

## ROMANIA CAUGHT IN THE WEB OF THE GLOBAL ECONOMIC CRISIS

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*The economic crisis is a cold-blooded murder against the people all over the world, on the way to lose the money they still own after they have lost their only income source, their job. The economic recession caused by the Stock Markets breakdown will inevitably affect the less developed countries. Our country is not a good place to make good investments, but speculative ones. Today, we can borrow money only at high costs. This economic crisis is different from the previous ones because it didn't have a sudden burst and didn't have the same effect.*

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The recession initially started in the USA . The U.S administration , run by the president George W. Bush , dominated by the supporters of the “free-market economy “, degraded the authority of the persons in charge with the regulation of the financial organizations and gave free hand to the financial “conjurers”. These kind of people actively involved in dubious “creative” activities. In the absence of some imposed limits sanctioned by the authorities , some banks, investment fund organizations and insurance companies ,without taking any safety measures, granted big loans to “clients” who couldn't afford paying the bank rates. Those bank rates, with considerable interests, have been “paired up” in complex quotes , toxic and apparently attractive , that , later on ,have been profitably sold as legal financial products to many local and foreign investors.

The excesses made by the predator creditors spread worldwide. The excessive availability of the trust funds created many high-flown “balloons” on the market of credits necessary for private homes, buildings, lands, cars, university studies and credit cards. The “ingenious” financial manipulations also became available for the loans taken out by the local and regional administrations , for the commercial and industrial credits , for the stock markets and for the natural resources markets. During banking crisis, there are more and more loans that are not being paid , the value of goods diminishes and many companies go bankrupt. Losing capital, the banks cannot grant loans anymore. In the USA , there can be losses of over 2 trillion dollars because of the loans that haven't been paid back.

The economic recession caused by the Stock Markets breakdown will inevitably affect the less developed countries. These countries will be affected by the sudden decrease in the number of credits , by the very low interest in foreign investments and by the low prices for the raw materials.

The European Commission and the International Monetary Fund delegations discussed with the Romanian officials and agreed upon the economic growth or decrease we can expect in 2009. In any case, it 's not supposed to be +2,5%. We already know we can talk about +1, we can talk about 0 or -1%. Every percent lost when we talk about economic

growth means a stroke in the fight against poverty and a catastrophe in the humanitarian terms.

These somber predictions come up the moment that the poor countries exhausted their financial resources an year ago in order to fight against the double impact of increasing prices for foods and oil.

The World Bank defines poverty by living with no more than 2 dollars a day ,and the absolute poverty by living by living with no more than 1 dollar a day.

Those people who manage to survive under poverty conditions continue to hope they will have a better future<sup>220</sup>. This is an extraordinary lesson about courage. But we don't have to hide the fact that poverty is mainly related to situations of crisis and violence. This year's acts of violence from some countries , caused by the hunger, are an important warning. The simple fact that the illegal immigrants are about to risk their lives in their attempt to reach the European shores is the reason for their extreme desperate situation of some people that have nothing to lose.

More than ever, the poorest countries depend on the official assistance for economic development. But this field of activity didn't prove to have positive evolutions either .When the financial constraints become important , the budgets intended for the help concerning the economic development , get vulnerable at the funding reductions .

The recession didn't go round Romania , but , on the contrary, we can feel its presence more and more. "No matter how many attempts we'll make to avoid using the word <crisis>, unfortunately, it is actually present in the Romanian economy".

The National Institute of Statistics(INS) officially confirms what the Romanians have started to feel like when they have to take money out of their wallet and at work since autumn. There is no other way round, as long as all the people and companies of any kind are going to suffer because of the financial crisis with effects such as the currency depreciation to euro , the lack of liquidities , the impossibility to take a credit, and if ,however, it becomes possible to take a loan from the bank, it has a huge interest rate.

