

The Wake Up Call

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This article does not intend to provide some miraculous solutions for Romania to overcome the current economic and financial crisis. The capabilities to overcome such difficult times are greatly dependent on the evolution of the European and international situation. A healthy Romanian economic rebound will depend decisively on the implementation of the stability-enhancing measures prescribed by EU, IMF, the World Bank and on the euro-convergence program. It will also depend on the country's capability to put the advantages of its EU membership to work in favor of its economic upturn. Some solutions to limit the effects of the economic crisis, mostly its negative impact on the population, have been successfully applied in several EU countries and some other countries in the world. At this point, we don't have to add much – the main thing is to avoid making elementary mistakes, to abandon the amateur expedients and to restore genuine professionalism in all walks of life.

Our main focus is rather on the post-crisis period. Many of the troubles afflicting us today are caused by the absence of a coherent and realistic view on a desirable future, one that we should build ourselves. Long-term strategic plans gather dust on the desks of a timid and - due to excessive politicking - increasingly obedient bureaucracy. Each new governance policy tried to restart from ground zero, abandoning projects on their way to completion. Instead of focusing on functional objectives, the new initiatives were meant to get some media or political effects. On most occasions, we lacked the unifying idea of systemic thought and we showed a lack of awareness about the multiple perverse effects that any seemingly reasonable measure might cause.

When we scrutinize our conceptual weak points and structural liabilities, we should find no great relief in the fact that some other countries also lacked some prospective thinking. It is quite true that the current economic crisis, the incoming slow

growth period represent the symptoms of some older system deficiencies, the result of some excesses and recklessness accumulated over many years at a global level.

To a certain extent, the condition of world economy looks like the process of large climate change. In both cases, misjudgment and the refusal to take into account the medium and long term effects of human activities on the economy and the environment proved to have global consequences; some seemingly isolated phenomena, triggering a chain reaction, could have a decisive influence on a global level. This confirms an old metaphor of the chaos theory: a minute air draft, caused by a butterfly flapping its wings somewhere in the Amazon forests, might be the initial trigger for some violent storms on the other side of the globe. The normal cycles of nature and economy were once capable to absorb some random shocks and to self-regulate. These capabilities were greatly destabilized by human intervention whose recklessness was amplified by the network of global interdependence; the effects can be potentially catastrophic. The current crisis showed that the increasingly fragile condition of both the natural and the economic-financial systems brought us very close to a point of no return when a critical mass of negative accumulation might cause an irreversible destruction of the existent structures.

It is in this very context that we have to reexamine our options and to provide some clear prospects for the future. Once we were told that survival was the ultimate expression of our national interest. Never has this resonated more truthfully than today.

Lately, the political discourse and the public debate in Romania focused on the pressing problems triggered by the economic crisis. Such preoccupations are legitimate and necessary. And yet there is an impression that one expects a resumption of the old state of affairs in the post-crisis period, with no thought for the future. There is no talk about the possibility that the unhealthy development model that we followed for twenty years might be at the very root of our present situation. Even the necessary debate about state reform seems to go no further than a power redistribution among the different segments of political elites; and yet it is not clear what is the real use of such power.

We cannot complain that, in time of need, we did not enjoy the understanding and did not get the support of the European and international community. And yet their goodwill is neither unlimited nor unconditional. It depends on an ongoing evaluation of those acts and tangible achievements that can boost the confidence in the soundness of our public policies, of both our own population and our partners from abroad. And it is this soundness which is very much in doubt these days. Regaining confidence depends mostly on our capacity to articulate some convincing perspectives: to state clearly the point of destination, the time frame to reach that point and the action we need to reach our target.

There is a conceptual frame for such approaches envisaging the future. The new strategy of the European Union, "Europe 2020" establishes some guidelines and concrete objectives to be reached during the next decade. Being mandatory for all state members, they need to be materialized in national objectives and directions which are to be homologated and validated at June 2010 session of the European Council. This means that each country, Romania included, has the responsibility to elaborate and turn into practice the specific implementation programs of the European strategy. The complexity of the efforts, needed to be done under very tight time constraints, requests an active involvement on the part of all the competent people capable to finalize this process in an optimal way.

The very title of the European Commission mentions that the economic rebound within EU countries must follow three main principles: it should be *intelligent*, based on knowledge and innovation; *durable* (or *sustainable*), promoting an increased efficiency in the use of resources, an increased ecological performance and encouraging better competitiveness; it should increase *inclusion*, to provide a better employment and a more consolidated social and territorial cohesion of the European Union.

