanian social media users to interact with different brands are Youtube, 80% of the respondents interacting a lot with brands on this platform (on a 5-step scale between the bipolar attributes "I interact very much" - "I don't interact at all") and Instagram, 66.67% of the respondents also saying that they interact a lot with different brands on this platform. Not to be overlooked are Facebook (46.67%), Wikipedia and Reviews and Ratings Sites (both with 40% of those who interact very much). The least used applications are Reddit (6.67% of respondents use the app), Goodreads and Twitter (both with a percentage of users of 13.34%).

The mean scores specific to the semantic differential used reinforce the previous conclusion (see Figure 1). Thus, Romanian consumers said that they interact a lot with different brands on YouTube (an average score

of 4.2), Facebook and Instagram (both with an average score of 3.67) and that they also interact with brands on the Wikipedia platform (3.27), review and rating sites, and discussion forums (average score of 3). At the opposite end, Goodreads and Reddit (with an average score of 1.13) and Twitter are platforms that consumers do not use in any way to interact with brands.

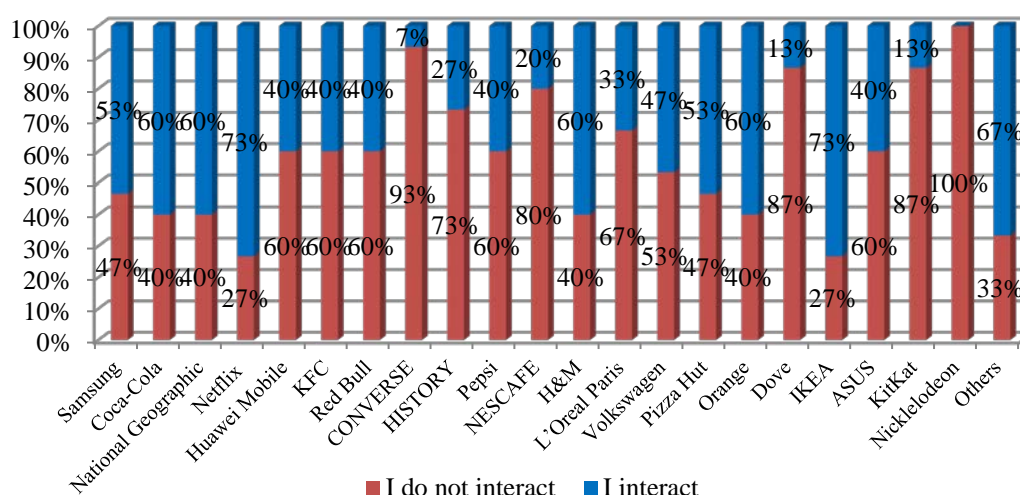
Fig.1. Distribution of average scores on the extent to which social media users interact with brands on different social platforms



From the answers to the question "Can you mention five brands that you have interacted with so far on social media?" we were able to determine the *spontaneous notoriety gained by brands through social media*. Thus, some of the top 20 brands in the general ranking of FaceBrands.ro were distinguished: Samsung (6.76% of total responses), Coca-Cola and Netflix (4.05% of total responses) but also other well-known brands on the Romanian market such as Apple (6.76% of total responses), Nike (5.41%), Fashion Days, McDonald's, Vodafone and Zara (2.70% of responses). But if we consider the areas from which the brands with which the consumers interact on social media come from, it appears that Clothing and Footwear (27% of the answers), IT and Food & Drinks (each with 16.22% of the answers) are the ones to which the attention of the Romanian consumers is directed the most.

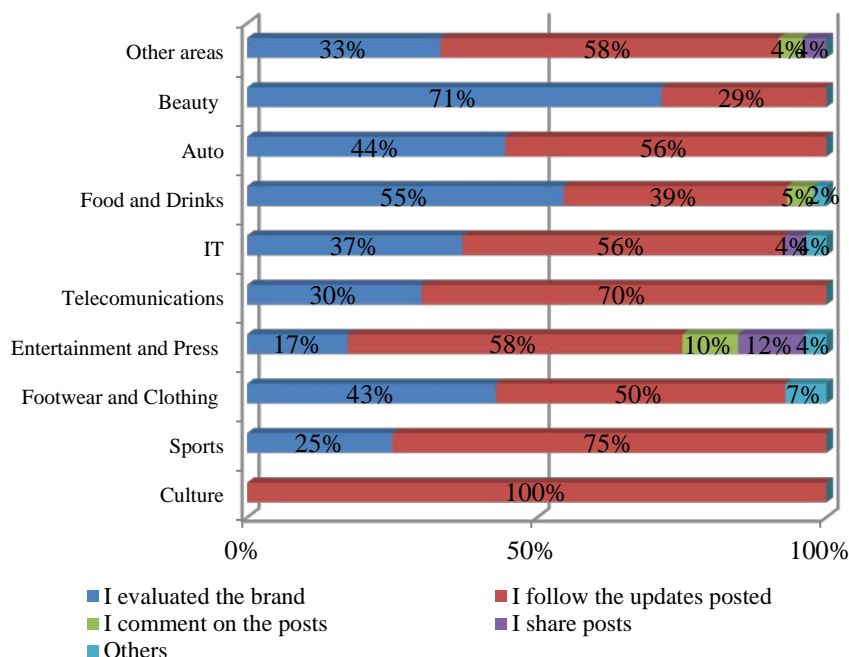
To establish the extent to which Romanian consumers interact with brands on social media, the data collected from the investigated sample reflects that in general Romanian consumers interact quite a lot with brands on social media platforms. From the top 20 brands present in the general ranking of FaceBrands.ro in June 2019 (see Fig. 2), Romanian consumers interact most with Netflix and Ikea (73% of the respondents said they interact with these brands in online) and Coca-Cola, National Geographic, H&M and Orange (60% of the respondents). However, 67% of the respondents interact mainly with "Other brands". Taking into account the areas of the brands with which the Romanian consumers have said they interact online, we notice that brands from Entertainment and the Press (27% of the answers), Food and drinks (23%) and IT (14%) benefit from the greatest interaction.

