

THE STATE AID INSTRUMENT FOR SUSTAINING COMPETITIVENESS IN THE CONTEXT OF CURRENT CRISES

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Abstract: *At the European level, the territorial approach is gaining more and more important in strategic planning, especially in the context of the current health crisis, a crisis that will directly influence the economic, social, financial crises that will follow in the next period. Although traditionally seen as an integral part of Cohesion Policy, space development has received increasing recognition in other EU policies in recent years. Territorial cohesion has been explicitly recognized and we believe that it must remain a priority as a fundamental objective of the EU, together with economic and social cohesion, through the Treaty of Lisbon (art.3 TEU). This basic document proposes as a principle the emphasis on the role of urban areas, functional areas, geographically disadvantaged areas, as well as the construction of macro-regional approaches. Moreover, the European Commission has recently approved the temporary framework for state aid measures to support the European economy in the context of the current COVID-19 epidemic. In this paper, we propose to reflect on the one hand economic realities before the COVID crisis, as well as personal considerations regarding the plan of measures to support the extremely affected business environment during this period.*

Keywords: *competitiveness, state aid, crises.*

JEL Classification: *F43, H71, G01.*

1. Introduction

Under the conditions of the new economic realities, the implementation of a coherent territorial approach in Romania must respond to the challenges resulting from the need to better capitalize on the existing economic potential. The experience of the last years (2007-2013) shows that:

(1) The territory is exploited to a very small extent in adding value to the economic processes through its characteristics of economic dynamics, economic functionality and spatial arrangement of activities. Although the polycentricity indicators have values comparable to the European regions, the urban centers insignificantly influence the networks of economic activities and allow the formation of an urban and industrial vacuum.

(2) The investments supported by the structural and cohesion funds will not be conceived punctually (in cities, companies, individuals) but will be oriented towards areas of intervention defined as integrated development areas. Despite the efforts so far, of which we exemplify the financing of the projects regarding the poles of competitiveness and the integration of SMEs in chains of suppliers or clusters, the associativity (public-public, public-private or private-private) is weak and this is the first obstacle. Other obstacles refer to the initiation and management of projects (especially large ones), given the differences at the institutional and operational levels and the lack of an integrated vision of territorial development.

(3) The intervention measures are not justified by and do not include elements of value formation at the territorial level. The expected beneficial effects of the operational programs cannot be effectively transferred in results due to the neglect of the effects of spatial agglomeration of the economic activity that at the same time generate positive and negative effects on the added value. Interventions through different operational programs (eg POSCCE and ROP) are not territorially integrated, as there is no spatial impact monitoring mechanism.

The vulnerability of the current territorial approach is not so much related to the definition of strategic priorities (including support through state aid), but especially to the definition and conceptualization in the fields and areas of intervention. The necessary changes are at the operational level, namely how we correctly understand the causal link from the use of territorial capital to the effects of economic growth. The current level of decentralization is insufficient, and the principle of subsidiarity is only formally addressed in the design and implementation of policies with territorial impact. There is a split between the top-down approach (initiated at the national level) and the bottom-up approach (initiated at the local level).

2. Methodology of scientific research

To substantiate this paper, we used observation and examination tools, research methods based on the basic principles of scientific research, and also created procedures based on factual analysis, as a result of significant practical experience and intensive documentation. at the level of the specialized literature existing internally and internationally.

3. Research results

The results of the research are given on the one hand starting from the situations existing at the European and national level since the end of 2019, as well as the situation of the last period directly influenced by the COVID crisis and the plan of governmental and European measures regarding the economic environment.

The structures (*local, regional, national administrations*) pursue more bureaucratic roles than functions of competitive mobilization of some development areas. All the aforementioned aspects demonstrate the importance of the territorial dimension in the elaboration of a competitiveness strategy, mainly needing common directions of action with the regional development strategies in order to orient the policies towards maximizing the competitive impact at the territorial level by approaching the 3 C:

- *Concentration*: overcoming density differences;
- *Connecting territories*: exceeding the distance factor;
- *Cooperation*: exceeding the factor of division.

In this respect, the thematic concentration and the priorities of public investments must be correlated with the main territorial objectives/keys (which link the territorial priorities with the objectives of economic and social development): accessibility (infrastructure), economic services of general interest, capitalization of the potential territorial, networking of cities (connectivity), support of functional areas.

Given the trends at the European level of analyzing the territorial component of competitiveness, the European Commission has proposed since 2011 to calculate a *Regional Competitiveness Index (ICR)*. The calculation methodology starts from the premise that in a spatial context economic competitiveness is determined by a complex system of factors, which concentrates, among others: the creative and innovative exploitation of the regional potential, the creation of connections at the territorial level by stimulating the appearance and strengthening of the intro and inter-industry value chains, capitalization of natural and cultural heritage, use of research-innovation potential and improving connectivity and accessibility.

