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The *Romanian Economic and Business Review* (ISSN 1842-2497) intends to provide a forum for academic analysis of the economic phenomena and institutions affecting the world economy in general, and Romania, in particular. *REBE* examines a wide variety of phenomena related to economic growth and business development and attempts to publish high quality research focusing on the role of institutions and public policy, within both a national and international context. *REBE* encourages cross-disciplinary research work of Romanian and foreign scholars.

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The ROMANIAN ECONOMIC AND BUSINESS REVIEW (REBE) is a refereed journal published four times annually by the Romanian-American University. The editors invite submissions of articles that deal with important issues in economy and business. Papers that focus on specific phenomena and events affecting Romanian economy are particularly encouraged. Because REBE seeks a broad audience, papers should be comprehensible beyond narrow disciplinary bounds.

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Dr. Bogdan Glăvan
Romanian-American University
Bulevardul Expoziției nr. 1
București
E-mail: bogdan.n.glavan@gmail.com

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ROMANIAN TOURISM

SUSTAINABLE TOURISM – A DYNAMICS METHOD FOR DESTINATION PLANNING

Community approach: A case from south of Albania

*Dklodiana Gorica, Dorina Kripa, Edlira Luci**

Abstract

The main aim of this paper is directed in exploring alternative and sustainable tourism not only as one of the main sector of Albanian Economy, but as a planning tool from the community approach view. All the master plans, dynamics processes that involve the local and national sustainable development must be a very good combine of community, development and tourism. This paper combine and include firstly, a detail analysed of an case from south of the country and, secondly, an analyse based on questionnaires.

Keywords: Sustainable development, tourism, community.

JEL Classification: H70, L83, Q01

1. Introduction

One of the main results of studying, researching, and developing tourism as a potential sector in Albanian is that “*Albania is recognized as a tourism destination at the Mediterranean coast and has a competitive position in the international tourism market*” (Hall; 1999). Sustainability and awareness of environmental issues are major part of the every study and tourism development strategy in Albania. There are a lot of reasons explaining this strategy, and how the management must be driven in the way of sustainability.

In Albania, efforts to make tourism a more sustainable option and planning tools, also, must focus on a community development approach. But an analysis of differences between the traditional community economic development and the community tourism development, in the case of Albania, clearly shows that tourism continues to be driven by levels of the government rather than community interests.

* Dklodiana Gorica is at the University of Tirana Faculty of Economy Department of Marketing.

Address: Street of Elbasani, Tirana, Albania Phone: + 355 69 22 069 23. E-mail: klodi_gorica@yahoo.com.

Dorina Kripa is at the University of Tirana, Faculty of Economy Department of Finance, Lecturer of Investments.

Edlira Luci is at the University of Tirana, Faculty of Economy Department of Finance, Lecturer of Investments. Mobile: ++ 355 69 2024138.

2. Literature Review

Understanding the concept

The concept¹ of sustainable development—development that meets the needs of the present without compromising the ability of future generation to meet their own needs—in the tourism industry is provided by Holden, 2000. In respect of sustainability the whole tourism sector must be developed and managed in a way that it does not damage the natural and socio-cultural environment and this is the responsibility of the world-wide tourism industry. (Holden, 2000)

The term “sustainable development” gained greater attention as well, following the United Nations Conference on Environment and Development (UNCED), June 1992. At the Earth Summit, a programme for promoting sustainable development throughout the world, known as Agenda 21, this term was adapted by participant countries. Agenda 21 is an action plan, laying out the basic principles required to progress towards sustainability at the local level. It envisages national sustainable development strategies involving local communities and people in a bottom-up approach to development rather than the top-down approach, which has typically characterised national development. Sustainable development is not a fixed state of harmony, but rather a process of change in which the exploitation of resources, the direction of the investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs (WCED, 1987:9).

Literature debate

The United Nation Environmental Program (UNEP) slightly expanding on this issue and adopted a definition as follow: “Sustainable development is improving the quality of human life while living within the carrying capacity of supporting ecosystem....if an activity is sustainable, for all practical purposes it can continue forever.”

In the relation to the development of tourism, the World Tourism Organisation (WTO) defined sustainable development as that “which meets the need of present tourist and host regions while protecting and enhancing opportunity for the future?” It is envisaged as leading to the management of all resources in such way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems (Holden et al;2000,pp161-182).

Furthermore, Butler (1998:27) argues that the tourism industry has adopted sustainability for three reasons, economics, public relations, and marketing. Tourism must offer products that are in harmony with the local environment, community

¹ Introduced by the World Commission on Environment and Development in the Brundtland Report in 1987.

attitude and cultures; so that, this becomes the permanent beneficiaries and not the victim of tourist development.

Five main goals of sustainable tourism are the following:

- To develop greater awareness and understanding of the significant contributions that tourism can make to the environment and economy;
- To promote equity and development;
- To improve quality of life of the host community;
- To provide a high quality of experience for the visitor; and
- To maintain the quality of the environment on which the foregoing objectives depend

3. Introduction in the Case

Achieving Sustainable Development using Tourism

From 1992, with the favourable political conditions, Albania has become a new tourist destination in Europe providing a unique opportunity for the development of tourism in full harmony with the natural and human environment. The country's nature and ecology allow for the possible development of all kinds of tourism.

Albania has begun to develop a framework for addressing the environmental problems that have arisen during the last decade. Public education about conservation, pollution controls, and recycling is limited. And the government has focused most of its resources on economic growth rather than environmental concerns. However, in the early 1990s several environmental interest groups were established, and the government created a committee to educate the public and offer solutions to environmental problems.

One of the priorities of the environmental strategies and National Environmental Action Plan (NEAP) has been the establishment of the respective legal framework, an important instrument for the application of the environmental policies in the country. In the period 1997-1998, major legal documents such as the Constitution and the amendments of the law on 'Environment Protection' were developed. Specific articles of the Constitution, sanction the aims of the state for a "... healthy and ecologically suitable environment for the present and future generation, a rational exploitation of forest, waters, pastures as well as other natural resources, based on the sustainable development principle".

Joining the international community in its concern over the degradation of the environment, Albania is party to international agreements (*Agenda 21*) concerning biodiversity, climate change, and wetlands. According to the Ministry of Environment, the urban-water-supply system is plagued by problems. Infiltration from parallel sewer lines causes periodic cross contaminations of the water supply.

Albania has a basic potential for tourism. It has an attractive coastline, cultural inheritance, regions which are not polluted through all the country. There are long sand beaches and it has a hot summer with sun shining days. Mountain region

offers greater possibilities for niche tourism activities. So many national parks and other natural sources offer ecological experiences (see appendix 2). New hotels built recently offer good accommodating conditions according to the best international standards. Albania has a Mediterranean climate that changes from coastal zones to northern and eastern zones. Summer is hot and the average temperature is over 39°C. During the winter, the mountain zone is covered by snow. Albania has more than two hundred sunny days after Spain. Although, according to the Ministry of Tourism, there are identified two main zones—(i) coastal zone, along the Adriatic and Ionian sea, and (ii) Interior zone, along the mountains and lake—so-called “important zones for tourism”.

Albania currently is experiencing important political and social changes, namely Albanian land ownership of priority tourist development zones. To achieve long-term conservation management and land use in balance between public private of many competitive activities such as agriculture, fishing, tourism, housing and urbanisation phenomena, a system of planning needs to be carried out. New concepts and approaches will be implemented for the management of coastal areas.