Fig. 2. Interaction with top 20 brands from Facebrands.ro



Regarding the actions taken by consumers in online in relation to the aforementioned top 20 brands, we can see from the collected data that the action of following the news posted (with percentages ranging between 25% -70% of total responses), and the action of evaluating the brand (with percentages ranging between 11% - 100% of the total answers) predominates as expected. By area of interest, the two mentioned actions differ only as weights, the brand evaluation actions being predominant in Food and drinks area (55% of the total responses of those who interact with brands; the Beauty category having too little weight in the total answers to be of interest) and the actions of following-up the news posted by brands are predominant in the field of Entertainment and Press (58%), IT (56%), Footwear and Clothing (50%) and Telecommunications.

Fig. 3. The main actions taken on social networks in relation to brands

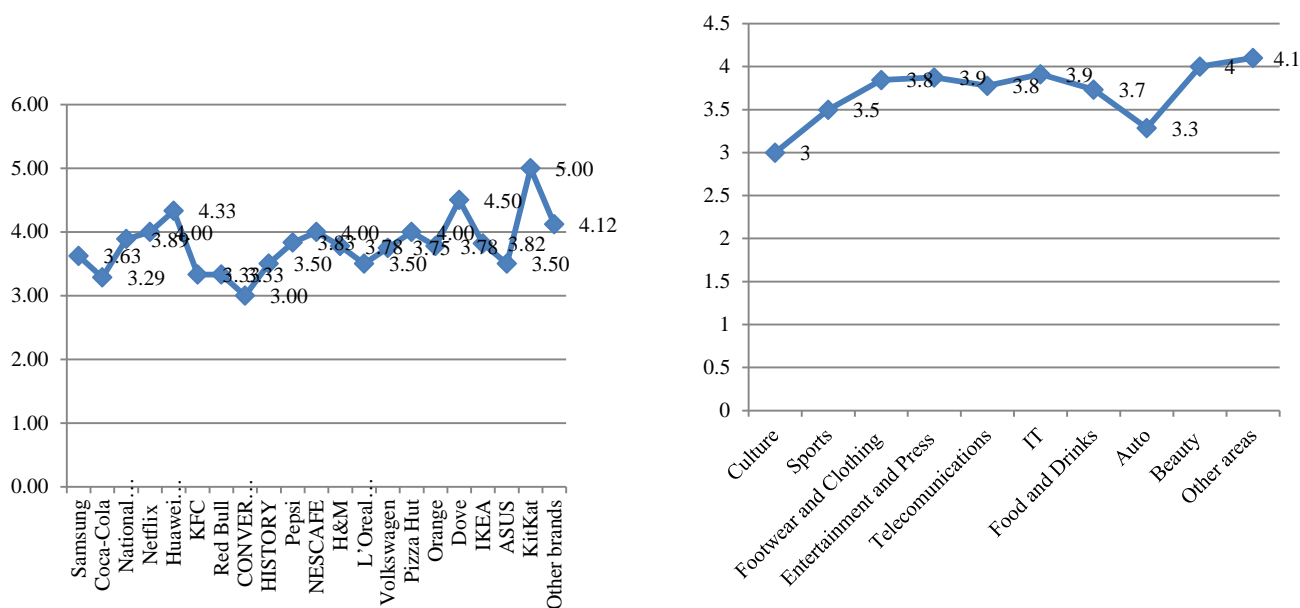


40% of the respondents who stated that they interacted with a brand on social media applications said that they do this often and very often, the average score obtained in the case of the 5-step semantic differential used to measure this indicator is 3.4 placing the interaction of Romanian consumers in the category “neither often, nor rarely”. The age group 18-24 years old deviates positively from the general average, with an average of 4.2, which reflects that they often interact with brands on social media applications. The segment with an income of up to 800 lei also often interacts with brands on social media, while those who have an income

between 1601-2400 lei and those who have no personal income interact very often. The segment of those with post-graduate studies interacts very often with brands (with an average of 4.5), and if we consider the occupation, students and freelancers also interact very often. If we consider the gender of the respondents, the differences in the frequency of interaction with brands within social media applications are not significant.