The ICR is composed of 11 pillars that describe the different aspects of competitiveness. Through these pillars, the index assesses the strengths and weaknesses of a region. The pillars are classified into 3 groups: *elementary, efficiency and innovation*. The elementary group comprises 5 pillars: *institutions; macroeconomic stability; infrastructure; health; basic education*. These pillars are the essential elementary drivers of

all types of economy. As a regional economy develops and progresses, in terms of its competitiveness, factors related to a skilled labor force and a more efficient labor market can come into play. These factors are part of the efficiency group. It comprises 3 pillars: higher education, vocational training, and lifelong learning; labor market efficiency; the size of the market. At the most advanced stage of development of a regional economy, the drivers of improvement are part of the innovation group, which consists of 3 pillars: *technological maturity; sophistication of the business environment; innovation.*

Based on the ICR, whose calculation formula closely follows the Global Competitiveness Index, the map of regional competitiveness at the European Union level has been elaborated. Between the countries of the European Union, the development regions of Romania are in the last places both in terms of ICR and in almost all the rankings of the indicators that compose this composite index. The region of the capital has the highest values in terms of competitiveness, but the positive effects on the neighboring regions are limited.

Under these conditions, in the case of Romania, the cohesion policy must contribute not only to reducing regional disparities but also to achieving Romania's competitiveness objectives. The results of the Competitive Potential Index (CPI) at NUTS 3 territorial level (county) help us to outline some economic aspects related to the diagnosis and the measurement of the economic performance of a territory. The analysis of the distribution of these values leads to at least two findings:

- an axis of the counties with high values of the *Competitive Potential Index*, which runs almost diagonally across the country and overlaps the most complete infrastructure in Romania (European, national roads, railways, airports).
- a mosaic aspect of the distribution of this index that overlaps the western, central and southern slopes. The East of the country is characterized by a homogeneous distribution of values, which translates into the landscape of economic performance through an inability to make good use of natural and anthropic capital (low technology transfer, low capital, limitations in the area of polarization of Moldovan cities).

At the local economy level, according to the hierarchy of the CPI values, Arges county is located on the first place, with an index value of 0.78, compared to a country average of 0.31, which reflects a large volume of total exports (the second by country), the highest ratio between exports and the employed population (10,925 euros/employee) and the highest share of medium-high technology exports (20.3% of the total in the country and 24% of the total in the county). In the second place, with an index value of 0.68, is located the city of Bucharest, having the highest values of the export, but also the largest occupied population. Timiș County ranks 3rd, with the largest high-tech exports. No county in the NE region ranks among the top 20 in the ranking, as a competitive potential. Bacaul, on the 4th place from the point of view of the high tech exports, is only on the 34th place from 42, due to the high share of the low tech exports in the whole county (almost 70%) and the low value of the exports / employed population, of only 1,099 euros. Only two counties in the SE region - Constanta and Galați - exceed the country average in terms of the value of the competitive potential index, having as main branches shipbuilding and steel industry respectively.

The situation is similar for most other regions, each having generally two or at most three counties with values above the national average.

The limited effects of training in the territory, both at the spatial level (from county to county) and at the sectoral level (from industry to industry), can be understood, on the one hand, by the insufficient development of the links between different economic activities. The trade balance of Romania is very much dependent on the development of the auto industry in Argeș, and the Bucharest-Ilfov Region contributes more to the demand

for imports than by the surplus of sales abroad. The competitive advantages, measured by the participation in exports, are concentrated in seven counties, mainly located in the west and the center of the country. (Argeş 10%, Timiş 9%, Arad 5%, Constanta 5%, Bihor 4%, Braşov 4%, Sibiu 4%), which together with Bucharest (17%) makes 60% of Romania's exports. Călăraşi, Ialomiţa, Mehedinţi, Neamţ, Olt, Tulcea and Vrancea counties do not have high technology exports, and 29 counties out of 42 do not exceed the 1% threshold in the country (Cojanu, 2010). On the other hand, the absence of participation in international production and trade networks has an immediate effect on the health of the local economy. Counties such as Bistriţa Năsăud, Brăila, Buzău, Caraş Severin, Călăraşi, Dâmboviţa, Hunedoara, Olt, Sălaj, Tulcea, Vâlcea, face a potential risk at social level that results from the presence of companies with a large number of employees, but with economics relatively weak (Mereuţă, 2013).