The first steps are the most important ones. For this reason, the Government has organised the study of these zones to restitution the ex-owners. Some specific decisions and rules will be drawn up in order to protect the special protected areas, natural parks and monuments, zones with landscape and archaeological value. For this reason a legal network compiled a Law for “Priority Tourism Development Zones”, “The strategy of tourism development in Albania”, a Law for “Protection and Conservation of the Albanian Environment”, the “Law of Planning” (Ministry of Environment).

Both the former Communist government and new administrations have harvested timber in vast quantities (Hall, D; 2000). Albania reportedly has one of the highest rates of biodiversity loss in Europe. As a result, many forests are degraded, wildlife is threatened, and farms have taken over land once forested. The effects of past deforestation, livestock grazing, and flooding have contributed to a rate of soil erosion that exceeds the natural process of new soil production. The extraction of oil and minerals has also created environmental problems, contaminating air, soil, and groundwater, particularly in central Albania. Soil erosion is a serious concern in Albania. Human activity (e.g. dredging of the rivers for construction materials wood cutting, mismanagement of terraces, overgrazing) is accelerating the problems and producing severe consequences (MoE).

Albania’s varieties of wetlands, lagoons and large lakes also provide critical winter habitat for migratory birds. Some of the 30 percent of the European plant species and 42 percent of the European mammals can be found in the country. Grow of the Albanian environmental NGO community, are promising development to solve the problem. The creation and enlargement of the coastal, tourist and fishing ports as well as the industrial and commercial regions in the respective tourist zones are realized by the master plans of the development of the tourist zones.

Tourism activities in and around protected area can have both positive and negative impacts on local people and environment. Tourism can benefit a national park or other protected area by serving as a financing mechanism, with direct revenues from use fees and taxes used to protect biological resources and maintain natural areas. Intangible benefits can include increased awareness of the support for the purpose and role of protected areas by both local communities and tourists if the tourism is important to the local or national economy, it may encourage authorities to manage and maintain protected areas more effectively benefiting tourist, local economy and the environment.

Albania now has an ideal opportunity to become one of the main Europe's leading Ecotourism Destinations, with an image of a safe environment, unpolluted by the tourist. The unspoilt coasts, in particular, must be preserved: low building will be allowed, in general, of 1-2 storeys which blend well with the surrounding environment. The conception and compilation of the tourism development strategy and the policies that will be implemented for this purpose are aimed at realising long-term tourism in harmony with the environment.

The Social and Political changes and the restructuring of landscapes

Because Albania remained isolated from the rest of Europe until the early 1990s, tourism in Albania was left totally undeveloped. During that period a very small number of foreigners entered Albania, even they were thoroughly screened by Albanian secret services and kept under strict surveillance. Tourism generally was considered as an evil capitalist notion. Seaside and lake resorts consisted of a small number of hotels that were used mainly for foreign communist leaders. The so-called Labourer's Holiday Camps that offered self contained accommodation for workers during summer time and were appointed by local party leaders, and specific designated areas with small villas used by Albania's party elite. At that time considering the limited number of holiday makers and the large amount of control on them the beaches were clean and relatively quiet.

Nowadays, this image is totally different. Although, there are not many foreign visitors, there are many Albanian Kosovo visitors that visit Albania especially seaside resorts of Durres, Shengjin and Vlora. According to INSAT, 70.000 Albanian Kosovo visited Albania during summer months in 2004.

Private buildings mushroom every day and laws of urbanisation are being ignored all the time. Old "Labourer's Holiday Camps" have been bought by upcoming businessmen and have been turned into modern hotels. The old resort for Political Bureau members in Durres is turned into a NATO base staffed by Italian soldiers, and is still surrounded by a long fence topped with coils of barbed wire and dotted with towers manned by armed guards. On the side of the road sellers of towels, inflatable, sunglasses, bananas, umbrellas, sun block and cold drinks form an unbroken line that lies many miles long².

² The Guardian, Monday August 11, 2003.

About the same time a similar “intellectual café” opened in the old town of Gjirokaster, only a short distance from where a monumental statue of Enver Hoxha had stood till August 1991. In this café the visitor could sit and look out over the city below while listening to Wagner or Bach and drinking local wine. Inside the little café was an old bookcase crammed with selected works of once banned hidden, under Hoxha’s very nose, in the cellars of Gjirokastra³ (Holland, J; 2000).

Tourism Areas Management Plans

The management plans of every tourism area, or specific small destinations which will be used for tourism purposes will be drawn up following consultation with local communities and interest groups.

Aims and Objectives of Case Study

This case has the principal aims which will consist as follows:

- To preserve the character and qualities of parks, areas, etc., for future generations in a sustainable way;
- To promote sustainable forms of agriculture, educational use and tourism in and around the tourism areas (small tourism destinations), and thereby contribute to the regional economy and the community;
- To unite the local communities and interest groups involved with the tourism areas behind a single programmed action.

The management plans offer an assessment of the principal cultural and environmental assets; identified the main external (regional) issues that threaten the areas and the internal issues that still hamper effective management. During the years, still the tourism areas in our country, include here national parks, the old archaeological site, or every tourism area, are still very much dependent on the service infrastructure (small car park, restaurants, shops, etc). The infrastructure urgently needs to be developed to meet the demands of existing visitor numbers, and to allow for future growth.

Every management plan and its policies are aimed at meeting the economic and social needs of the local communities and promoting the sustainable use not only for tourism but also for sustaining the agriculture (farming and fishing), the academic research, the education.

In particular they aim to ensure that the tourism area meets the following communication and management objectives:

Communication:

- To inform visitors of the *cultural values* associated with parks, sites, areas, etc, and through this, the importance of Albanian *cultural heritage* to the history of the Mediterranean;

³ Vickers, M., Pettifer, J. (1999) From Anarchy to a Balkan Identity Albania.

- To inform visitors of *the environmental value* of the areas and what they can do to help improve their environment in general
- To promote the *conservation* of the areas.

Management:

- To *manage visitors* in the areas in a way that enhances their visit and uses those small destinations to their full potential;
- To manage the areas in *a sustainable way* which ensures the long-term preservation of its resources;
- To *ensure local community* participation and benefit in the tourism areas development procedure.

Management of Butrinti National Park - Applying Sustainable Alternative Types of Tourism in Butrint

The promotion of sustainable eco-and archaeological tourism in Butrint National Park and in south of Albania is part of the World Bank pilot project. The attention of the CEU⁴ was drawn to Butrint's potential as a focus for the development of sustainable tourism. Butrinti has been inhabited since prehistoric times. In 2000, Albania's government declared Butrinti's 11.2 square miles a national park, which draws thousands of visitors annually. BNP⁵ has also been on the world Monument Watch list of 100 Most Endangered Sites since 1996.

Many cultural activities including the Miss Albania contest, concerts and festivals are regularly held at an ancient theatre on the site that seats 1,500. The World Bank has been implementing a park management project for Butrint to address institutional capacity issues in this sector.

The project aims at fostering the sustainable economic development of the regions, while improving conservation and vaporisation of the Albania natural resources and cultural heritage through an innovative approach. It supports the development of local capacity for community based eco-tourism and it promotes the regions as a major environmentally pristine and culturally rich tourist destination. The program aims at transforming the land use limitation of the Park into an opportunity to create new resources that represents the single most important tourist asset in the Saranda region. The challenge is to exploit this asset for the benefit of the local economy. The goal is not just to bring new visitors to Butrint but have the current visitors visit the site.

