STRATEGIC ELEMENTS OF THE ROMANIAN ECONOMIC SUCCESS IN THE CONTEXT OF GLOBALIZATION

Nicolae Al. Pop
The Bucharest University of Economic Studies,
Marketing Faculty, Bucharest, Romania
E-mail: **nicolae_al_pop@yahoo.com**

Florin Draghescu
The Bucharest University of Economic Studies,
Institute of Doctoral Studies, Bucharest, Romania
Tache Ionescu street, No11, 1st floor, room 8102
E-mail: **clipsi99@yahoo.com**

Tiberiu Cerghit
University of Oradea, Romania,
Faculty of Economic Studies
E-mail: **tibicerghit@yahoo.com**

Corresponding Author:
Florin Draghescu
Correspondence Address:
Raul Sadului Street no 4, bl A11, No 36, District 4
Bucharest, Romania 041802

Abstract: *Romania offers today excellent business opportunities based on its strategic natural, material and human elements. Natural conditions and resources, human resources and the educational system, the tradition in the technical and IT areas are strategic elements on the basis of which Romania develops its competitive advantage niches in a globalized and highly competitive world with well informed clients. Romania has good natural and acquired resources that in an efficient and effective use can turn Romania into a vector of regional development. The fall of the Communist bloc in Eastern Europe in 1989 and the difficulties of the transition from an etatist economy based on autarchy to the market economy require efforts to recreate and build the economic tissue, to define and stabilise the succesful strategic elements of the Romanian economy. In this paper, we propose a radiography of Romania's support factors in obtaining the competive advantages in a global market. Dacia case study aims to exemplify the Romanian economic success in the context of globalization.*

Keywords: Romania, Dacia brand, resources, globalization, global competition

1. Defining strategy in a globalised world - opportunities and barriers

The economic success of a country is built on the success of economic agents which operate there, success supported by the competitive advantage of the respective country. It is obvious that the world faces technological progress which visibly affects our everyday lives. Progress does not occur continuously but in leaps. We have periods with minimal changes, followed by short periods with essential changes. Globalization and technology are the two main forces that have helped to create a synchronized fragility in the world economy (Kotler, Caslione, 2009). The rules of the game at the global economy level changed, the normality of today differs from the normality of the near past. The speed of changes in the world today creates risks and uncertainties that are different and higher than ever in the past. A new generation of globally leading companies is developing today aided by disruptive innovations, and on the other hand we assist to a redistribution of wealth, the most notable countries being the BRIC countries and the Middle East.

The consequences of a global economy are (Batman, Snell, 2002):

- The volume of world trade has grown at a faster rate than the global production volume
- Foreign direct investments are becoming increasingly important
- Imports penetrate increasingly deeper into the world's largest economies
- Companies from around the world find their home markets under attack by foreign competitors

In a competitive and complex global environment, the companies' strategy must respond to the pressures of global integration and local adaptation at the same time, in accordance with the well known quip "think globally, act locally" (Levitt, 1983). The idea of globalization is determined by the trend of the modern world which carries at a greater extent the distinction between unproblematic goods and services specific to a routine request, and the problematic ones, those which involve a choice. Depending on the sector of activity, the forces that sustain the global integration of a company are: the production based on the intensive use of capital, the homogeneous demand, in opposition to local adaptation generated by preferences, standards and barriers (Kotler, Keller, 2008).

As Friedman pointed out very well in his work, The Lexus and the Olive tree, the globalization "is the inexorable integration of markets, nation-states and technologies to a degree never witnessed before—in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before".

In a world where speed of response is one of the key elements in building a competitive advantage, it is important for companies to understand that continued effort is required to support performance. Companies create competitive advantages over rivals through innovation. Hamel and Prahalad describe four techniques that Japanese companies use to build and maintain competitive advantage: building layers of advantages, identifying weaknesses, changing standards in the field and working with the competition (Keegan, 2014).

In the case study presented at the end of this article we will highlight how the Renault brand Dacia, of Romanian origin, builds and develops its position on today's automotive market through exports at a global level using various strategies for maintaining competitive advantage.