The formation of competitive advantages in industrial agglomerations has become a public concern for some time, where the most important role is played by the projects of formation of competitiveness poles initiated from 2009 by the Ministry of Economy, Trade and Business Environment through the Industrial Policy Directorate (The Ministry of Economy, Trade and Business Environment, 2011). The agglomerations that play the most important role at national level, in terms of export performance and employment, are those in the steel sector in Galati county, ships in Tulcea, cars in Argeş and footwear in Bihor (Cojanu and Pîslaru, 2011).

Table no. 1. County specialization in economic sectors

Development region	Economic sectors
North-East	Bacău (wood products, cork and plaiting materials; textile materials and articles thereof; footwear, hats, umbrellas and the like) Botosani (textile materials and articles thereof) Iasi (electrical machinery, apparatus and equipment; recording or reproducing apparatus) Neamt (products of the chemical and related industries) Suceava (wood, cork and walnut products) Vaslui (electrical machinery, apparatus and equipment; recording or reproducing apparatus)
South-East	Braila (means of transport, textiles and articles thereof, base metals and articles thereof) Buzau (textile and articles thereof, base metals and articles thereof) Constanta (means of transport, plant products, live animals and animal products) Galati (common metals and articles thereof) Tulcea (means of transport) Vrancea (textile materials and articles thereof)
South	Argeş (means of transport) Calarasi (common metals and articles thereof; vegetable products) Dâmboviţa (electrical machinery, apparatus and equipment; recording or reproducing apparatus; common metals and articles thereof; live animals and animal products) Giurgiu (live animals and animal products) Ialomita (products of the chemical industry and related industries; textile materials and articles thereof) Prahova (wood, cork and walnut products) Teleorman (food, beverages, tobacco; recording or reproducing apparatus)
South-West	Dolj (means of transport) Gorj (plastics, rubber and articles thereof) Mehedinti (means of transport) Olt (common metals and articles thereof)

Source: National Institute of Statistics, 2017

Explanatory note: The specialization is highlighted by the sectors with the largest trade surplus, where the first sector and the next three enter if the positive balance of the trade balance represents at least 50% of the largest surplus.

This X-ray of the regional economy highlights some characteristics of the specialization in the territorial plan:

- *First, the premises of competitive advancement are very different between regions because the structure of the economy is very different.* Certain regional economies, e.g. South-West, South-East and West, they specialize in a very small number of sectors, other regions, e.g. South, North-West and Center are very diverse. Although neither situation is in itself favorable or unfavorable to competitiveness, clearly this diverse image suggests different needs at the local level of education, qualification and research, industrial restructuring and technological needs.

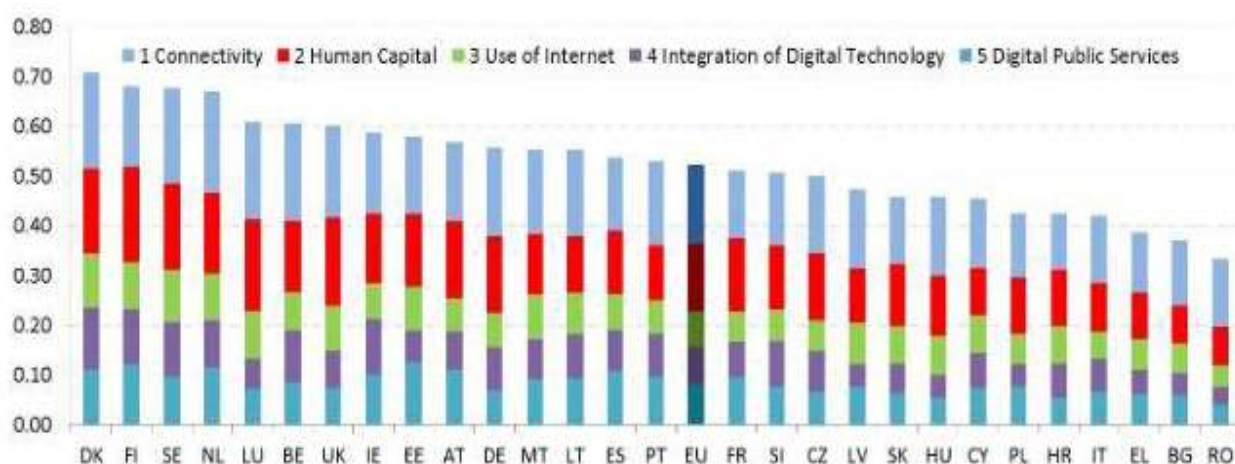
- *Secondly, it is worth noting that the agglomerations are already a visible presence in most regions,* by the participation of two or more neighboring counties in the same branch of activity and by the diversification of the economic activity; things are less favorable only in the North-East, South-West and North-West. However, this tendency must strengthen and begin to produce effects in terms of improving competitive advantage.

Significant gaps in terms of competitiveness also exist in the cities of Romania. In recent years, the population and the economic resources have concentrated around several major cities and their suburbs, increasing the internal differences (eg, the 10 largest cities in Romania generate over half of Romania's GDP).