Important steps were taken in 2000 to safeguard the Butrint site and the beautiful surrounding countryside. However, it is vital that the BNP administration should be given the legal powers to prevent unplanned building and activities such as

⁴ Commission of the European Union.

⁵ Butrinti National Park.

fishing with dynamite in the area of National Park. The Butrint Foundation is particularly concerned that the planned road from Konispoli, on the Greek border, to Saranda should not run up the eastern side of the plane of Butrint, where it would do irremediable damage to the environment, but should follow the route to the east along the Vaghalati Valley out of sight and sound of Butrint. The Management Plan contains an important section on the environment. The BNP area offers a variety of habitats and rare species of flora and fauna. The Butrint Foundation has recently obtained generous funding from the Oak Foundation, which will enable the continuation of the work on the Management Plan and make a start on environmental conservation in the area of National park.

Several national and international events are organized; visitors can attend and learn about culture, tradition and preservation efforts. Since the year 2000 a National folk festival named “Magic flute Concert” has been organized with participants from various regions of Albania. Tourist can experience the music, look at colourful costumes from different regions and learn about the rich history.

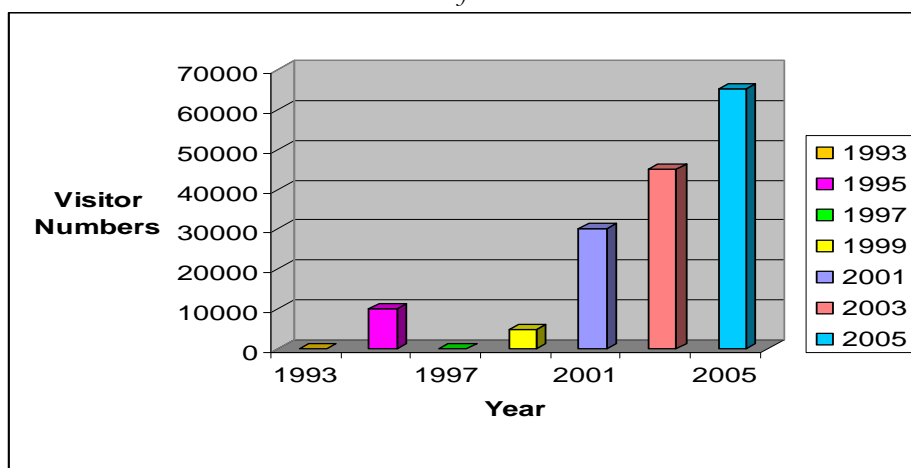
The international theatre festival ‘Butrinti 2000’ is an important international event that is held in Butrint on the stage of the 2400 year old theatre. Performances from theatre of mainly Mediterranean countries, in their respective languages, add a special flavour to the ancient city of Butrint. It certainly makes BNP memorable for visitors and destination of culture diversity among the best. ***The Park is now the single most important tourist asset for the Saranda region and arguably for Albania as a whole.***

4. Data Analyses of the Case Study

The archaeological park of Butrint has been open to visitors since the early 1970s. The site was one of a number of designated places visited by:

- *Independent travelers* were rare, as special permissions were required to travel to the site, located close to the Greek border.
- *Organized tours of foreign visitors* were sent to Butrint and Saranda but were highly regulated in what they could do and see. Since the early 1990s and the end of the socialist period, the numbers of visitors to Butrint has increased significantly (see Table 1.1) and the visitor profile has changed.

Table 1.1.: The Evolution of Statistical Data in Butrinti Park



So, from the analyse it seems that the *main conclusions* here are:

- The improvement of Albania tourism in general, from qualifies and quantity point of view changed the strategic direction of the Government and Local Public. So, from the moment that tourism is considered one of the main sector of Albanian Economy for the further decades, tourism will lead the national and local economy;

- There are noted big challenges in evolution and dynamics of markets, number of visitors, the structure of expenses, the duration of a trip, and the main purposes of trip;

- The number of tourists, visitors that visit Butrint is growing and there is a tendency to grow further in the future;

- This is due to the presentation of Butrint in Region, improvement of Images of Albania in world, etc.

In order to answer the research question “*Has the use of a tourism strategy on the Albania been of benefit for sustainable development,*” 20 random quantitative sample surveys (see Appendix 1) were carried out on the sea side area.

The survey, in simplistic terms can be split into 5 sections:

- Respondents attitudes towards tourism development;
- The perceived economic benefits;
- The affect on land;
- The future prospects.

The survey contained only closed ended questions. This was done to aid data analysis. However, the data produced will have a frame of reference imposed on it where the participants has had to make a choice between a number of given options. Respondents are shown a series of statements and asked to indicate, using a scale, the extent to which they agree or disagree with question.

Methodology

This paper is done through the questionnaires. The first stage of analysis consisted of using a percentage breakdown by answer to each question. This enabled the analysis of attitudes to specific aspects of tourism on the Albania, highlighting what the majority felt. This data was then categorised into three groups using the formula (% of population) to represent perceived environmental, social and economic effect of tourism.

In the survey the scoring method was done as follows:

- Agree;
- Unsure;
- Disagree.

Introduction on Analyse

The development of tourism in Albania has begun since 1929 with creation of Royal Motor Tourist Club. In that club, the main goal was visiting for business purposes. The tourist offer in that time includes 13 rest areas and 27 hotels. The demand of foreign visitor in that time was in limits 1-1.5 percent of population number. The major part of tourist was from neighbour countries like Italy, Greece, Bulgaria, Rumania, etc.

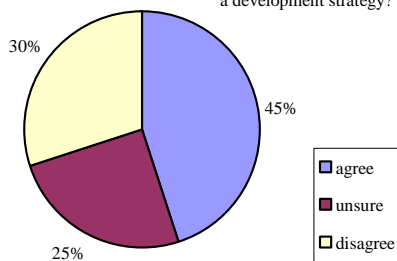
The expansion of tourist after 1997 was not for pleasure but it was grown up journey's activities. The growth of room's number compare with bed's number signify that the number of rooms is grown up about 10% and beds 30% (see the tables)

In summary, we can conclude that:

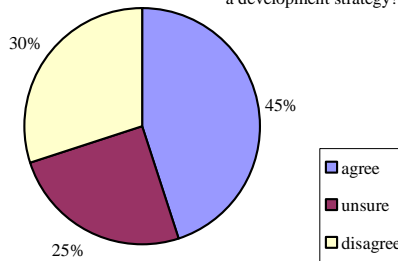
- Based at the above data, results a extension of hotel's number, specially at private sector, the ***demand is concentrated in activities regarding business;***
- Favourably geographical position, attractive beaches, lakes and mountains are typically for Albania;
- ***Primary destinations*** for tourists were Durres, Vlore, Shengjin, Pogradec and Shkodra, and for business tourists were Durres, Tirane, Vlore, Korce and Shkodra.