2. Romania at a glimpse

Part of the European continent, Romania is situated in Southeast Central Europe, on the lower course of the Danube, on the northwestern shore of the Black Sea, in the North of the Balkan peninsula. Romania has an area of 238,391 km2, with a relatively equal distribution of major relief units (mountains, hills and plateaus, lowland) and a population of approximately 21,500 million inhabitants. The country's capital city is Bucharest with approximately 2,000,000 inhabitants being the sixth most populated city in the European Union.

Romania has an excellent natural heritage that is characterized by diversity and uniqueness. The Carpathian Mountains and the Danube, the mouths of the Danube Delta, the Pontic Black Sea hydrographic network of rivers and lakes and more than 4,000 caves provide excellent natural perimeter, the value of which must be enhanced in respect for generations past, present and future. Romania has important underground resources such as oil, natural gas, gold, silver, copper, manganese, coal and salt, mineral and geothermal waters.

The climate of the country with Mediterranean influences coming from southwest, Asian-boreal influences from northeast and continental-European from northwest, and the soil quality unaffected by the intensive use of chemicals, provide an excellent platform for animal husbandry and agriculture, including organic farming.

Historically, the current territory of Romania was for different periods of time part of or administered by Dacia, the Roman Empire, the Ottoman Empire, the Russian Empire and the Austro-Hungarian Empire. Romania has always been a frontier country at the crossroads of empires or political blocks. The experience of the socialist system in the Communist period and the transition to a market economy after 1989 put their mark on today’s Romania, country currently and strongly anchored in the economic system of the EU and NATO security structures.

Romania remains a country of traditions, a place where you find the old days. Proof is the fact that a number of foreign public figures visit the rural areas of Romania, enjoying participation in events that celebrate the unique traditions and customs, the territories unaffected by this aggressiveness of today’s changes, the traditional port and the organic food prepared at home.

Although expenditures in education are reduced as share in GDP, Romania has an excellent reputation in technical, medical, architectural and construction education. Romania is part of the EU Member States with average to modest performance in the field of innovation. In the rankings released by the European Commission in 2013, Romania ranked 21st (out of 28), the last positions being occupied by Slovakia, Poland, Croatia, Portugal, Latvia, Lithuania and Bulgaria. However, Romania stands out through the second place in the world at the speed of Internet (Romania Libera, 2013) due to a large number of well-trained engineers, a less regulated market and the education system which provides young people with higher math at ages far lower than in Western countries.

Total expenditures in health represent 5.6% of GDP, while the EU average is 9%, which makes Romania have a modest medical system. The EU directive that allows treating the European patients in another country than the country of residence, will turn Romania into a very attractive area of european medical tourism as the sanitary infrastructure and transport will improve.

Romania holds a balanced portfolio of energy capacity, comprising nuclear energy, fossil fuel based energy, hydropower and other renewable sources. Green energy, although it now has only a reduced contribution represents an expanding sector. Romania has the largest electricity production sector in Southeast Europe and is a major exporter in the region. The position was consolidated in recent years through the development of wind and photovoltaic farms, therefore using the renewable energy resources.

Internal debate about the exploitation through hydraulic fracturing of shale gas resources and the use of cyanide for minerals exploitation techniques are just some of the current issues that assert that Romania's natural resources are important and that ways to allow operation in a balance between man and environment will be found.

Romania makes significant efforts to align the national system of rail, road, sea and air transport by supporting major projects of modernization, development and integration of national transport infrastructure into the European system.

Romania's integration into the pan-european system of transport together with the inclusion of Moldova, Turkey, Ukraine, and Serbia in the EU, will change the peripheral positioning of Romania into a central one in the EU. The integrated government program to improve intermodal infrastructure that will provide connections by rail, road and air for the Danube and the sea ports will be achieved with funding and EU support, increasing Romania’s importance as Europe’s logistics hub.

Romania ranks fifth in the EU 27 in terms of arable surfaces, and the Romanian agriculture has a significant share in GDP compared to other countries (approximately 7% in Romania compared to 4% in Poland and Hungary or 2% in France). In case of a production similar to that of the Euro Area, Romania would double its agricultural production and triple its exports, thus satisfying consumer needs for a population 4 times greater than that found today.

According to a report published by the National Bank of Romania (BNR, 2013), the Netherlands, Austria, Germany and France are the countries that have invested the most in Romania after the fall of communism. Netherlands holds over one-fifth (22.4%) of all foreign direct investment in our country, with investment of 13,23 billion euros by the end of 2012. For a country like Romania, foreign investment is the financial contribution required to support development and faster achievement of functional market economy.