In this regard, the recommendations of the World Bank report for increasing the competitiveness of Romanian cities aim to encourage urbanization in areas with high potential (suburbs of growth and development poles - Cluj Napoca, Timișoara, Iași, Oradea, Târgu Mureș; and emerging centers in the North East), improving connectivity and accessibility, or diversifying the economic base of cities, in order to support economic growth, and in times when some of the top areas are having difficulty (World Bank, 2013).

Index of economy and digital society On March 3, 2017, the European Commission presented the results of the Index of digital economy and society (DESI) for 2017. This instrument presents the performances of the 28 Member States⁹ in various fields, from connectivity and digital competences to integration of digital technology by businesses and public services. The index of the digital economy and society (DESI) shows the following: connectivity has improved, but it is still insufficient to address future needs; The EU has more specialists in the digital sector than before, but there is still a gap in terms of skills; European citizens are increasingly acquiring digital skills; digital technologies are more present in businesses and e-commerce, but they are progressing slowly; European citizens make greater use of online public services.

Chart no.1. Digital economy and classification of the company index in 2017



Source: European Commission, March 2017

Overall, the EU has made progress and improved its digital performance by 3 percentage points compared to last year, but the situation varies from one Member State to another (the digital gap between the first and last ranking is 37 percentage points, compared to 36 percentage points in 2014). Denmark, Finland, Sweden and the Netherlands present the best results this year, followed by Luxembourg, Belgium, United Kingdom, Ireland, Estonia and Austria. The top 3 best players in the digital sector in the EU are also the world leaders, ahead of South Korea, Japan and the United States. Slovakia and Slovenia are the most important countries in the EU. Although there have been some improvements, several Member States, including Poland, Croatia, Italy, Greece, Bulgaria and Romania, are still lagging behind in terms of digital development, compared to the EU average.

As a conclusion, given the scale of the digitalization of the economy at national and European level, with a direct impact on competitiveness, we consider that, together with the Competitive Potential Index (CPI), at national level we must also consider the Index of digital economy and society (DESI), the two indices ensuring a true image of national competitiveness in the current context of European competitiveness.

General principles regarding the role of the Strategy in achieving the objectives of economic development: Romania has reached a stage of development in which the so-called "trap of middle-income countries" is manifested, characterized by the fact that competitive advantages, even if relatively advanced, do not necessarily support the platform for future growth. For each country in this situation, there are specific factors that describe the causes and possible solutions to overcome this obstacle. From this perspective, the National Strategy for Competitiveness offers several principles - guidelines for formulating economic policies for development, as follows.

First of all, it is necessary to recognize the need to consolidate the existing advantages in production, technological development and innovation. Romania has proven strengths in scientific research, there is a recent tradition in creating mechanisms favorable to innovation, and if we estimate the value of reputations through indicators such as relative number of researchers, funding of research, number of patents, specialization in intensive knowledge activities, etc., we can say that this is on an upward trend of Romania's visibility at European level, and the networks formed by those approx. 15,000 Romanian researches in the diaspora (World Bank, 2011), a remarkable number in absolute and relative values, places under good auspices the integration in the international circuit

of knowledge and innovation. The challenge is to build the capacity - simultaneously at the productive and institutional level - to turn this potential into economic results that will form a solid, long-term basis for high-level competitive performance. The priorities of the Strategy, in particular Partnership actions between the public and private sectors, Support factors and the Promotion of the 10 sectors of the future, contain objectives that involve the commitment of resources towards establishing elite production and research sectors in areas with high potential for intelligent specialization (bioeconomics, information and communication technologies, energy and environment, Eco-technologies), industrial revitalization through intelligent specialization and the transformation of knowledge and creativity into competitive sources of advance.

Secondly, the competitive factors of the next period must find the support of a market mechanism of entrepreneurial type and able to develop by itself. The strategic priorities regarding the regulatory environment and the partnership actions between the public and the private environment promote the creation of formal or informal market structures that provide a framework conducive to creativity, available sources of financing and means of ensuring the risk of doing business in the private environment. Smart specialization is a participatory project for innovation, technological experimentation and commercial exploitation of the government authorities (national and local) and the private environment. Together, by establishing working groups, authorities and companies must work and find solutions in a transparent and predictable environment for industrial revitalization and the launch on new competitive bases of traditional sectors, but also for promoting the knowledge economy in future industries, those key sectors for attracting private investment in innovation.

Modern industrial activity depends on the multiplication of inter- and intra-industrial cooperation between large firms and SMEs, especially by attracting the latter in the research or experimentation activities of multinational companies. The multiplication of this cooperation, although it is desirable because it would have beneficial effects for SMEs, will not evolve unless, first, SMEs will reach the "critical mass" in terms of quality, costs, development force and enter thus in the value chains of the higher-ranking suppliers¹.