Result Presentation

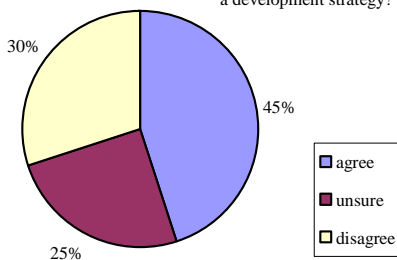
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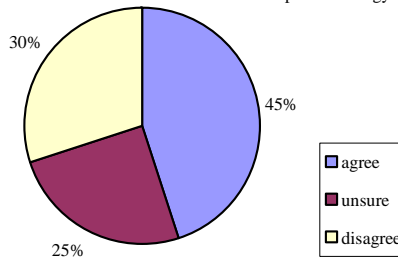
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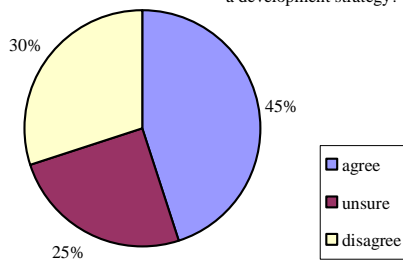
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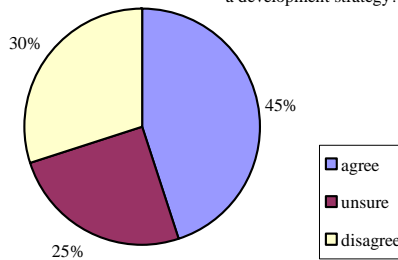
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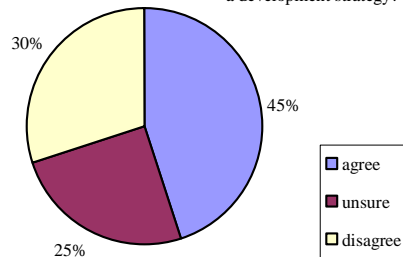
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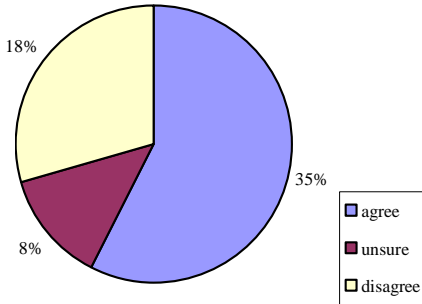


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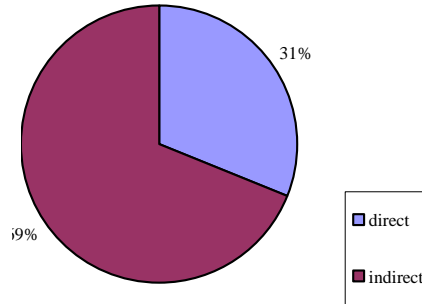


Result Presentation (continue)

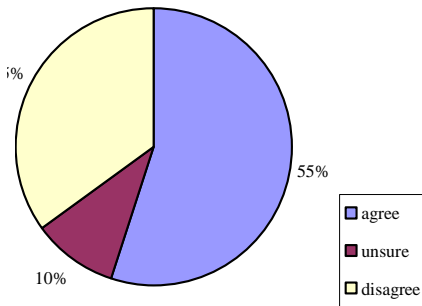
Tourism in the park has increased economic opportunity for you?



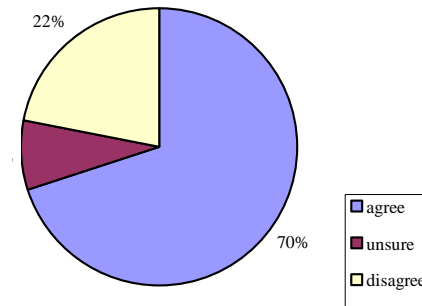
If yes is this from direct or indirect employment?



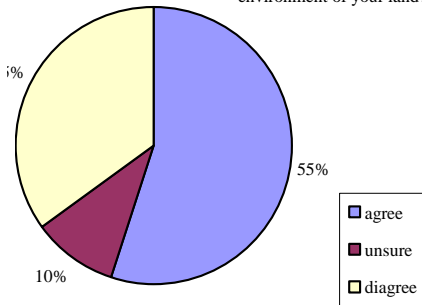
The increased economic income from tourism has increased social facilities?



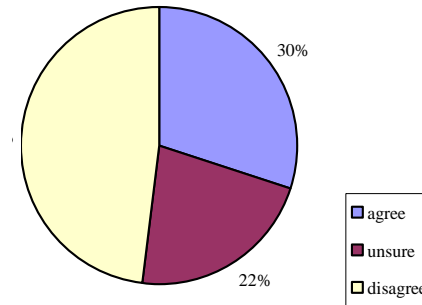
This is a good way of earning money from your land?



A large increase in tourism will badly affect the environment of your land?



Tourism has increased your land rights and ability?



Discussion

Tourist inflow to Albania in years has been diverse: from 280 tourists in 1956 up to 40 thousand in 1995. But compared to the Mediterranean neighbour countries, the number of tourist coming to Albania is quite small. Thus, the number of tourists in 1960-1990 consisted only 1.6 percent of the tourists in Greece or Yugoslavia in 1989. In 1980, in Albania there were fewer tourists than tourist enterprises in Greece. After 1990, Albania saw an increase of the foreign tourists. In the centre of such movement, the same as before, were cities, what is linked with the fact that the cities are those which can fulfil the needs and demands of tourists.

At present, the tourism sector is one of the priorities for development of the country, from which is expected a profit of about 420 million U.S. dollars per year, or about 15 percent of GPD. One of the main characteristics of the market sector in the field of tourism services (restaurant, hotels) in our country is the strategic importance given by the government through the different programs.. This is for the fact that development of the tourism service affects the increase of GDP as an promotion for development of other industries, which are linked and contribute to its development.

a.: Ecotourism in Albania - Bane or Benefit?

Ecotourism offers such alternative sources of income to local people, as developers or through employment. In Albania, there are small enterprises run by local people that are the most typical ecotourism operators. There is no policy of heavy taxation and compulsory damage insurance that developers would have to pay for each tourism development site. This is considered as favourable, at the moment, because it gives small ecotourism developers *a clear advantage* compared to large-scale local and international mass tourism investors. It is important that proper environmental impact assessments are done and taken seriously, and to help traditional users benefit from the non-consumptive use of the same resources that they had been collecting before. Otherwise, conflicts between local community and tourism developers will be inevitable.

The urban-water-supply system in Albania is plagued by problems. In addition, infiltration from parallel sewer lines caused periodic cross contaminations of the waste supply. Monitoring is conducted for the same fifteen physical and chemical parameters. National Water Strategy is drafted in 1996, but not yet adopted by the government.

Untreated sewage from beach hotels is among the most serious threats to coastal environments. Technologies that minimise pollution and environmental damage are costly and non-existent in Albania. Official policies and criteria for approving investment plans and building regulations are often biased.

A variety of important products entered the Albanian market, rapid population growth, urbanization, and a boom in construction put new significant stress on an already weak waste management systems. There are no properly managed dumpsites or incinerators, no waste reduction targets, and no monitoring programs to date. Actually, in Albania, the urban solid wastes are disposed in open dumps only.

The industrial and hazardous waste management is a serious problem as well. In many cases, these wastes are stored without adequate safeguards and monitoring systems. Industrial and urban wastewaters are discharge directly into surface waters, without any treatment.