Mention must be made of the fact that, as compared to the preceding Lisbon Agenda, the new EU strategy is closer to the classical precepts of the durable

development – the durable development being the predominant doctrine of the European progress in the XXI century.

In the process of human development, there is now an organic connection among the socio-politic and economic factors in their measured and responsible interaction with the natural environment. We have walked a long way from the hostile and aggressive attitude towards the environment (best represented by the notorious Michurin's saying: "we cannot wait for favors from nature. To take them from it – that is our task!") to the acceptance of the perennial truth that human civilization is a subsystem of the natural order on Earth and, in order to survive, it needs to function in harmony with other subsystems. The conceptual framework of the EU new directives does not encompass two distinct strategies: one concerning economic competitiveness and employment policies and another strategy on durable and eco-efficient strategy. The two are interconnected and almost fuse together.

In many other matters, The "Europe 2020" strategy made progress over the vision embodied by the Lisbon Agenda whose completion this year was somewhat disappointing, the disruptive elements brought in by the economic crisis being only part of the problem. It was clear, even before the economic crisis, that some main objectives, established in the year 2000 could not be accomplished due to a lack of resources at national and EU level, and due to a weak system of monitoring the way the member countries accomplished their self-assumed obligations. The objectives of the new strategy stay ambitious, they are not easy to be reached and yet they seem to be more realistic and better articulated. The implementation mechanisms are better formulated at political and executive level according to the provisions of the Lisbon Treaty. The main focus is still on the development and maximal capitalization of the human factor while the quantifiable quality indexes are now on a par with the quantitative ones, both as a number and a percentage. The European Union does not define itself only by competing with other power centers and with some traditional or emergent development zones, it also defines itself by self-competing for providing well-being and a superior quality of life to its own citizens.

We, in Romania, are directly attached to the target objectives established by the European Union for the end of the next decade. We have accepted them and we are well aware of their purpose and scope. We need to make tremendous efforts to achieve those objectives or at least to make significant progress to this end. After five years of preparations for joining the EU and three years as a full EU member, Romania cannot pretend not being fully familiar with EU mechanisms and requirements. We cannot blame somebody else for our own failures. And yet, it is a fact that, due to some historical handicaps, Romania is still among the last countries in the EU on the development indexes. We can still count on the solidarity and support of our European partners but it is Romania that needs to make the greatest efforts in order to reach the EU performance and conduct standards.

One year and a half ago, while working on the short, medium and long term National Strategy for the Durable Development of Romania, we analyzed how we could reach the average EU performance standards and how much time this might take. While making the necessary calculations, we had in mind the fact that our European partners would make progress, too. The specialists' conclusion, validated by the Scientific Council under the aegis of the Romanian Academy stated that, as a matter of fact, we could reach this stage around 2030. The convergence point of the two trajectories, one representing the EU average development line and the other Romania's development, did not change when, in the light of the negative impact of the economic crisis, we reviewed the initial estimates and considered a possible slow post-crisis economic rebound. Some adjustment of the intermediary targets might be necessary but the strategic objective stays the same. The main thing is to finally realize that the very model of our national development must be changed as we go along in order to join the main evolution trends of the European civilization.

Those much invoked necessary changes in the Romanian mentality (they are often invoked in a manner involving self-defeating and self- denigration) will occur naturally in so far as we incorporate the European norms and take great care to respect them.

A close examination of the five key objectives and of the seven flagship initiatives of the European Union for the 2020 proves them to be a perfect fit for Romania's fundamental priorities. The proposed measures are meant to correct some weaknesses occurred in the context of global competition at the level of the whole Union. Our weaknesses are greater than the ones of most of other member countries, a situation peculiar to Romania. That is why our efforts to overcome them need to be proportionally greater.

Frankly speaking, we should take into consideration a possible incapacity to achieve all the objectives established for the European Union. And yet we should totally embark on such an important path for the future of Romania. We should achieve the objectives one by one so that we realize where we stand, what we have to do and the kind of results we expect to get.

Prospective targets Europe 2020

With an average 69% employment rate (63% for women, 76% for men but only 46% for people aged 55-64), the European Union underperforms its main global competitors. In the EU the actual number of work hours is 10% smaller than in the USA and Japan. On top of this, in the next 3-4 years the population growth rate in the European countries is going to be negative, deepening the phenomenon of population ageing and putting an increasingly greater pressure on the pension and social assistance systems.

In Romania's case, the situation is made much worse and a considerably greater catch-up effort is needed. At the beginning of the year 2010, Romania had a 58% employment rate (11% lower than the EU average), 1% lower than the 2007 figure. The negative demographic trend is one of the most worrisome in Europe and the phenomenon of qualified young people migration abroad makes it even worse.