Finally, thirdly, the Strategy identifies the dependence between competitiveness and societal challenges as part of any solution for the next period of development. At the institutional level, by prioritizing the Regulatory environment, by sector, by the priority Promoting the 10 sectors of the future, and at the level of the whole society, by the priority *Preparing the Generation 2050*, convergent measures are needed to form a strong social cohesion and to transform it into a source of advantage. sustainable competitive.

The current place of Romania according to the *Global Competitiveness Index* and the factors of interest for increasing competitiveness.

The WEF assessments of the 2018 report, published in 2019, place Romania 52nd out of 140 countries in 2017, gaining 10 places compared to 2006, although the value of the index has improved (from 4.02, in 2006 to 6.35 in 2017). This tells us that in absolute terms there has been an improvement in competitiveness compared to the other countries; the finding clearly shows the meaning of the evaluations regarding the evolution of competitiveness - that of the place where one country is placed in relation to the others. Or, from this point of view, the greater improvement of the competitiveness of the others has led to the loss, for Romania, of another place in the hierarchy.

Regarding the stages of the evolution of the contribution of the competitiveness factors, the evaluation made by WEF using the global competitiveness index shows, for the

¹ We owe this clarification to ACAROM representatives;

first time, that Romania came out of the first stage - that of the competitiveness based on factors of production (cheap labor force, natural resources). , stage in which the basic conditions for productivity were created: institutions (legal framework), infrastructure, macroeconomic stability, basic level of education and health status - and is in the second stage, where the main orientation is strengthening of efficiency. The important factors at this stage are the High level of education (RO: position 50, with a score of 4.34 as against a maximum of 5.66 - US); Market efficiency - RO 76th place, with a score of 4.03 out of max. of 5.69 - Hong Kong; Technological training - RO position 49, with a score of 3.59, compared to max. 6.01 - Sweden).

According to these assessments, in order to increase competitiveness, the priority for Romania is represented by the technological endowment and the use of the existing technologies (the development of own technologies, but also technological transfers, by the known modalities - FDI, technological imports) and the extension of the scope of the labor force education at the level of university education. , to prepare the ground for innovation.

Romania must also focus on the proper functioning of the markets - the labor market, the capital market, to create conditions for competition, in order to result in a good allocation of resources, a judicious use of public money.

The evaluations regarding the competitiveness sub-indices used, the situation in 2018 is presented as follows:

Table 2. Indicators of the competitive development stage

Sub-indices	Romania		First place	
	The value index	Place	The value of the index	The country
I. Basic requirements	4,6	72	6,05	Denmark
1.1. Institutions	3,7	86	6,05	Finland
1.2. Infrastructure	3,8	83	6,51	Germany
1.3. Macroeconomy	5,2	38	6,19	Algeria
1.4. Health and primary education	5,5	92	6,98	Japan
II. Efficiency enhancing factors	4,3	58	5,66	SUA
2.1. University education	4,4	70	6,23	Finland
2.2. Market efficiency	4,1	92	5,69	Hong-Kong
2.3. Technological training	4,8	51	6,01	Sueden
III. Innovation	3,3	107	6,02	Japan
3.1. The degree of business sophistication	3,5	116	6,26	Germany
3.2. Innovations	3,1	96	5,90	Japan

Source: processed according to data published by WEF, Annual Report 2017-2018

The sub-indices of the competitiveness confirm the stage in which Romania is in terms of the factors on which the competitiveness depends. Thus, the basic requirements are met, but within them, the institutions have the lowest index value - although they do not occupy the last place in the world hierarchy - which says that this field has much to

advance to contribute to increasing competitiveness. Regarding the sub-indices of competitiveness of the efficiency factors, the efficiency of the market appears with the lowest level, followed by the technological preparation. As expected, in the third group of factors, innovation has a lower competitiveness index.

The increase of the competitiveness depends essentially on the activity of the companies, on their decisions to invest, and this is conditioned by the business environment. Elements belonging to the business environment are present in many of the 'pillars' on which competitiveness is supported, but in particular we find them in pillar I, which refers to institutions (property law, regulatory barriers, terrorist acts costs). and violence on business) and in pillar VI, which refers to market efficiency (efficiency of legal framework, impact of taxation, number of procedures required to start a business, competition, trade barriers, labor market and financial market). Therefore, comparative assessments on the business environment appear to be particularly useful in competitiveness analyzes. In this context, recent assessments of the World Bank group (World Bank Group, *Doing Business*, 2006), which refers to a number of 10 indicators¹ of the business environment - those that most influence the decision to invest - finds significant improvements in the business environment in Romania, which places it, according to these assessments, among the top 10 most reforming countries and assigns it 46th place, in 20, compared to 72 in 2005, from a total of 170 countries.