Today Albania has one of the highest rates of biodiversity loss in Europe. Deforestation, soils erosion, uncontrolled land use, and pollution. All of these activities are rapidly destroying precious resources. Unsuitable levels of hunting, fishing, and grazing are also threatening diversity. Thirty-six percent of the country's vertebrate species are endangered or threatened. Efforts are made to establish protected areas. Six percent of the country is set-aside for this purpose. Unfortunately, even the biological integrity of these areas is compromised several times by legal activities also; monitoring of these zones is inadequate and management plans do jet exist.

The Albanian Government regard tourism as the best and quickest way to create desperately needed jobs and a measure of prosperity in south-western Albania. There is no doubt that the Corfu model of mass tourism tempts some officials. However, as they become better informed on the nature of modern tourism, there is growing recognition of the importance of the conservation of Albania's environmental and cultural heritage, both for its own sake and as the foundation for ecotourism.

The first UNESCO mission to Butrint, in 1997, was prompted by the Butrint Foundation in response to press reports that the site had been looted during the disturbances of that year. Organisations like the Butrint Foundation can play an important role in the conservation of sites like Butrint, even in turbulent times, by lobbying national governments and cooperating with international organisations like UNESCO.

The marine tourism can increase the economic value of coastal resources in Albania, and thus promote greater awareness and appreciation of resources that were traditionally taken for granted and often believed to be inexhaustible by local communities. The marine tourism market may attract big and small local investors with little previous interest in marine resources, and increase political support for coastal conservation.

Like many other emerging destination, Albania's transition towards *mass-market tourism* has been associated with increasing environmental stress. Issues that require attention include conservation of costal habitats especially beaches, improvement to seawater quality and the management of waste. At the moment, wastewater treatment is almost non-existent in Albania.

Additionally, the *increasing urban pollution*, the *lack of investments in municipal infrastructure*, and the *community's weak environmental attitude* are serious problems and detrimental to the country's image and tourism potential.

There is an opportunity for the all-inclusive sector to be the driving force of the introduction of environmental management in the local tourism industry. It is essential that the government revisit its strategies regarding environmental management and tourism development and reconciles its economic and environmental policies. The full implementation of the NEAP⁶ and the development of a STP⁷ should contribute to *reduce environmental impacts* and help to *insure that the tourism industry will enable positive socio-economic advancement of the host population*.

b.: Butrint: A World Heritage Site

Although the Butrint owners still feel that there is room for an expansion of the tourist market, this feeling has seemed to develop into understanding of the need to *manage tourism in a sustainable way*.

The members of the Butrint Board have played a major role in the recent-developed Plan of Management (POM). This (POM) consists of a zoning system covering both land and sea aiming to support commercial and tourist activities while protecting all cultural and biological values of the area. On land, major aspects of the plan include allowing for a moderate increase in visitor numbers and identifying expanding opportunities for tourism use of the park.

1972	World Heritage List introduced by the UNESCO
1989	Albania ratified the convention of 1972
1990	Butrint was nominated as a World Heritage Site
1991	Butrint's nomination was deferred
1992	Butrint designated as a World Heritage Site
1997	Butrint was put on the list of World Heritage Sites in Danger
1998	Office for the protection of the World Heritage Site of Butrint created
1999	Extension of the Butrint protected zone
2000	Butrint National Park established
2003	Inscribed on the Ramsar
2005	Butrint removed from World Heritage Site in Danger list
	www.butrintfoundation.org

⁶ National Environmental Action Plan.

⁷ Strategy Tourism Plan.

In 1972, UNESCO, the United Nations' Scientific, Educational and Cultural Organisation, adopted the Convention "Concerning the Protection of the World Cultural and Natural Heritage," and under its auspices introduced the World Heritage List. Butrint was nominated as a World Heritage Site in 1990 but in May 1991 ICOMOS, the International Council on Monuments and Sites recommended that its inclusion be deferred to await verification of various definitions and plans relating to its protection. By 1992, ICOMOS was satisfied that all the protective requirements were in place and they recommended that Butrint--the intramural area covering 16 hectares--be included on the World Heritage List on the basis of Criterion iii.

Criterion iii: The evolution of the old natural environment, which led the inhabitants to abandon Butrint at the end of the middle Ages, means that this archaeological site provides valuable evidence of ancient and medieval civilizations on the territory of modern Albania (UNESCO).

In 1997, the civil unrest prompted ICOMOS to recommend that further action regarding the protection of the site was essential, and Butrint was put on the list of World Heritage Sites in Danger. As a result, a workshop for the definition of the past, the present, and the future of the site was held in 1998, which led to the Albanian Government creating an office for the protection of the Butrint Site. In 1999, ICOMOS asked to extend the buffer zone of the site for fear of uncontrolled tourist development in a small area on the coast. The protected zone was therefore extended under the existing criterion (iii) on condition that the State Party withdrew plans for this development. The establishment of Butrint National Park in 2000 gave the site new legal status and protected an area of 29 km², managed by the appointment of a director.

5. Conclusion

The research work provides a general consideration on the Albanian tourist market, on the tourist offer and demand, making available the presentation of the key problems with which is faced, putting into practice the Albanian tourist potentials, as well as the necessary recommendations on the management of investments, offer and demand, on the manner to reach the equilibrium of the market, and the role of the Albanian market in the regional one.

Parallel to the use of the literature, opinions of the local and foreign tourists have made an important source of information in order to reflect the deficiencies dealing with the offering of the tourist services, ideas about the future and capacities for development of the Albanian tourism and to provide the relevant recommendations.

The aim was to investigate the tourist market in Albania in general and in Butrinti National Park especially. On the main motives of the coming or the visit to the tourist selected destination, resulted that in regard to the kind of tourism developed in those destinations polled, it mainly means the tourist circulation aiming at resting and sun bathing:

1. The desire to spend the holidays in countries of tourist potential, being in the cost line or to the mountainous places;
2. Travels to several places with aiming at visiting and enjoying what such destinations offer;
3. Visits to the archaeological monuments, museums etc;
4. Knowledge about culture, archaeology, monuments and cultural inheritance.

Referring to the present tendencies towards adventurous travels, religious travels, etc., the data shows that the travels for educative and cultural purposes remain still low. In relation to the means used for travel, out of the records resulted that most of the surveyors, sixty percent (in Durres) and eighty-four percent in the region of Vlora, had used private cars, which indicates the high level of daily expenditures, too, described below. Trains, ships, and sailing means or ferries were not mentioned as available, the other part had used a bus in the case of the far destination, such as in the tourist region of Vlora, or minibuses in the region of Durres. Approximately seventy percent of the surveyors had come together with their families, twenty-five percent in groups and only five percent were alone. Such a conclusion reflects the chances for development of the family tourism, which was analyzed by the previous heads, too, on the part of the Albanian tourist market. Development of such form of tourism results stable even for the fact of duration in the selected destination. Thus, eighty percent had planned their holidays for ten to fifteen days and the other part, less than twenty percent were daily tourists. Such a figure of the number of the tourists, coming with families and a stay of at least ten days out of at least eighty percent of the interviewed, no doubt indicates once more the tendency in growth of the phenomena and support that must be provided to the development of the family tourism through investments in infrastructure, accommodation, entertainment, etc.

So, about the question how the surveyors were informed about their place of holidays, all of surveyors reflected clearly the fact that tourist infrastructure, organization and the spread of information in Albania is weak. Total lack of publicity and promotion of sale through brochures, magazines, TV, and other means, from tourist offices fail to play their role as mediators between tourists and the tourist destination, so most or all of the surveyors were informed about the places of rest just from their relatives or their friends. Thus, out of four hundred surveyors, only ten percent mentioned the tourist agencies, as mediators to find the place for rest. Not any informing material, such as maps, existed through which the people could be informed about their place of rest, particularly for the South, considered as the very attractive for Albanian tourism.