With an average grade of indebtedness of population through credits from banks of approximately 23%, according to the latest data of the National Bank of Romania, the high share of expenditure on food and utilities in total income and with one of the lowest average gross wages in the European Union of 470 euros (Raiffaisen report No. 9/2013), the Romanian citizen is subject to an unmanageable financial pressure. Romania ranks fourth among EU countries with the lowest level of public debt to GDP in 2012, with a public debt of 37.9% of GDP (financiarul.ro, October 2013). With inflation forecast for 2013 of 3.3% and an estimate of GDP growth of 2-3% annually for the next three years Romania is on the way out of recession.

Romania is today one of the less developed EU members, which confirms that there is enough space for the development and use of human, natural and material potential. Macroeconomic strengthening, political stability and a favorable regional context are favorable premises that can turn Romania into one of the EU countries with the highest economic growth and an important destination for investment.

3. Romania in the perspective of the future

We consider that the sectors with maximum potential in the medium and long term in Romania are: energy, agriculture, automotive, IT, tourism and the extractive sector. The selectivity of performance sectors is required to identify on a global marketplace of products and services the areas where the Romanians have a competitive advantage. The market conditions and the disruptive new technologies call for a fast adaptation capacity and require strong companies to find the virtues of emerging countries as Romania, which needs capital investment to turn existing resources to advantage.

Romania's competitive advantage is determined by resources, such as low-cost labour and access to natural resources. The mix of export transactions is relatively narrow and restricted to products with low added value in the case of Romania. The dependence upon international players is high, the margins are small and sensitive to price fluctuations and terms of trade, and the technology is assimilated through imports, imitation and foreign direct investment (FDI). At the governmental level, Romania must elaborate strategies for attracting investment capital and invest in the factors that affect national competitiveness, in particular health, education and infrastructure.

The aim should be to stimulate investments with high added value, which would support the creation of jobs and social added value. There are three main benefits of attracting investment: increasing employment (attraction of investment in the labour intensive sectors), increasing exports (export-oriented investment), increasing productivity through technological transfer (investment in sectors with medium/high added value, research and development activities).

3.1 Romania is gradually establishing itself as a manufacturer of automobiles in Eastern Europe.

Machinery and transport equipment are the main export products of Romania, Germany being the main destination. Romania has received substantial investment from German companies in this sector and has doubled its market share in Germany between 2008 and 2011.The European Union (EU) remains the destination of more than 70% of Romania's exports, of which Germany holds nearly 20% of total exports, followed by Italy and France with 13% and 8% respectively. Therefore, the Romanian exports are directly correlated to demand in the EU.

Following development in the past eight years, the automotive industry in Romania has become an industry with multiple and solid European connections, in particular in the manufacturing sector, but also in the automotive components sector. The main development vector was the Renault program for Romania. Similar effects are expected from the Ford program.

In the Romanian automotive sector, the following operate:

- two automobile manufacturing plants in Pitesti-Renault and in Craiova-Ford;
- mechanical parts manufacturing plants (engines and gear boxes) in Pitesti;
- mechanical parts manufacturing plant (engines) in Craiova;
- a national network of over 500 suppliers of components, of which a significant part is represented by subsidiaries of international high-tech;
- auto competence centres in technical universities;
- cars and parts research and development activities. There are over 8,500 engineers working in design, research and development in the automotive sector companies.

According to the president of Romania Automobile Manufacturers Association (ACAROM), Constantin Stroe, "... 13 of the top 20 automotive manufacturers in the world have divisions in Romania. They include Robert Bosch GmbH, Continental AG, Magna International, Faurecia, Johnson Controls, Delphi or Draxlmaier ".

At Cugir and Sebes, the German car maker Daimler AG, owner of Mercedes, builds auto parts through its subsidiary in Romania, Star Transmission. In April 2013, Daimler announced it would invest 300 million euros in its subsidiary in Romania, Star Transmission, in order to serve the peak demand of Mercedes gearboxes and transmission system components.