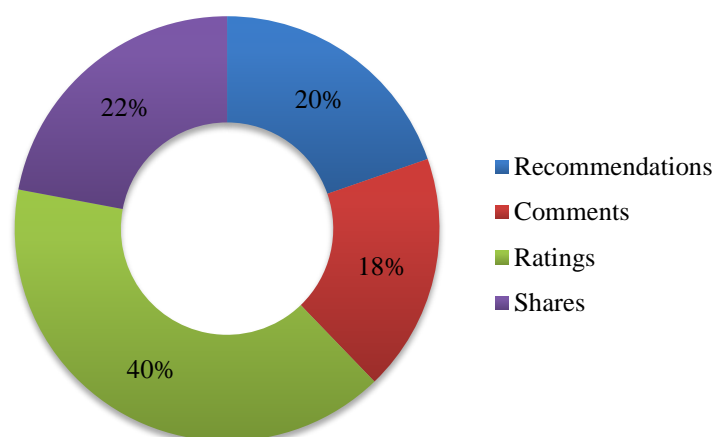
Regarding the *level of confidence inspired by the brands that consumers interacted with within social media applications*, from the data collected through a 5-step semantic differential scale placed between the bipolar attributes “I have full confidence” – “I have no confidence at all” resulted that the top 20 Facebrands.ro brands with which the consumers interacted within the social media applications registered average scores that place them in the categories “I have complete confidence” (KitKat, Dove etc.), “I have great confidence” (Huawei, Netflix, H&M, etc.) and “I have confidence” (Coca-Cola, KFC, Red Bull, etc.), a conclusion also underlined by the average scores calculated for the main areas in which the brands fall (see Fig. 4) and of the general average score of 3.80 which fits the level of trust inspired by the brands with which consumers interacted in online in the “I have great confidence” category.

Fig. 4. Distribution of average scores regarding the level of trust inspired by the brands that consumers interacted with within social media applications



Regarding the *actions that Romanian consumers take on social media applications in relation to a brand they trust*, we note that consumers most often choose to carry out evaluations of these brands (40% of responses, see Fig. 5), and in a much smaller percentage to share brand content (22% of responses), recommend the brand (20% of responses) and comment on brand content (18%).

Fig. 5. Actions undertaken within social media applications in relation to a brand that consumers trust



Among the respondents who stated that they interact with brands on social media platforms, those between the ages of 18-24 are more inclined to carry out the full range of actions in relation to brands (ratings, recommendations, comments, shares) in contrast to those between the ages of 25-34 who focus mostly on brand evaluations (41% of responses) and those aged 35-44 who focus mostly on sharing posts and evaluating brands. On the other hand, consumers with an income of up to 800 lei are less likely to share posts and those with post-university studies comment on posts to a very small extent compared to the other segments. Also, women are inclined to share to a greater extent the content regarding brands that they trust (31% at segment level) than men (18% of men), but the latter recommend and comment to a greater extent than women (see Fig. 6).

Fig. 6. Social media actions by gender undertaken in relation to a brand that consumers trust

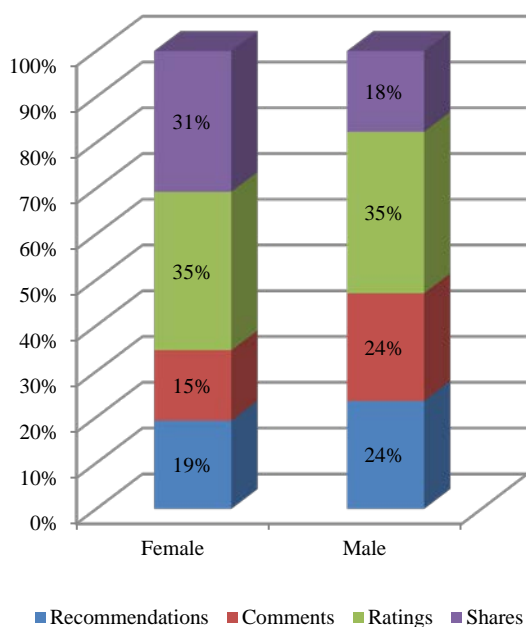
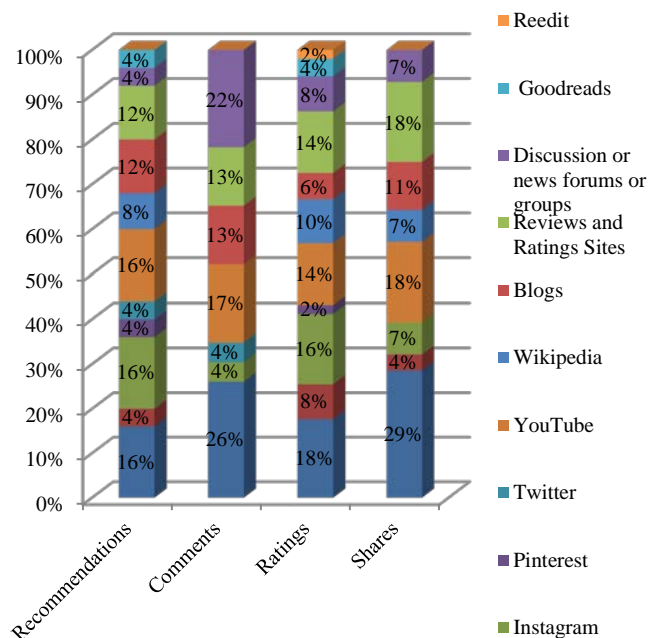