While the package of holidays becomes a product very standardized, by very small changes between different destinations, the destination or the selected place plays a less important role on the solution the consumer makes and they immediately would substitute their first choice with an alternative destination, if they felt that the first one was becoming quite expensive.

In the case of the interviewed in the Balkan market, they, according to the data, have considered as a probable breaker the unsecured political situation in general in Balkan, which were called very important by 59.1 % of unsecured situation, mainly from 1990 till present, upon the changes in the political course of the parties. The concern on the individual security by 54.5 % is another factor, which is considered as very important.

Relevant to the question *how the interviewed evaluate the most important problems in their tourist destination*, resulted that visitors or tourists have evaluated as very important elements, such as the nice view, the tender climate, and kindness of the people, but at the same time they observe great problems in the tourist infrastructure, potable water and power, cleaning, etc., by defining them as problems or deficiencies of the tourist offer at the chosen destination.

The Albanian Government *analyse and treat the tourism as the best, the most sustainable, and the quickest way to create employment, revenue, and to grow up the contribution in GDP*. There are many areas or zones which are considered *tourist areas* with very importance especially in investment.

Some of the main and important conclusions that we follow up by this study are:

- One big conclusion is regard to the *Models of tourism development in Albania*. There are a lot of alternative tourism models to be followed, there are a lot of strong reasons to follow, maybe, each of them, but of course, we must be sure that not every model brings sustainable development and not every model fit to the actual condition of Albania;

- Based on the analyse and the detailed view of each alternative type of tourism, Butrint should be considered the destination where the *Eco-Tourism, Familiar Tourism, rural Tourism, Culture and Heritage Tourism* will grow up;

- *Residents and rural people involvement* has taken a big challenge the next decades. Butrint is a *very good and rare example* that shows that tourism and community must follow each other and should be in harmony. Also, in Butrint is going to grow *Community Based Tourism (CBT)*;

- Butrint should consider as the place where *culture, heritage, landscape, and community meet each other* in the way that they feed back in a growing GDP, earnings, and employment.

🚩 The main achievements, so far, in promoting Butrint as site for sustainable tourism;

After the collapse of the Communist regime, archaeology and conservation in Albania suffered from lack of financial and manpower resources. The Butrint Foundation has provided funds for:

- The conservation of the monuments of Butrint;
- A programme of archaeology at the main site of Butrint and also along the shores of Lake Butrint to the east and south of the main site;
- An archival research programme into the history and archaeology of Butrint.

We have also:

- Raised the profile of Butrint, both internationally and in Albania. In 2000 the World Heritage Site of Butrint was enlarged from a few hectares to 29 km² and Butrint National Park set up to manage the site;
- Persuaded the World Bank and the EU to deliver resources to Butrint National Park and the area around Butrint, which has the potential to become the focus for the *development of sustainable tourism*;
- Sought to *promote Butrint as a site for sustainable tourism*.

✚ **The main obstacles that the Butrinti site tourism had to overcome;**

The main problem remains the absence of environmental conservation legislation and planning procedures. Until recently, this problem was exacerbated by the lack of communication between the central government and the local authorities in Saranda and by poor communication among ministries. For example, shortly after the setting up Butrint National Park in 2000, the central government approved projects for hotel development within National Park. Butrint's greatest asset is its pristine quality. Building in National Park or in sensitive areas outside the park represents a real threat.

Butrint is a great asset for Albania in a world in which every tourist destination must seek to differentiate itself from its competitors. In the management plan, the imperatives of development are reconciled with the conservation of Butrint and the beautiful surrounding countryside: qualities that make Butrint an important part of Albania's cultural heritage and a legitimate source of national pride.

The challenge of Butrint management is to exploit this asset for the benefit of the local economy without spoiling Butrint or the surrounding countryside. This means promoting sustainable tourism and strict controls on the location and type of development.

Until recently Butrint has not suffered from developmental pressures. However, since 1991 a variety of plans have been proposed for the Saranda region by private groups from Italy, Germany, Kuwait, Malta, and Switzerland.

The proposals (only one of which appears to have involved an Environmental Impact Assessment) include *tourist villages, golf courses, associated roads, and an airport*.

Albania has an opportunity to attract visitors interested in a new destination and a new cultural experience.

Its proximity to established or growing markets (the EU and central European countries) gives Albania a potential advantage in terms of the cost and journey times.

✚ In further development we must balance the need to look after the *natural and cultural values with the need to cater tourists*. Every simple analyses conclude, at least, that to make sure that the Park remains *environmentally sustainable*. One way doing this is to focus on those options that give visitors a *high quality nature based* experience by targeting those niche opportunities that only this park has to offer.

✚ *Ecotourism* has been identified as a vehicle to finance the protection of the subject area, and at the same time contribute to the local economy, and as a result contributing to the overall wealth of the local community.

✚ The *local community* is able to take advantage of Ecotourism, when the main economic, environmental and politic objectives have been achieved, enabling the gain of social benefits and minimizing the negative factors. *The involvement of local communities not only benefits the community and the environment but also improve the quality of the tourist experience*. These benefits should outweigh the cost of ecotourism to the host community and environment.

✚ Albania can use its resources in term of tourism, much more than it is actually doing, because this is the destination of the future. Some preconditions are necessary to ensure the quality services and products demanded by guests to achieve the targets and realize the application of necessary strategies:

- Sustainable tourism promotion;
- Basic infrastructure realization;
- Clarification of ownership of land and buildings;
- Law enforcement;
- Improvement of statistical information systems;
- Public/ private commitment involvement.

✚ We recommend that it is necessary to *improve the existing infrastructure to make the products' quality and services better to create a positive image for Albanian tourism*. Within the “sun and beach” tourism, Albania is trying to reach a position in the domestic and international travel market as a competitive, value-for-money holiday destination in the Mediterranean Sea.

✚ The Adriatic coast needs structures such as three or four stars graded beach hotels, large scale, international standard business centers, and connections to central reservation systems. The Ionian coast needs structure as well but different ones. It needs resort hotels and villages, on a small and medium scale, low rise, and facilities for water based activities: scuba diving, sailing, surfing, etc.

✚ Albania has very strong points to constructs better *future tourism on sea, nature, culture and in convenient time*. Weaknesses include infrastructure, water furnishing, electrical energy, etc. The most important thing to do, to improve tourism is to minimize weakness and maximize the opportunities. The main purpose in the short-term period is to keep tourist product in competitive levels and different from previous standards:

- Continue the competitive studies for Albania tourist market;
- Improve the accommodation offer;
- Offer tourist package, international and national tourists offers, weekends, etc;
- Improve the quality of present structures;
- Locate the representative offices in national and local standards;
- Create a full legal package for tourism development;
- Include the community in studies and plans.