After we registered smaller and smaller inflation rates in the last few years ,in 2008 the inflation began to grow again reaching 7.9%, especially because of the bigger prices for foods and services.

The data shows that the boom of the local economy slowed down all of a sudden in the last three months of the last year, a period of time that marks the beginning of the recession in Romania. After an economic growth of 9% in the first nine months ,the gross domestic product for the last semester had an increase of only 2,9%. Consequently, all the year 2008 round , the economic growth limited at 7,1%.

The services ( 2,6%) and the constructions sector (2,3%) made the biggest contribution to this economic advance. But , this year the constructions sector will not be able to support the economy anymore. In January, we have noticed a decrease of 64,9% to December. Comparing it with the data from January 2008, we can notice a steady growth , of 6%, much lower to the pace of economic growth of around 30% from "the good times".

Most of the unemployed that "contributed " a lot to statistics are coming from the constructions sector . Unemployment has constantly risen since August 2008, when it was 3,9%,reaching 5,3%. Another sector that was deeply affected by the recession was that of the economic trades. Thus, in December, the exports decreased with 15,6% and the imports with 23%, according to the same institution.

Even the European Union , which is the biggest international donor, covering half of the global official assistance, has encountered difficulties in respecting its terms. The countries members of the European Union are skeptical concerning the adoption of the European

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220 Joseph E. Stiglitz - The mechanisms of globalization, Polirom, Bucharest, 2008, page 24;

Commission proposal to create a funding scheme of a billion euros in order to improve the food safety for the less well-developed countries. This attitude is symptomatic for this social context, but difficult to understand in a moment in which a billion people are starving, increasing in number with 100 millions only for the year 2008.

The economic crisis did nothing but emphasize the economic imbalance already existing in Romania, triggered and then supported by the excessive budget expenditures from the past years.

Our country is not a good place to make good investments, but speculative ones. Today, we can borrow money only at high costs.

Because of the lack of financing and a decrease in living standards in Romania, and also in the USA, even the product orders for the Romanian companies have sharply decreased and continue to go down. The new orders for the manufacturers went down, for the first month of 2009, with more than a third as compared to January last year. The least privileged is the metallurgical sector, where the orders have decreased in number with 75% in January.

It also happened with the turnover from the industry, that decreased with 15,9% in January 2009, as compared to the same month from 2008. In this context, the future is not brilliant. The businessmen, questioned by INS, predicted, for the next months, decreases for the manufacturers, for the constructions sector and the trading sector. Most of them consider that the number of employees will go down and, the prices will go up.

We got to a point in which we cannot get rid of the appeasing sensation that we are at the end of an era without being able to realize what and how it will be like in the future.

The financial crisis is also a murder against humankind, and the murderers are very well-known, have names and surnames, travel by limousines when they want to play golf and are so self-confident that cannot think about hiding.

This economic crisis is different from the previous ones because it didn't have a sudden burst and didn't have the same effect.

The downfall of the financial services deeply affected the economy, in different ways and at different moments of time. There are risks on any market and no position can be safe. In this economic environment characterized by rapid changes, every company must permanently evaluate the impact the market conditions would have on its operations.

The companies must consolidate their position, identifying and rapidly solving the critical aspects, in order to protect them against the value decrease or to be better positioned and to take profit of the possible opportunities. In order to manage the coming-up risks after the changes on the market, a company must necessarily make an overall analysis of its capacity to have access to liquidities, to manage and make the liquidities operational, and to control the costs. This analysis must be based not only on its activities but also on the economical situation of the customers and suppliers.

Any company should be updated on and consequently take measures according to the alarming signals received such as those related to profit, broken receivables banking contracts, important customers looking for alternatives for their present suppliers, unexpected departures of some administration members, problems in keeping the experienced staff in service or a dramatic increase in the staff fluctuation.

The Europeans are very concerned about the effects of the economic crisis. This concern, which is deeply felt in all the countries (between 80 and 90%), affects the economy at all levels, both for the present and for the future.