Under the circumstances, to restore Romania's situation requests more than a stimulus to create new employment opportunities and a capitalization of an important but underemployed rural work force. It also requests medium and long-term projects meant to gradually redress the demographic balance and put to a better use the human capital. The policies to stimulate employment must be linked to those policies designed to enhance education and professional training according to the demands of the labor market. That includes new dynamic forms of retraining and continuing education, a better health system and an active promotion of social inclusion. A strategic, integrative thinking is needed and it should be reflected in appropriate legal measures and efficient mechanisms of reporting, monitoring and intervention.

As the current experience shows, in Romania the creation of better employment opportunities cannot be achieved through an artificial, corruption ridden growth in the government and public sector pay rolls. The public employees sector should be run by clear performance standards and quantifiable benchmarks should be specified in each job description and assessed on an ongoing base according to rigorous protocols pertaining to each specific activity.

In Romania, the main human capital reserve, still mostly untapped, lies in the countryside. It is not through migration to the big cities or abroad that problems could be solved, the solution lies in dynamically diversifying, deconcentrating and relocating the productive activities and services to the economically depressed villages and small towns.

Modern economy is free from many technological restraints which once favored the concentration of production in big industrial units. To stimulate the development of small enterprises in the countryside - where fixed investment costs much less - as suppliers and subcontractors of the large scale industry, shows some further benefits because the economic, ecological and cultural costs associated to urban congestion can be reduced. Before the economic crisis, many banks were ready to provide services to areas yet uncovered by the modern financial system. The beginning of the economic

rebound will certainly accelerate this process. A wise governance will know to seize the new opportunities and adopt the relevant measures to create a favorable environment. Taking into account that other countries had a starting point similar to Romania's, the effects of increasing employment might surpass any reasonably optimistic expectation.

Investing 3% of EU GDP in research & development.

The cumulative R&D spending on research, development and innovation is below 2% of European Union GDP compared to 2,6% in the USA and 3,4% in Japan. The steps taken in "A Union of Innovation" initiative, an integral part of EU 2020 strategy, identify the priority domains that the European institutions need to focus on, by the attraction of private capital included.

At this point, Romania is in a rather bad situation. As percentage of the GDP, the budgets for scientific research and technological development are less than half the EU average. The recent statistics, recently released by the European Commission, show that, on innovation, the actual performance of Romania ranks near the bottom among the EU countries. Almost the same is true regarding the number of registered patents, published scientific and academic contributions. It is still encouraging that, despite the lack of resources for research, the catch-up rate and the rate of improved innovative performance in Romania have been among the highest to the year 2009.

It is not only a matter of larger budgets for research & development (and yet Romania should meet this requirement, it being part of her obligations as a EU member). We also need to create an environment favorable to the unfettering of the creative energies of Romanian scientific community and respectful of its role as the engine of progress in the society as a whole. The Romanian politicians do need to get used, at least at an elementary level, to the rigors of the scientific reasoning. It is not less true that the scientific community should be more receptive to the specific mechanisms of modern political thought.

Energy and climate change: reaching the 20-20-20 targets.

By the year 2020, the UE directives envisage that the renewable energy resources provide an increased 20% share of the total energy consumption, the greenhouse gases should be reduced by 20% and energy efficiency improved by 20%, too. Implementing these objectives will generate one million workplaces in the EU countries and will provide some other important economic and ecological benefits.

Romania is in a good position to implement these objectives and meet the deadlines. The ongoing wind power projects, new small and medium sized hydro power plants and, in the near future, as the wind power becomes cheaper, an extended use of such power will create the prerequisites for surpassing the 20% target in the field of renewable energy. The immediate challenge, that needs to be addressed shortly, concerns the safe integration of the intermittent production of clean energy (wind, solar) into the national grid. The planned emission reduction target will be reached by converting the coal fired power plants into natural gas plants and retooling the highly polluting facilities. The greatest energy saving potential to help us conform to the EU standards lies in an increased efficiency by reducing the energy intensity, limiting the thermal heat loss and improving the thermal performance of the buildings. A lot more energy efficiency can be squeezed out of the heavy industry, cement and building material industries, transport, agriculture and the domestic consumption.

Increasing the share of population aged 30-34 having completed a tertiary degree to 40%.

This objective is meant to increase the number of college graduates in the above age group by 10% ; in the USA and Japan the figures are 40% and 50% respectively. This requires improving the quality of higher education; according to the Shanghai index only 2 universities in the EU are in the world's top 20. The 40% target refers to a vast educational program from pre-schools to doctoral and post doctoral studies, to the lifelong education through training and vocational rehabilitation.