3.2 Agriculture – Romania’s huge potential is waiting to be unblocked

Romanian agriculture and food sector performances have remained relatively modest compared to its natural potential and the expectations for the agriculture and food industry to quickly adjust their structures under the influence of common agricultural policy by facilitating the financing of the system, including providing the investment necessary for growth, but also the introduction of continuity and consistency in the measures taken by the decision makers. Among the factors that influence these performances the following are to be remembered as reported in the 2013 Romanian Presidency report (**www.presidency.ro**):

- lack of associative and cooperative forms of the subsistence and semi-subsistence farms;
- precariousness of fixed capital stock and low rate of gross capital formation;
- limited appetite of banks to offer credits for agriculture, affected even more by the financial crisis of recent years;
- lack of major infrastructure (roads, irrigation and drainage systems, storage capacities);
- institutional weaknesses.

Romania, due to economic, social and structural circumstances, has a significant potential for organic farming, perhaps the highest in the EU. It can be said that the potential is enormous, and the global context is very favorable for the development of organic farming. Romania holds the first place among the European Union countries in terms of farmland per capita (1.58 acres/inhabitant). This is almost double than the EU average (0.86 acres/inhabitant) (Pop, Dabija, 2013).
The weaknesses of the Romanian agricultural sector (weak chemisation, uncultivated land and the large number of subsistence family farms) can help a competitive disadvantage to be transformed into competitive advantage in areas.

It is estimated that Romania will have food potential for 38,5 mln. people in 2030, and an amount available for export and non-food consumption of agricultural raw materials of about 49-50 billion Euro, i.e. equal to the total value of today's Romanian exports.

3.3 IT – the pride of Romanian services

The future will increasingly include more services and products centered or realized through the help of information technology and communications. The difficult economic situation in Europe and on the globe determines companies to increasingly give up traditional markets and to find new ones in Europe that are very interesting due to skilled labor. IT is part of Romania's future in a dynamic tech world.

Romania is one of the most interesting markets in Europe for IT investment and a recognized partner for some of the most famous and demanding customers in the world of outsourcing IT services, Business Process Outsourcing, call center support and product development. A final example is the Deutschland Vodafone Concern which decided to move to Romania between 200 and 250 job positions in network supervisory, says the Rheinische Post news portal, 9 November 2013.

Although exports in software and IT services sector represent a small part of the total value of exports from Romania, this is the sector that can have the greatest dynamics, given the global growth.

3.4 Romanian tourism - an area of activity little valued

The main attractions of the Romanian tourism are: the Black Sea and the mountain resorts, castles and fortresses, the Danube Delta, medieval towns, painted monasteries, traditional villages, world heritage sites. The countryside is the heart and soul of Romania, where peasant culture remains a powerful force and medieval life prevails, as it does nowhere else in Europe. A relevant example is the constant presence of Prince Charles, heir to the British Crown, in Transylvania, who finds here intact traditions and nature little affected by anthropogenic factors.

Modest accommodation and transport infrastructure leaves its mark in a defining manner upon the tourist activity in Romania. With proper pace of investment and long-term coherent strategies, the Romanian tourism could provide a large use of the country’s natural, human and historical potential.

3.5 Energy is reaching staggering speed in Romania

Romania has a wide range of primary energy resources, both renewable and exhaustible, which ensures, along with Denmark and Estonia, one of the highest levels of energy independence in the European Union (Initial Public Offering of SN Nuclearelectrica, 2013).

In the whole of influential factors for competitive advantage in some industries, the share of energy in total costs is between 3-5% (electrotechnics), 8-10% (textiles), but may exceed 40% (aluminum) and therefore ensuring energy needs without fluctuations is a risk factor to consider. Politics of green certificates and Romania’s favorable geographical position for renewable energy production have encouraged significant investment in wind and solar parks.

Romania has assumed a target of 24% renewable energy in domestic consumption for the year 2020. Romania is the second country in Europe after Sweden that reaches its target on the quantity of electricity produced from renewable sources reaching today a production of energy from renewable sources of 40-45% taking into account the hydro, wind and solar energy.

4. Securing a sustainable competitive advantage – Dacia Renault in the context of globalization

The results of Dacia auto brand on the European market is an example of success and is based on Renault's strategic decision to invest in Romania that provides a flexible infrastructure for production, research, development and logistics. Dacia defines Romania historically in the past as well as in the present, being the success story of the French car manufacturer Renault, in the context of challenging global conditions.