Fig. 7. Actions taken on the main social networks by consumers in relation to a brand in which they trust

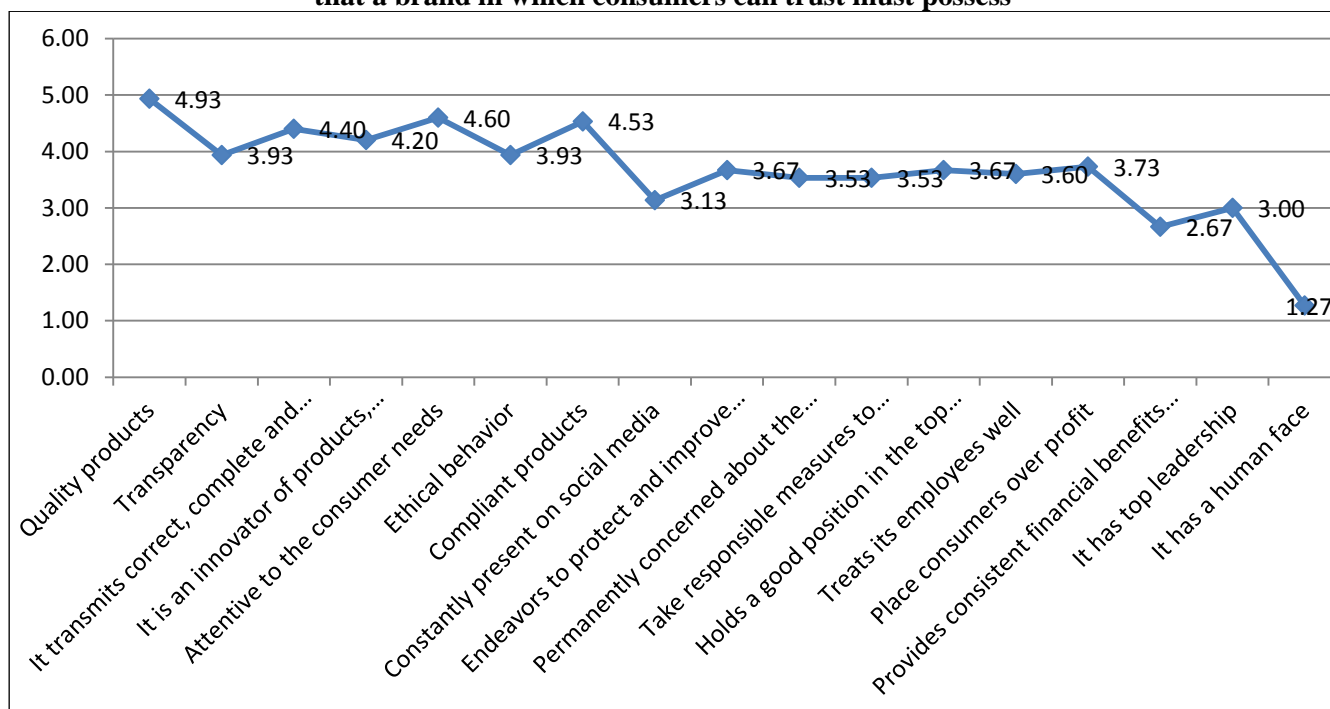


Typically, as reflected by the data collected, recommendations are made on Facebook, Instagram and Youtube (each accounting for 16% of total responses, see Fig. 7) and to a lesser extent on Blogs and Review and Ratings Sites (with 12% of total responses), comments are most often done on Facebook (26% of total responses), Discussion or news forums or groups (22%) and to a lesser extent on Youtube (17%), ratings are prevalent on Facebook (18%), Instagram (16%), Youtube and Reviews and Ratings Sites (both with 14% of

total responses) and shares are made with predilection on Facebook (29%), Youtube and Reviews and Ratings Sites (both with 18% in total responses). We can conclude that Facebook is the social media application on which Romanian consumers carry out the full range of actions in relation to “trusted” brands, and to a lesser extent Youtube.