In this field, too, Romania needs to play catch-up in order to overcome obvious disadvantages. To reach the EU percentage of college graduates, the current percentage (16% in Romania) need to be doubled. EU intends to reduce the drop out rate to 10% from the current 15%; in Romania the current drop out rate is about 20%. As to the basic competence tests, the Romanian middle school students are the only ones in Europe to backslide. No Romanian university ranks among the top 500 in the world.

Several education reforms were tried in Romania, there is an ongoing debate on this issue but any tangible results are yet to be seen. As far as education is underfinanced and mismanaged, with almost no connection to the real demands of the labor market, as far as the social and professional status of the educators is quite low, Romania remains a backward country and the gap between Romania and the more advanced country will only get larger.

The number of people living below national poverty lines should be reduced by 25%.

By meeting this EU objective, 20 million less people should be at risk of poverty, enjoying a decent life. The European Commission norms set the poverty threshold at 60% of the national median income per equivalent adult. Lately, this definition was contested in the European Parliament because its strictly formal criteria do not take into consideration the huge discrepancies among the EU member states (in the Luxemburg, for instance, the poverty threshold is 1600 euros.)

In Romania, the 3.5 million peasant households, practicing subsistence and semi-subsistence farming on less than 5 hectare plots of land, and the urban agglomerations with increasingly higher rates of extreme poverty recast the issues of poverty in a tough and hurtful manner. Just in one year, the per-capita GDP shrank by about one thousand dollar; this had a serious impact on the purchasing power and on people's daily life. That is why, in Romania, a healthy and durable economic rebound, providing clear prospects to present and future generations, gets a true existential connotation.

The EU headline targets are interconnected and mutually reinforcing; they call for essential conceptual alterations of the development model and of the state, including its structural adjustments and the responsibilities incumbent on its decision and executive components. They are completed by seven flagship initiatives which present the range of actions for the next decades: 1. “Innovation Union” to improve framework condition and access to funding for R&D and innovation so that results can be turned into useful products and services which can generate economic growth and employment. “Youth on the Move” to enhance the performance of the education system and improve the employment situation of young people. 3. “A Digital Agenda for Europe” to promote internet access by providing a single market for online content and services for both individual users and firms. 4. “Resource Efficient Europe”. The aim is to decouple the economic growth from the resource use, to support the shift to a low-carbon economy, to promote renewable sources of energy, modern transport and energy efficiency. 5. “An Industrial Policy for the Globalization Era” to create a better business environment, especially for the small and medium enterprises, and to promote a sustainable industrial basis able to compete globally. 6. “An Agenda for New Skills and Jobs”. The aim is to create conditions for modernizing the labor markets, to increase the employment rate and to develop life-long learning skills with a view to better match labor supply with demand especially through an increased mobility of labor. “European Platform against Poverty”. The aim is to ensure social and territorial cohesion so that the largest number of people share in the benefits of economic growth; people experiencing poverty and social exclusion should lead a dignified life and take an active part in society.

This all encompassing view addresses almost all Romania’s interests. The only matters to be still discussed refer to Romania’s specific: its geographic position, natural resources, social and economic development, the quality of its market institutions and business environment, the maturity of its democratic governance and the way the separation of powers works.

Among the EU countries, one of the characteristics of Romania is that it has the most numerous rural and farming population (about 40%). There is too much talk about

beating the odds on farming, about Romania's potential to feed 80% of Europe's population. Even though this might be true, Romania still needs to import about 80% of its food. This should come as no surprise since agricultural productivity does not exceed 35% and tax evasion reaches 75%. Agricultural output and cattle population per 100 hectares are much below EU average.

If we have the necessary patience and skill, what is now perceived as a liability could be turned into a precious development resource, yielding many competitive advantages. In the XXI century, the ruin of the small farmer, a solution for the most developed European countries two centuries ago, cannot be used for Romania. Not by dismantling and undermining the small rural property can the farming problems be solved; on the contrary, they can be solved by consolidating property, by modernizing and diversifying agricultural production, by promoting some new eco-efficient, revenue producing employment and encouraging some flexible and adequate forms of association. Almost half of the solidarity and cohesion funds allocated by the EU to Romania for 2007 – 2010 (about 15 out of 35 billion euros) go to farming and rural development. Used wisely, these funds could turn a potential into a reality.

The most important thing (and maybe the most difficult one) is to find concrete ways to mobilize the latent energies of the Romanian society. Stimulating private initiative and entrepreneurship, supporting both the rural and urban small enterprise, protecting private and associative activities could produce, through progressive accumulation, the desired effect. It is a worthy effort to be made by our whole nation.