One of the poles that attract investments from car component manufacturers in Romania is Dacia plant. Thanks to the two billion euros invested by Renault in Romania after taking over in 1999, of a majority stake in Dacia, many companies develop their work now in a position of suppliers. According to official statements made by Renault Romania, the Romanian subsidiary works with 648 serial production parts suppliers, 248 aftermarket parts suppliers and other 108 companies. In Romania, Renault produces machinery and components (see Table 1), carries research activities through Renault Technology Romania and has one of the largest logistics centers.

Table 1 Activities and production for Dacia (Pitesti, Romania, 11.278 workforces) at december 31, 2012

No.	Activities	Type of activity	Production
1	Body assembly	Logan	**56,264**
2	Body assembly	Logan II	**1,657**
3	Body assembly	Logan MCV	**34,947**
4	Body assembly	Logan Van	**7,545**
5	Body assembly	Logan Pick-Up	**3,642**
6	Body assembly	Sandero	**50,771**
7	Body assembly	Sandero II	**20,007**
8	Body assembly	Duster	**132,999**
9	Powertrain	Gearboxes	**542,376**
10	Powertrain	Engines	**253,620**
11	Casting	Casting (in tonnes)	**13,786**
12	Casting	Specific parts	**98,260**
13	Powertrain	Subframes	**775,075**
14	Powertrain	Rear axles1	**255,841**
15	Powertrain	Front axles	**507,654**
16	Powertrain	Axles	**943,422**

Source: Renault Atlas march 2013, www.renault.com

Dacia is positioned by Renault as a regional brand and is sold in 39 countries in Europe, North Africa and Turkey. Since 2004, the brand has won more than 2.3 million customers with a wide range of spacious, simple and robust vehicles sold at an affordable price. Dacia brand's success is based on the strict application of three principles: generosity, simplicity and reliability.

The first Dacia entry-level vehicle was Logan, available in three other body styles, in the late 2000s: Logan MCV (a version of the Logan Estate), Logan Van and Logan Pick-up. These Logan vehicles have had great success in Europe. Subsequently, the range improved with two new models whose ambitions were naturally global: Sandero and Duster. The range of vehicles is marketed in Europe, North Africa and Turkey under the brand name of Dacia, and in the rest of the world under the name of Renault.

On external markets, Dacia recorded during 2012 an 8% increase in sales, the main performers being the Euromed markets (North Africa and the Mediterranean), with an increase of 26.6% according to the official website of the group.

Top Dacia 10 export destinations for 2012

No.	Country	Units
1	France	**84 522**
2	Germany	**46 590**
3	Algeria	**41 710**
4	Turkey	**28 964**
5	Italy	**26 832**
6	Spain	**17 847**
7	Belgium	**13 000**
8	Poland	**10 282**
9	Austria	**6 557**
10	Switzerland	**5 505**

Source: http://www.daciagroup.com/comercial/vanzari-dacia-in-anul-2012

France dominated Dacia sales chart by country in 2012 as well with 84 522 units sold, followed by Germany with 46 590 units and Algeria, with 41 710 vehicles.

The activities of Dacia plants and logistic platform in Mioveni generated 7.7% of Romania's exports in 2012. 93% of Dacia vehicles production was exported and this performance helped Dacia rank first in the country's top exporting companies. The Romanian brand accounted for 24% of the group’s sales in Europe in the first half of 2013. Without Dacia, Renault sales would have decreased by over 10% in the same period. Morgan Stanley estimates that Dacia recorded in 2012 an operating profit margin of 9% compared to 2% for the Renault brand.

5. In conclusion

Export strategies that support innovation and use of technology help a country to develop regardless of its stage of development. Competitiveness of countries rely more on cross-sectoral factors than on those specific to a domain. On the other hand, the measures to increase competitiveness may vary depending on the stage of economic development of a country and opportunities for exporters. As Michael Porter pointed out: national prosperity is created, not inherited. In a world with an increasingly freer trade, the strategy of a country should focus on generating and maintaining competitive advantage.

Ways for increasing the competitiveness of a country in a global world are:

- A clearer, smoother and more accurate delimitation of the contour of some market niches where the country analyzed can excel through: rarity of products, better utilization of its know-how, a successful collaboration with other countries in the area of complementarity of certain export products;
- Developing with greater courage the regional cooperation in economic fields of common interest (e.g: Balkan tourism development, etc.);
- For Romania in particular, a more pronounced orientation in economic cooperation towards east and not only towards west.