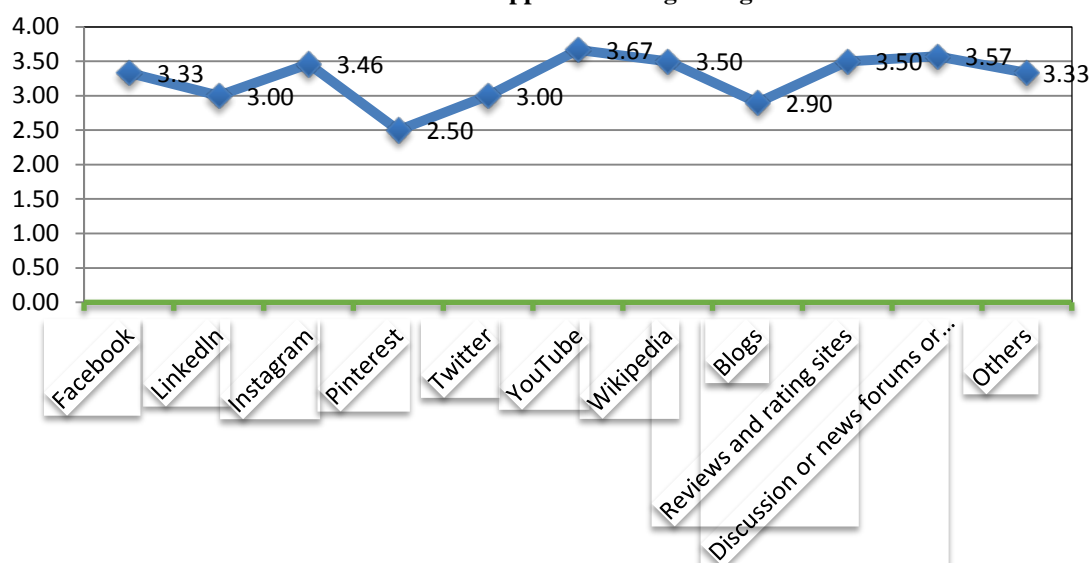
Regarding the consumer's opinion on the *attributes that a brand in which they can trust must possess*, the data collected shows that they are to a large extent represented by the fact that “the products are of good quality” (fact confirmed by the average score of 4.93 on the 5-step semantic differential scale “To a very large extent” – “To a very small extent”, see Fig. 8), the company is “attentive to the needs of consumers” (average score 4.60) and that “the company's products are compliant” (average score 4.53). Also, the Romanian consumers consider that a company that “transmits correct, complete and impartial information” (average score 4.40), “is an innovator of products, services or ideas” (4.20), transparent (3.93), with an ethical behavior (3.93), which “endeavors to protect and improve the environment” (3.67), “permanently concerned about the community in which it operates” (3.53) and which “takes responsible measures to address a problem or crisis” (3.53) exhibits the attributes of the brands in which they trust. The constant presence in social media (average score 3.13) is an attribute that represents, to an appropriate extent, brands that inspire confidence to Romanian consumers, so not the most important, but not to be neglected.

Fig.8. The distribution of the average scores on the semantic differential scale regarding the attributes that a brand in which consumers can trust must possess



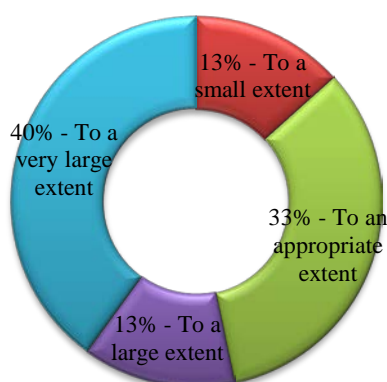
Regarding the *social media applications in which Romanian consumers trust regarding brand information*, based on the data collected it can be concluded that the biggest trust capital that the Romanian consumers invest in the social media applications is not heading, as we would have expected, to Facebook, but to Youtube (with an average score of 3.67 on a five-step semantic differential scale between the bipolar attributes “I have complete confidence” – “I have no confidence at all”, see Fig. 9) in which consumers have high confidence, followed by Discussion or news forums or groups (average score 3.57), Wikipedia and Review and rating sites (both with an average score of 3.50). The overall average score of 3.25 places the level of consumer confidence in the social networks in the “I have confidence” category.

Fig.9. Distribution of average scores on the semantic differential scale regarding the level of trust in social media applications regarding brand information



40% of the respondents consider that *the social media activity of the companies they interact with has contributed to a great extent to increasing the level of trust that consumers have given them*. The average score obtained in this case (3.8) on the semantic differential scale between the bipolar attributes “To a very small extent” – “To a very large extent” reflects the fact that the companies’ social media activity has greatly contributed to increasing the level of trust gained among consumers.