At the personal level, 58% of the Europeans are pessimistic as for the present situation and 56% for the future. The Romanians are among the most pessimistic people. About 79% of them are not confident about the crisis effects at the personal level. The adoption of some measures at the national level finds the necessary support in the UK (41%), Romania(36%), Denmark and Austria(33%).

As for the level at which one can fight against crisis in the most efficient way, 17% of the European citizens trust the European Union members, while only 14% take into consideration the national governments.

Most of them (25%) go for the G8 members, and 15% consider that the USA can fight against recession the best. Opinions are different from country to country. The UK(6%), Sweden(8%) and Denmark (9%) trust less in the European Union, unlike Greece(28%), Cyprus(27%) and Poland(26%), which consider that the European Union is the most capable organization to fight against the effects of crisis. The G8 got the fewest votes from Malta(10%), Romania (11%) and Ireland (12%) and the most from Holland (36%), Germany(35%) and Sweden(34%).

The national government is seen as the most efficient actor by the greatest number of respondents from Romania(32%), the UK(20%) and Ireland(20%). The smallest percentage are awarded to the Czech Republic(6%), Holland and Bulgaria(7%).

The Europeans don't trust too much in the currency (euro). To the question regarding the protecting role of the European currency, 44% of the Europeans told that the euro hadn't minimized the effects of the crisis, unlike 39% of them who told that this had already happened, and 17% of them told that they didn't have any idea. The results show that the perception on the European currency varies from a country to another.

The largest number of people that agree upon the positive role of the currency can be found in Slovakia (66%), Finland(61%) and Belgium(54%). The opinion that the currency didn't bring its contribution to the reduction of the negative effects of crisis is least shared by the Czech Republic(56% believe this), Germany and the UK (54%).

The strongest support in favour of speeding up the process of euro adoption is given by Hungary(47%) and Romania(35%). The desire to slow down the process is the biggest in Lithuania(50%) and Poland(41%).

The Romanians, in the top of the dissatisfied from the European Union, but optimistic that the private life and the country go in the right direction.

In the context of the global economic crisis, the Romanian companies can take into account some advice in order to survive. Among the most important advice we can mention:

- to make long-term investments in research and development in order to be able to set realistic business goals for the recession period (between 5% and 30% of the turnover according to the industrial sector);

- using the system of alliances at maximum (customers/suppliers) in order to set the business preconditions correctly- the security of the alliances by designing and watching out the performance indicators: quality, costs and delivery time. The permanent redesigning of the business operations after the correct value perceived by the customer;

- parallel improvement of a competitive managerial style and a future development project of the company in order to apply the innovation plans - rethinking the people's schedule for the ones who work, to allow themselves time to think and implement the improvements plans (between 8% and 15% from the time of all employees be allotted to improvement projects. The direct and constant observation of the business system and the rapid action are the keys for the present economic crisis;

- making big efforts concerning the improvement of the people's abilities of planning, of the salesmen and of engineers to develop strategic thinking and to plan the people's skills to acquire;

- analyzing and implementing steps to improve the organizational quality to ensure an organizational environment that automatically generate the medium and long-term goals (3C- new Competitors, new Collaborators and new internal decision Committees);

- developing a strong sense of emergencies in the marketing and engineering departments to apply the innovation plans;
- developing a management based exclusively on the customers' requests by the overall understanding of the term "customer value".
- Developing the management of the intellectual property and the cooperation with the consultants;
- Developing the management of processes/activities by identifying the areas with a plus value for the customer;
- Designing and permanently monitoring the performance indicators for: productivity, quality, cost, delivery time, safety, work health and environment.

We reached a point in which we can't get rid of the appeasing sensation that we are at the end of an era, without being able to realize what will happen and how.

The question that arises is: will Romania be able in 2009, an election year, to find the managers and resources necessary for getting the country out of the biggest economic crisis of the last century?

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