Renault strategy for Dacia proves to be a long-term winner. The space of improvements that separates Dacia from Renault is represented only by successive stages of benefits that can be offered to Dacia clients at an affordable price. Receptivity to what the new standards in the Renault auto industry mean offers Dacia multiple opportunities for regional development.

References

Bateman, T.S., Snell, S., 2002, Management: competing in the new era, 5th edition, Irwin

Friedman, T., 2000, The Lexus and the Olive Tree New York: Anchor Books, p. 9

Keegan, W.J., 2014, Global Marketing Management, 8th edition, Person Education

Kotler, P., Caslione, J.A., 2009, Chaotics: management si marketing in era turbulentei, Bucuresti, Editura Publica

Kotler, P., Keller, K. L., 2008, Managementul Marketingului, Editia V, Teora

Levitt, Th., 1983, The Globalization of Markets, Boston: Harvard Business Review

Thomas, Andrew R., Pop, Nicolae Al., Bratianu Constantin (Editors), 2013, The Changing Business Landscape of Romania. Lessons for and from Transition Economies, Pop, N. Al., Dabija, D. C., Development of an Organic Food Mentality in Romania, SPRINGER, New York, Heidelberg, Dordrecht, London

Pop, N. Al., (coord.), 2011, Marketing international teorie si practica, Editura Uranus, Bucuresti

Pop, N. Al., Draghescu, F., Rosca, V., 2013, Global Competition and Romania's National Competitive Advantage, EINCO 2013, Oradea

Porter, E., march-april 1990, The Competitive Advantage of Nations, HBR

IMF Country Report No. 12/291, Romania: Selected Issues Paper, October 2012 [Online], Available: http://www.imf.org/external/country/rou/index.htm?type=42

Cadrul national strategic pentru dezvoltarea durabila a sectorului agroalimentar si a spatiului rural in perioada 2014-2020-2030 [Online], Available: http://www.presidency.ro/static/Cadrul%20National%20Strategic%20Rural.pdf

Initial Public Offering of SN Nuclearelectrica, 2013, [Online], Available: http://www.swisscapital.ro/en/documents-snn-ipo/

Ministerul Economiei, Strategia nationala de export 2014-2020, 2013, [Online], Available: http://www.mincom.ro/strategia_export/SNE_2014_2020.pdf

Popovici C., 2013, Topul țărilor care investesc în România, [Online], Available: http://rnews.ro/topul-investitorilor-straini-din-romania_118401.html

Renault Atlas march 2013, [Online], Available: www.renault.com

Romania Libera, 2013, Care sunt secretele care au propulsat România pe locul 2 în lume la viteza de Internet, [Online], Available: http://www.romanialibera.ro/tehnologie/internet/care-sunt-secretele-care-au-propulsat-romania-pe-locul-2-in-lume-la-viteza-de-internet-315822.html

Stan R., 2013, Afacerile producătorilor de componente auto au depăşit 9 miliarde de euro, [Online], Available: http://www.capital.ro/detalii-articole/stiri/afacerile-producatorilor-de-componente-auto-au-depasit-9-miliarde-de-euro-186363.html

[Online], Available: http://economie.hotnews.ro/stiri-auto-6534118-interviu-francois-fourmont-director-general-dacia-nu-avem-vocatia-lansam-masini-30-000-euro-precum-skoda-dacia-motor-electric-putea-aparea-peste-deceniu.htm

[Online], Available: http://www.daciagroup.com/noutati/interviu/interviu-fabrice-cambolive-director-comercial-al-grupului-renault-in-romania

[Online], Available: http://www.daciagroup.com/comercial/vanzari-dacia-in-anul-2012

[Online], Available: http://www.romanialibera.ro/tehnologie/auto/dacia-implineste-45-de-ani-istoria-celui-mai-puternic-brand-romanesc-in-imagini-310420.html

[Online], Available: http://www.presseportal.de/pm/30621/2594724/rheinische-post-vodafone-verlagert-jobs-nach-rumaenien

[Online], Available: http://www.raiffeisen.ro/media/noutati/analize-si-prognoze/monthly-economic