A similar result appears in the IMD's assessments on how easy it is to run a business, in which Romania ranks 44th out of 61 countries, but far ahead of some countries between the new entrants Slovenia and Poland) (IMD, 2006). The new position of Romania represented an important leap if we also take into account the fact that only 2-3 years ago Romania appears in the CER evaluations, together with Bulgaria, as being behind in one of the important aspects of the business environment, revealed by indicator "starting a business" (Murray, 2004, p. 74).

These assessments seem to say that, finally, there is a chance that macroeconomic stability measures will also be reflected in a positive reaction of the business environment, and positive developments of the business environment will lead to increased competitiveness. At the same time, the positive evolutions of the business environment may explain to a certain extent the transition from stage I to stage II of the factors supporting competitiveness. Romania has serious gaps in competitiveness compared to western and central European states. The reasons behind this delay are found in all the elements that determine the competitive capacity. All of them ultimately translate into low productivity, which defines the problem of competitiveness in Romania. The GDP level in the PPP represents only 50% of the average of the new EU member states. Following the analysis of the current situation, one can find an unfavorable situation to several factors that influence the competitiveness. Despite the progress made in the privatization, efficiency and regulation of the financial sector, firms' access to capital remains very limited. The use of outdated, energy-intensive technologies and equipment drastically reduces productivity in most industrial sectors. The SME sector is most affected, by the almost-absence of specific financing instruments, guarantee schemes, support of market access in the perspective of increasing competition in all fields, and by the extremely limited access to technology. Scientific research suffers as a result of the ever-decreasing level of public and private sector investments, the number of highly qualified specialists, and as a result of the extremely small number of centers of excellence.

¹ The 10 indicators are: 1. starting a business, 2. obtaining permits; 3. employment / dismissal; 4. registration of the property; 5. gaining credibility; 6. investor protection 7. taxation; 8. external marketing; 9. Contract force; 10. Closing business

At the domestic demand level, the solvency is low, considering the level of the average monthly net salary of only 450 euros. The level of demand sophistication in many areas is below the European level. Under these conditions, the internal pressures for certification and standardization were reduced, which limits the penetration capacity of the Romanian products on the foreign markets and, finally, the competitiveness on the own market under the conditions of EU accession and trade liberalization.

Regarding the strategy of the companies and the competition, the reduced skills in the field of management represent a perennial handicap and that is manifested at all levels. Most domestic companies still base their competitive strategies on low costs and not on improving productivity. Innovative firms represent three to four times less as a share in total firms compared to the European Union. The protection of intellectual property has made legal but less practical progress. There is no infrastructure to support innovative start-ups, and past initiatives (business incubators, etc.) have not had continuity due to faulty planning and management.

Regarding the related industries and the support services, the Romanian economy presents major deficiencies. Many of the economic sectors have developed either as a result of the natural advantage (wood processing, building materials, tourism) or as a result of the massive state intervention (machines and machines, metallurgy). Both reasonings have resulted in a low degree of aggregation and cooperation within the same sectors, with serious synopes regarding the provision of quality inputs for the final products and the provision of sales channels, innovation or promotion capabilities. The business infrastructure has many lags behind, and support services are still in an early stage of development. The SME sector, which employs almost two million people, does not have access to specialized consulting services.

In addition, there are other determinants of competitiveness, which do not fall directly under this strategy, but which must be viewed in close correlation with the process of competitive development (Han et al., 2019). The infrastructure presents serious deficiencies, both in terms of quantity and quality, after decades of insufficient investment. Access to university education is still below the regional average, with a very unfavorable situation regarding the rural graduates (corroborated with a low degree of urbanization throughout the country).

In view of the ones presented above, as in the case of other Central European countries, Romania must base its perspective of real convergence on two directions:

1. Management of structural transformations;
 - a. macroeconomic stability;
 - b. Social and health;
2. Management of competitive improvement (horizontal policies);
 - a. Innovation;
 - b. The information society;
 - c. SMEs and entrepreneurship;
 - d. Development of human capital.

In full accordance with the lines of action of the Commission proposals on the Competitiveness and Innovation Framework 2014-2021, the priorities of Romania's competitiveness strategy are:

- Improving access to the market, capital, technology of enterprises, especially small and medium-sized ones;
- Development of the knowledge-based economy: including the promotion of innovation, as well as the development of a competitive information society;
- Improving energy efficiency and capitalizing on renewable energy resources.