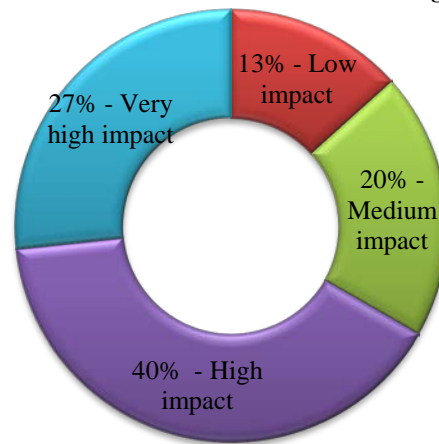
Fig.10. The extent to which the social media activity of the companies with which consumers interact has contributed to increasing the level of gained trust



With regard to the age trend, the averages reflect a negative difference from the general opinion of those aged 25-34, who are considering that the companies’ activity in social media had a medium influence on the level of consumer confidence, unlike those between the ages of 18-24 and 35-44 who consider that social media activity has had a great influence on the level of trust. Regarding the respondents' income, we observe a negative deviation from the general average of those who have an income between 2401 - 3200 lei and those with an income of 4001 lei and above, the average recorded for these two segments fits them in the category of those who consider that social media has had only a medium influence on the level of trust they have in a brand, as opposed to the other income segments, where a positive deviation from the general average is observed. Also, employees without management responsibilities and private entrepreneurs consider that social media has had a medium influence on the level of trust in a company.

On the other hand, the data collected shows that the *social media activity related to a company has a significant impact on the degree of confidence invested by consumers in it*, 67% of the respondents saying that the impact is high and very high (see Fig. 11) a fact very well underlined by the average score specific to the five-step differential scale “Very low impact on the level of trust” – “Very high impact on the level of trust” (3.80).

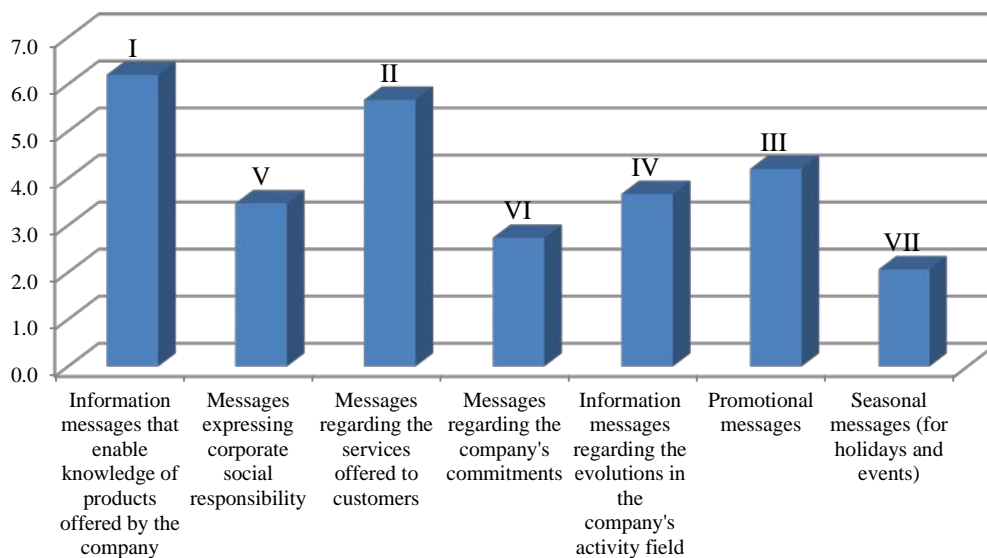
Fig.11. The extent to which social media activity related to a company has an impact on the level of trust that consumers give to it



In this case also, the segment of people between the ages of 25-34 years old records a negative deviation from the general average, considering that the social media activity related to a company has a medium impact on the level of trust that consumers give, as well as those with an income between 2401-3200 lei, as opposed to the respondents with an income up to 2400 lei, which register a large positive deviation, considering that the social media activity related to a company has a very high impact on the level of trust. In addition, the averages registered for the categories of respondents with high school and postgraduate studies have a positive deviation reflecting that the social media activity has in their opinion a very high impact on the level of confidence given by consumers. On the other hand, private entrepreneurs register a negative deviation from the general average and students a positive deviation from the general average.

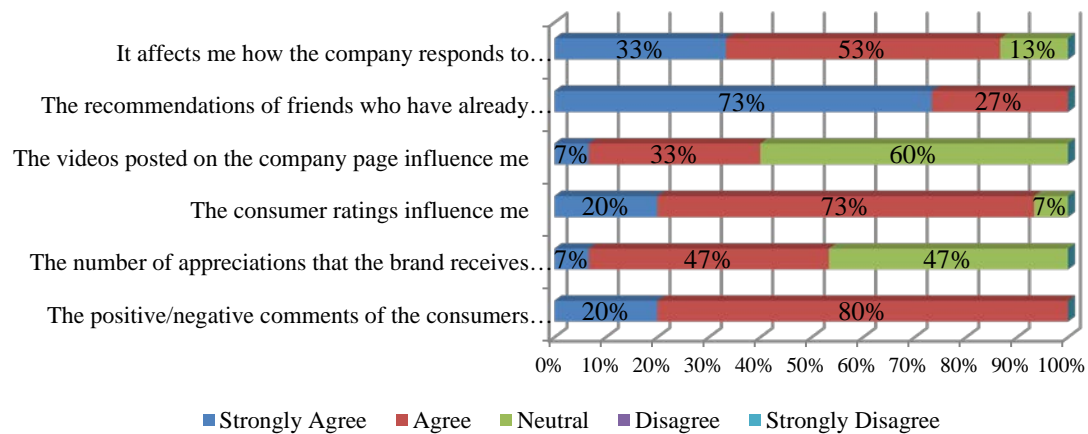
In order to *identify the main types of messages transmitted on social networks which inspire consumers to trust a company*, we applied the rank ordering method. The ranking obtained after calculating the scores specific for this type of scale places first the information messages that offer knowledge about products offered by the company, on the second place the messages regarding the services offered to the clients and on the third place the promotional messages.