✚ Finally, we conclude that as any other country in the Balkan region, Albania has tourist potential to appeal to a lot of locals and foreigners alike. Albania offers a rough, but at the same times a charming pure nature with rich biodiversity, long and sandy beaches, an interesting cultural heritage, and a warm and sunny climate. However, with proper access and infrastructure and some of "dressing up the groom" with corresponding marketing activities, the strategic niches can certainly be filled. The tourism development ratio among the tourist countries in region of the Balkan are considered crucial for the long run objective of Tourism in Albania. Thus, Croatia is considered the destination disposing of highest potential in terms of future tourism development and potential. Moreover, Montenegro and, with restrictions, Macedonia are seen as destinations disposing of a certain potential with good perspectives. Bulgaria and Montenegro can strengthen their position with a tourism product of medium quality whereas the other destinations are seen as low budget (quality) destinations with some chances for selected medium quality tourism products. Lack of product and service quality, combined with lack of marketing activities should be considered the main problems of destinations on the Balkans.

✚ The biggest obstacle should still be considering the bad image of Albania for future tourism development. The uncertainty of the political situation in the Balkans, connected with unfavourable value for money, outdated supply (especially in the hotel sector), unreliability of local partners and lack of cleanliness are further major obstacles for a positive tourism development.

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E-BANKING SERVICES AS AN ELEMENT OF E -BUSINESS

*Aniela Raluca Danciu, Zizi Goschin, Mihaela Gruiescu **

Abstract

An increase in social expectations in relation to subjects rendering financial services, dissemination of new technologies, more developing technical culture of society, an increase in importance on information technology in economy, business globalization, consolidation of banks and an increase in competitiveness are only a few reasons which had an influence on a type and quality of services rendered by banks.

Electronic business is of particular importance in the finance sector. It comprises both a scope of customer service and a transfer of funds and mutual co-operation of institutions. Necessity to introduce comprehensive electronic business results from, among others, a level and scope of competition present on world financial markets nowadays. Banks wanting to maintain an appropriate position on the market face challenges which force them to use solutions increasing effectiveness of their activities.

Keywords: e-business, financial services, electronic banking, e-banking services.

JEL Classification: A10, E42, G00

Introduction

Electronic business is a complex and dynamically developing sector. It is not only limited to access to World Wide Web and information exchange. In order to achieve success in it, different requirements must be met, and they are such as: safe information processing concerning transactions, winning customer.s trust, skillful management of intangible products. Electronic business is of particular importance in the finance sector. It comprises both a scope of customer service and a transfer of funds and mutual co-operation of institutions. Necessity to introduce comprehensive electronic business results from, among others, a level and scope of competition present on world financial markets nowadays. Banks wanting to maintain an appropriate position on the market face challenges which force them to use solutions increasing effectiveness of their activities. In this system of market forces even commercial networks offering their own credit cards and financial institutions not

* Aniela Raluca Danciu is Professor of Statistics at the Academy of Economic Studies Bucharest, E-mail:

anielaco@hotmail.com;

Zizi Goschin is Professor of Statistics at the Academy of Economic Studies Bucharest, E-mail:

zizigoschin@hotmail.com;

Mihaela Gruiescu is Associate Professor of Statistics at the Romanian American University in Bucharest, E-mail: mgruiescu@yahoo.com.

having a status of a bank, but offering less expensive services of the same kind constitute a threat and competition for banks.

Financial sector activity, including banks, is not connected with manufacturing physical products, but it is business based on information using telecommunication and information technology achievements on a wide scale. Management of finances becomes more and more management of information about creditability, purchasing power and financial position of persons and institutions. New technologies are directed to manage relations with customers, to improve internal integration of systems and internal operations of banks, but not as in the previous period to increase inner efficiency and development of distribution channels. Those factors cause that the bank sector is prepared best to function in the electronic environment and develop electronic economy. Information and communication technologies can be used in any type of bank activity and they are the main factor of changes in the whole sector of financial services. In that economic situation only those banks, which will use different distribution channels and variety of services and modern technological solutions will be basis of their long-term strategy, will achieve success.

Problems of electronic economy became a key element of initiatives undertaken by European Union within the framework of the Lisbon Strategy. The main aim of the Lisbon Strategy, within the e-Europe initiative accepted in Seville in July 2002, is to transform the European economy to 2010 into the most competitive world's knowledge-based economy. One of the assumptions of the strategy is to make electronic banking development more dynamic a fundamental factor to create an integrated European market of financial services. It is possible due to liberalization of the telecommunication services market, what will have an advantageous influence both on development of this sector and development of electronic services rendered by the banking sector. For that reasons the Lisbon Strategy emphasizes the market liberalization, development of the telecommunication sector and it defines clearly a role and place of financial institutions and capital market in UE. The Romanian banking sector has been obliged to undertake activities aiming at creating an integrated market of financial services until 2005.

E-banking services

Thanks to multiplicity of channels, banks use multichanneled strategy which offers many distributive channels to clients along with financial service which seems to be attractive. The level of complicated service changed from simple marketing service into complicated interactive service thanks to new information technologies and information techniques. It also influenced bank functioning from interactive into proactive, supporting the client (the concept of partnership e-banking).

The changes of e-banking led to creation of new e-services dependent on used accessible channel such as:

- Bills payments;
- Funds transfer among accounts;

- Orders instructions;
- stocks and shares trade;
- credits acceptance;
- accepting credit cards applications;
- reviewing the calendar of dates and deadlines;
- reviewing the history of carried out operations;
- tax accounts;
- sending orders and messages by means of text message system;
- aggregation of financial services as well as associated financial services i.e. insurance, leasing, investment or retirement services.

Table 1. Classification of chosen e-banking services on on-line offer

Products improving comfort	– Mobile banking
	– Mobile payments
	– SMS alerts
Services for third parties	– Internet payments
	– Payments of taxes <i>on-line</i>
	– Payments of bills
Other financial products	– Life insurances
	– Vehicle insurances
Investment products	– Opening and managing deposit accounts
	– Purchase/sales of investment funds securities
	– Purchase/sales of bonds and other investment instruments
Bank loan products	– Bank loans applications
	– Credit cards applications
Simple banking products	– Opening/closing/managing an account
	– Domestic and international money transfers
	– Standing orders
	– Direct debits
	– Debit cards applications

Source: Centeno, C. Adoption of Internet Services in the Enlarged European Union from the Internet ranking case. June 2003.

With the development of e-economy new payment instruments were introduced on the market. These new instruments made it possible to conduct transactions on the Internet and in the mobile environment. In Romania the market of pay cards was created only in the 90ties of the last century following the reforms initiated after the change of political system in 1989.(in the year 1995 appeared for the first time in Romania the card as a payment instrument) These reforms radically transformed Romanian banking sector. In this initial period demand for modern payment instruments was moderate. There was no sufficient technical infrastructure which

would accept electronic payments. The year 1999, however, saw considerable increase in demand which was a result of rapid changes on Romanian financial market and was determined by potential customers needs.

The future of banking and financial services is associated with EMV microchip card. Currently in the EU there are 25 different kinds of electronic money based on microchip cards.. The first microchip card in Romania was MasterCard Standard International (2006) created by ING. The big asset of microchip cards is greater level of transaction security when compared with cards with magnetic strip. Such cards can be used in health care, transport or e- Government. Another important factor is the microchip potential to process information and store a few thousand times more information than a magnetic strip. Having recognised these new areas of EMV cards application the EU is currently promoting activities aimed at popularising microchip card solutions making it a priority of Europe programme.