These priorities also take into account the guidelines proposed by the European Commission for cohesion policy in 2014-2021 (Manta, 2017). Thus, Romania's priorities were confirmed by the Commission's expressed intention to support the following processes:

- Improving access to finance;
- Increasing and improving investments in R&D;
- Facilitating innovation;
- Promoting the information society;
- Solving the problem of energy intensive consumption from traditional sources at European level.

The analysis of the current situation, on the basis of which the national priorities of the PND structure were identified, emphasized the need to act in the directions mentioned above. On the other hand, however, between these priorities, and between the specific indicators of each of them, a hierarchy according to the stage of competitive development of Romania (from factors to investments) is required. Moreover, as already mentioned, there are other elements intrinsic to the exercise of competitive strategy, which are not found among those mentioned, but are included among the other national priorities: human resources development, infrastructure development and modernization, productivity increase in the agricultural sector.

Competitiveness can be defined as that set of institutions, policies and factors that determine the present level of productivity of a country. Productivity determines both the welfare level of an economy at a given time and the potential for its growth in the future. Economic literature and practice have highlighted the fact that the development of a knowledge-based economy is one of the key factors in increasing the competitiveness of an economy.

The fundamental objective of the operational programs financed by the European Union is to promote the economic and social development of Romania in order to achieve its real and rapid convergence. From an economic point of view, this objective can be achieved by a rapid economic growth, based on the continuous improvement of the competitiveness of the Romanian economy within the development of a knowledge-based society.

The main priorities in which the measures to increase the competitiveness of companies at national level will be concentrated:

- Improve market access for businesses, especially small and medium-sized enterprises. Enterprises are the engine of economic growth and their performance depends on the competitiveness of the entire economy. Improving the access of companies to the factors, their participation in the European single market, their investments in optimizing the industrial base, respecting the principles of sustainable development, is a critical condition for ensuring the competitive functioning of the Romanian economy. The second part of the economic criterion of accession established in Copenhagen since 1993 draws attention to the imperative need for the Romanian companies to be prepared to face the competitive pressures within the European common market. The competition of the internal market will be beneficial to the domestic enterprises only insofar as they will be able to take advantage of the advantage given by the free movement of goods, services, persons and capital. Market access thus becomes a sine qua non condition of competitive success.

Regarding small and medium-sized enterprises, despite the clear progress made in the implementation of the European Charter for SMEs, there are still difficulties due to the limited resources they have, difficult access to finance, significant technological gap and

lack of know-how, which can make them it allows a quick adaptation to the demands of the European market and to the changes in the global economy.

The opening of markets will cause new competitive pressures on enterprises, especially in the traditional industrial sectors, and SMEs, in particular, will be exposed to numerous changes in the business environment. Therefore, efforts to support enterprises will focus mainly on improving access to the market, capital and the process of technological development, paying greater attention to the level of SMEs according to the principle proposed at European level "*think first at a small level*".

It is obvious that, at present, most of the small and medium-sized enterprises in Romania are not sufficiently prepared to meet their motor mission of the economy, the lack of competitiveness being caused, for the most part, by situations of non-adaptation to European standards, either due to their inability to access financing sources for investments in new technologies and the implementation of the quality system or to benefit from consulting services that provide them with adequate market orientation.

Improving the environment for innovation is a key challenge for Europe. Indicators evaluated by the World Economic Forum (WEF) suggest that the EU is growing slower than the US, Japan or South Korea in a number of dimensions of the innovation environment. However, in the US, the innovation environment is much weaker in many southern and new states (Figure 2). Moreover, as the experience of countries such as Finland has shown, even for those who invest heavily in innovation, external shocks can, however, have a strong impact on individual countries; and especially the small ones, which operate in a compartmentalized innovation environment in the EU.

Figure no. 2. The European Union scoreboard on innovation



Source: World Economic Forum (WEF), 2017-2018

There are also large variations in innovation performance across the EU. While Finland, Germany and Sweden reach scores similar to those in states such as the US and Japan, there are EU countries where innovation is very poor, as is Romania. In recent years, the European innovation performance has been undermined in addition to three factors: the slow recovery from the crisis; high competition, which has led to a slow transition to innovation from emerging ones.

The poor performance of innovation in Europe is largely due to the weak relations between industry and science, the poor commercialization of research results and inefficient exploitation of knowledge.

The intensity of research and development is much lower in Europe than in the US, Japan or South Korea. There are two reasons for this gap: firstly, the high-tech sectors in Europe are (by far) smaller in comparison; Secondly, the intensity of research and development in many sectors is lower. In Europe, the decline in R&D spending in countries with fiscal constraints has been largely offset by spending in countries such as Germany, France and the United Kingdom. However, achieving the EU goal of spending 3% of GDP on research and development will require an annual spending of € 130 billion on research and development above the current level.