Fig.12. Ranking of the types of messages transmitted on social networks that inspire consumers to trust a company



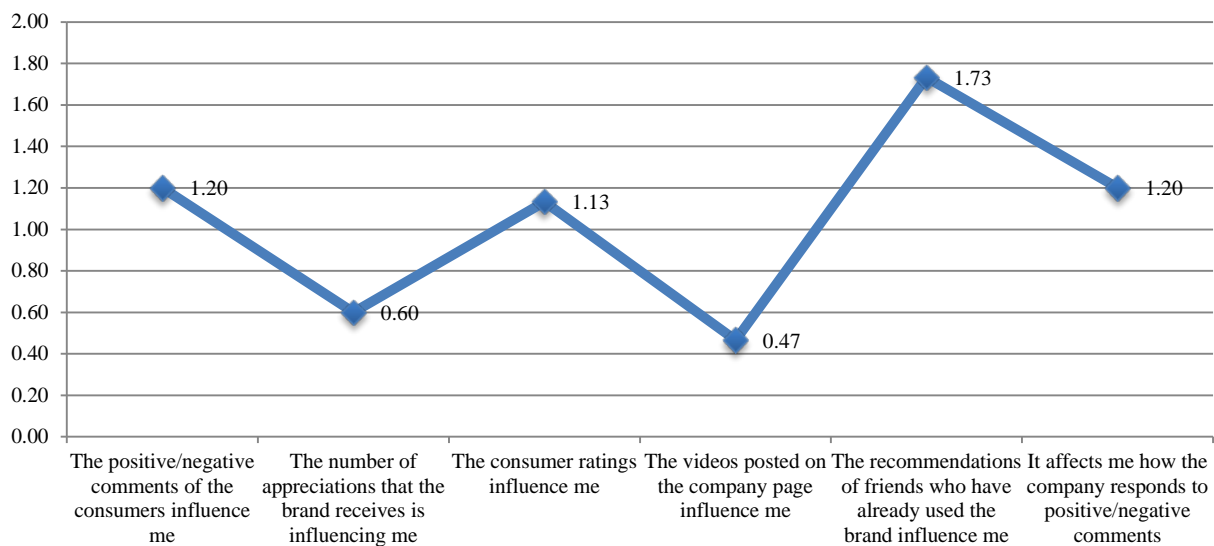
Regarding the factors existing within the social networks that influence consumers confidence in a company, the majority of respondents agreed, to a greater or lesser extent, that the level of trust depends on each action taken in social media in relation to the company (see Fig. 13).

Fig. 13. Factors influencing the level of consumer confidence in a company on social networks



In this context, it particularly influences the recommendations of friends who have already used the brand, statement that stands out significantly from the others considered, with 73% of “Strongly Agree” on Likert’s scale and an average score of 1.73 (see Fig. 14), it influences the consumers’ positive/negative comments and how the company responds to positive/negative comments (both with an average score of 1.20 on Likert’s scale, which includes both statements in the “Agree” category). Consumers agree that they are also influenced by other consumers’ ratings and the number of ratings the brand receives. Consumers show indifference to videos posted on the company page according to the data collected (with an average score of 0.47 on Likert’s scale).

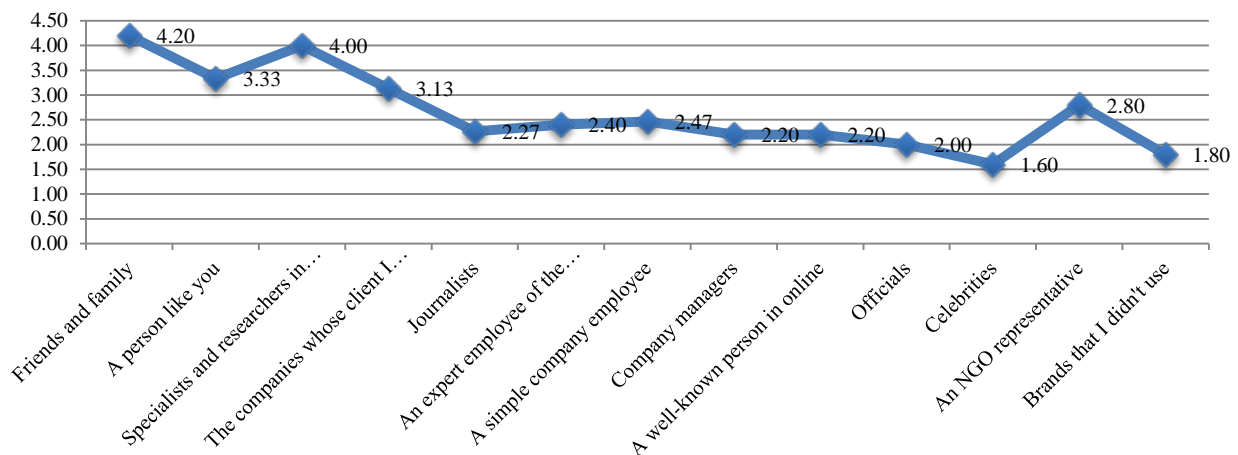
Fig. 14. The average scores specific to the Likert’s scale used to determine the factors within the social networks that influence the level of consumer confidence in a company