Impact of the current crisis on financial capacity

At present, the financial situation has worsened significantly for European companies, especially for SMEs (larger mature companies have, in fact, become net savings). In a difficult economic and regulatory environment, which still finds the right balance between restricting excessive risk taking and allowing for efficient risk allocation, banks with limited capital have begun a process of borrowing that is ongoing and will mean a reduction in lending. banking. The situation is exacerbated in many of the countries most affected by the current crisis, as European financial markets have become increasingly fragmented, preventing the reallocation of resources from one country to investment opportunities in another country.

In the perspective of the crisis, there will be two main bottlenecks in ensuring the risk insurance capacity needed to catalyze investments. First, many Member States and sub-sectors, which are classic providers of risk-taking capacity for social projects to be desired through equity or guarantees. After the analysis carried out in the paper we can consider that the competitiveness of the companies at national level, is one of the main factors that contribute to the increase of the degree of convergence between economies and which directly contribute to the economic support at national level. Moreover, reinventing companies on the basis of competitiveness allows the decision-makers at the level of each economy to develop strategies and action plans that focus their interest on the respective branches of the economy that are competitive and which implicitly lead to economic growth at national and European level. The infusion of technological progress and capital either by increasing the expenses with maintaining the jobs, retraining, the degree of economic openness or through the investment channel at local level, is one of the main sources of convergence and economic growth from the current perspective at national and European level.

Focusing on the development of these sectors must be a basic objective of the national authorities at the level of these economies if the convergence and sustainable economic growth are pursued. Long-term sustainability is also extremely important because finding compromise solutions that will only produce results over short periods of time is not a successful strategy and, moreover, can trigger a negative effects gear that could be felt by states after a certain period of time and which can cause massive economic imbalances (Manta, 2020).

Despite the fact that the results of the statistical methods confirm the hypothesis of convergence at the level of the new Member States, the extremely large gap that exists between these economies and the average of the European Union or the euro area must be taken into account, an aspect surprised in the analysis undertaken by us by estimating the number of years needed to achieve convergence. Future strategies must be geared towards

reducing these differences in particular so that the convergence process is truly a perfect one.

The impact of the economic and financial crises on the economies of Europe has led to a reconfiguration of the models of economic growth, of the processes of convergence as well as of the economic policies engaged for this purpose. Considering these aspects as well as those mentioned above we can conclude the following:

- a) the quality and sustainability of the current support process for SMEs is an essential indicator of the economic growth of each economy;
- b) the realization of a sustainable strategy accompanied by concrete action plans, requires a given in the short term, but especially in the medium term;
- c) EU Member States are registering trends that are worsening the current situation at the level of the states, many actions being necessary.

These considerations need to be taken into account by national authorities at the moment either of the strategies for adopting the level of SMEs, of supporting the economic growth or of identifying tools regarding national competitiveness in the European context. Under present conditions this ability will prove to be vital and will be a representative indicator of the economic progress of the European Union member countries, especially as a result of the health, economic, social, financial crises of which we are all a part.

At the same time, the measures adopted by the European Commission in March 2020 through the Temporary Framework for State aid measures to support the economy in the context of the current COVID-19 epidemic, of which we mention the following:

- pursuant to Article 107 (3) (c) TFEU and in accordance with the Guidelines on State aid for rescue and restructuring, Member States may notify the Commission of aid schemes designed to respond to acute liquidity needs and to support undertakings facing financial difficulties caused or aggravated by the COVID-19 epidemic¹;
- pursuant to Article 107 (3) (b) TFEU, the Commission may declare aid compatible with the internal market "*to remedy serious disturbances in the economy of a Member State*".

In this context, the courts of the Union have ruled that the disturbance must affect the entire economy or a significant part of the economy of the Member State concerned, not just the economy of a region or part of its territory. In addition, this is consistent with the need for a strict interpretation of any exceptional provision, such as Article 107 (3) (b) TFEU.²

Temporary State aid measures:

1. *Aid in the form of direct grants, repayable advances or tax benefits;*
2. *Aid in the form of loan guarantees;*
3. *Aid in the form of subsidizing interest rates for loans;*
4. *Aid in the form of guarantees and loans that are channeled through credit institutions or other financial institutions;*
5. *Providing short-term export credits;*

Member States must publish the relevant information on each individual aid granted under this communication on the comprehensive State Aid website, within 12 months of the grant date.

¹ Guidelines on State aid for rescuing and restructuring distressed non-financial enterprises, OJ C 249, 31.7.2014, p. 1. The Commission has authorized various schemes in nine Member States.

² Related cases T-132/96 and T-143/96, Freistaat Sachsen, Volkswagen AG and Volkswagen Sachsen GmbH v Commission, ECLI: EU: T: 1999: 326, paragraph 167.

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