According to a significant share of respondents (93.33%), the activities generated by consumers or consumer communities that are neither paid nor encouraged by the brand owner represent the category of activities in which consumers have the most confidence on social media.

Also, most of the respondents do not fully trust any source of information conveyed on social networks if it is to consider the average scores calculated for the five-step semantic differential “I have complete confidence” – “I have no confidence at all”.

Fig. 15. Distribution of average scores on the semantic differential scale regarding the level of trust in the sources of brand information on social networks



However, consumers have great confidence in the information that their family and friends pass on (33% of the respondents have complete confidence) a fact also confirmed by the average score obtained by this category, and in those transmitted by specialists and researchers in the field (with an average score of 4). Other sources of information in which consumers have said they trust are “a person like you” (average score 3.33), “companies whose client I am” (average score 3.13) and “an NGO representative” (2.80). The rest of the considered categories obtained average scores that reflect a low degree of confidence regarding the information conveyed on social networks, the last places being Celebrities (1.60), Brands that consumers did not use (1.80) and Officials (2.00).

6 Conclusions

In identifying the motivations that drive consumers to provide personal information, buy or follow someone else's advice, companies should take into account the very high impact that trust has and the elements on which consumers' trust is built, including on social networks.

We can conclude that Romanian consumers have great confidence in the brands they interacted with within social media applications, most often evaluating the brands they trust, sharing the content about the brands, recommending the brands and, to a lesser extent, commenting on brand content. In addition, the segment of those between the ages of 18-24 are rather inclined to perform the full range of actions in relation to brands as opposed to those between the ages of 25-34 who mostly perform evaluations of brands and those aged 35-44 who are rather doing shares and brand evaluations. On the other hand, consumers with an income of up to 800 lei are sharing to a very small extent and those with post-university studies comment to a very small extent compared to the other segments. Also, women are inclined to share content about brands they trust to a greater extent than men, but the latter recommend and comment to a greater extent than women. Of all the social media applications, Facebook is the one on which the Romanian consumers carry out the full range of actions in relation to “trusted” brands, and to a lesser extent Youtube.

According to consumers, the attributes that a brand that they can trust has to possess are represented, first of all, by the fact that “the products are of good quality”, the company is “attentive to consumers’ needs” and “the company's products are compliant”. The constant presence in social media is not the most important attribute for a brand that inspires confidence to Romanian consumers, but it is not an aspect to be neglected.

Youtube has the biggest trust capital regarding brand information, consumers having great confidence in it, followed by discussion or news forums or groups, Wikipedia and review and rating sites.

Also, according to consumers, the companies’ activity in social media has contributed to a great extent to the increase in the level of confidence gained among consumers and social media activity related to a company has a significant impact on the degree of confidence invested by consumers in it.

The main types of messages sent on social networks that inspire consumers to trust a company are, first of all, information messages that offer knowledge of the products offered by the company, messages regarding the services offered to customers and promotional messages. In addition, within social media applications, the recommendations of friends who have already used the brand, the consumers’ positive/negative comments and

the way the company responds to the positive/negative comments influence greatly the consumers' confidence in a company. The activities generated by consumers or consumer communities that are neither paid nor encouraged by the brand owner represents the category of social media activities in which consumers place the greatest trust.

Also, consumers have great confidence in the information that their family and friends pass on and in those transmitted by the specialists and researchers in the field. Other sources of information in which consumers have said they trust are "a person like yourself", "companies whose client I am" and "an NGO representative".

It is clear that reputation is the element on which the initial trust in a company is built because a potential consumer relies in this case on the experience of others reflected in the company's reputation. As a result, reputation development and communication is an essential element on which consumers' initial trust in a company can be built.

In order to increase consumer confidence, companies need to get much closer to consumer communities, to openly encourage dialogue, to consider consumers' suggestions and feelings. Companies need to personalize the answers for the most valuable consumers, recognizing that they represent the main advocates of the brands and that they can be essential in increasing the company's good reputation in social media. And the main strategic elements for developing a close relationship with consumers through social media are communication, capturing attention, entertainment and actions that determine a response from consumers. All this will create a true experience that will be the basis of a long-term relationship.

The exploratory research carried out and presented in the previous pages represents the starting point for carrying out research on representative samples of social media users, using perhaps a more complex set of questions and thus obtaining important information for the specialists in the field.

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