A solution gaining big popularity in Europe (especially in Belgium and Luxembourg) is the so called electronic purse. It is an intelligent chip card used *off-line*, by means of which it is possible to settle small payments for services worth less than 10 USD in cashless way .The European Committee claimed e-purse proves to be essential in creating the Economy and Currency Union. It was also pointed out that thanks to low costs electronic payments can replace cash in member states where the local currency is weak. E-purse standard is being created in cooperation with CEPS (*Common Electronic Purse Specification*), VISA, Proton and a number of European financial institutions. This project is partly stimulated by introduction of the European currency Euro. It is expected that all national enterprises connected with e-money wanting to go internationally will join CEPS. Combination Euro-CEPS can be the greatest driving force towards adoption of e-money.

Another solution based on e-money concept is a credit card:

a) *post-paid-cards*: the issuer covers the costs incurred by the card holder for purchasing goods or services. The card holder can purchase goods or services by means of his credit card and its authorisation in *Authorisation Centre* before he actually pays for them. If the payment is settled through the Internet, the card holder must provide his card number as a part of the crypto-graphic procedure.

b) *prepaid cards* with determined credit value reflected only on central server. Payments are settled anonymously (registration is not required).

Popularisation of the Internet Channel in business activity created a demand for payment instruments adjusted to network environment - network money and software money. There are two kinds of network money:

c) money on a microchip card whose reading is carried out on a PC of its holder. The PC, however, must be equipped with a special programmed reader (i.e. pre-paid card- e-purse).

d) money on a computer disc: E-Cash, DigiCash12, stored on the hard disc and used in networks (e-cash is of single-use type which means that once a banknote with a given number has been used it is invalidated by a bank).

These systems are similar to the solutions used a cash card or money transfer. Their special feature is innovative opportunity to send money by SMS, e-mail or Internet websites. Taking as a criterion the addressee of the payment the systems can be divided into two groups:

- systems which allow to make a payment only to a business person (person to merchant);
- open systems allowing for transferring payments between market users (person to person). To these open systems belong banking institutions and other non-banking subjects.

These opportunities are used by PayPal the Internet payment system. There are not many similar solutions on the European market. It is used by a Dutch bank ING. product Way2Pay, Robobank, system Minitix.

Distribution channels of the products and e- services in ebanking

In new economy conditions managing financial institutions is connected with the change of the ways of services selling, providing information to clients as well as with the change of their function and noticing the key competence. The standard of work in banking area has been related to the usage of solutions based on information, knowledge and new technologies which give the clients access to financial means collected on the bank accounts and the possibility to make different transaction there. It has led to distinguishing great variety of e-banking channels such as:

- Cash dispensers;
- Phone banking;
- Banking based on separate network - home banking (Corporate banking);
- Call Centre;
- Voice-IVR;
- Internet banking (with the type, limited to virtual sphere, virtual banking);
- Mobile banking (SMS banking. make possible to manage the bank account by means of textual news SMS as well as WAP banking. allowing for interactive contact of the client with the bank by means of mobile phone using protocol WAP- Wireless Application protocol);
- TV-banking. allowing access to the bank account by means of TV set and telephone;
- Multimedia kiosk.

The usage of these channels in the banking sector vary and depend on the level of entanglement of the services offered by them, offer of banking financial tools as well as strategies used by the banks. Cash dispensers are the most popular channels. It results from the easiest way of operating and the possibility of doing different services by these machines. In Romania the network of ATM is constantly developing. In 2000 751 items have been installed (Fig.1), 11,287 million transactions have been made (Fig. 2) and their value has been on 848,79 million RON and in

2008 9246 items have been installed, 207,233 million transactions have been made and their value has been on 80592,77 million RON.

Figure 1 Changes of the number of ATM in Romania in 2000-2008

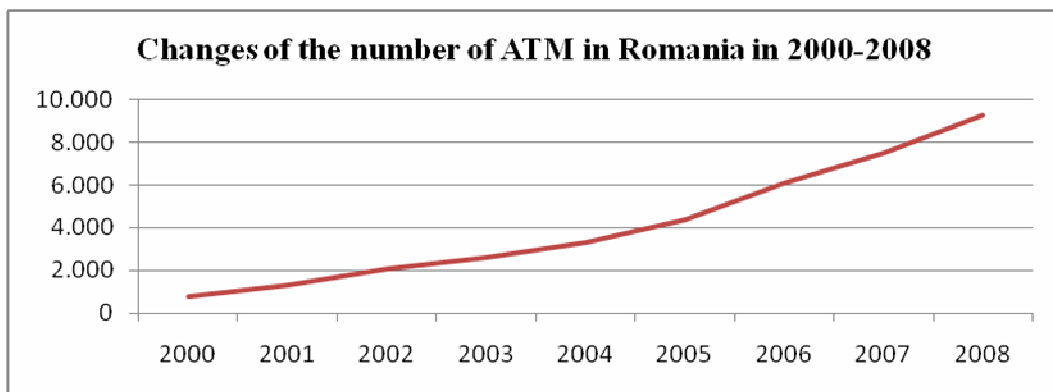
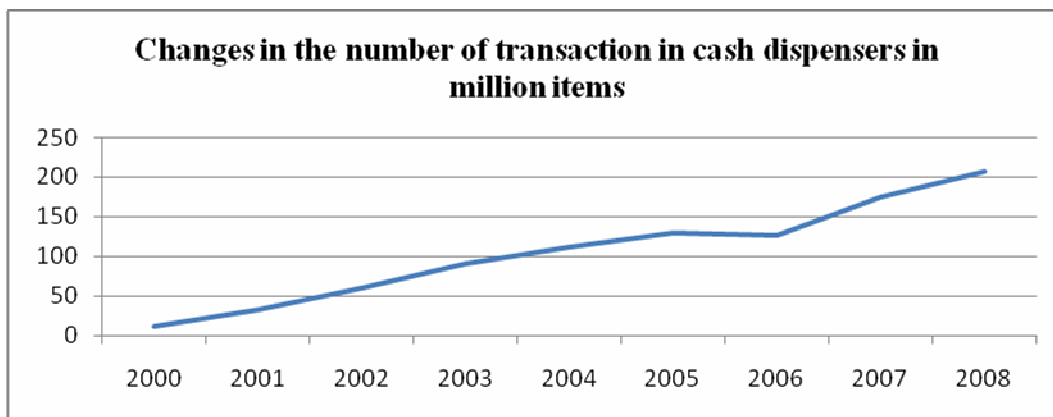


Figure 2 Changes in the number of transaction in cash dispensers in million items



Nowadays many of the cash dispensers functioning on the Romanian market are the multi functioning machines and the owners of the cards can use them 24 hours. In spite of the fact that year by year there is a growth of cash dispensers their location is not steady. Further growth of the popularity of this banking channel will be possible when the financial tool such as chip cards EMV will become more common. The internet becomes the e-channel which is developing very fast these days. Despite the e-banking leads to segmentation of the market, products and services (this may derive from the level of service complication, its value and the security of transactions), it allows to enlarge the receivers. It is caused by:

- Conducting simultaneous and fast bank service for large number of clients;

- Individualisation of bank offers, creating of individual client wallet on the basis of information gained about him for instance preferences;
- Conducting service of client by the bank 7 days a week as well as 24 hours (without time limit);
- Enlarging geographical reach. bank without borders (borderless bank), which allows to realise the order from different place (without space limit);
- Enlarging market research;
- Realisation of the orders on-line;
- Quick support of bank workers in case of emergency;
- Lowering the cost of single transactions and commission for the services;
- Enlarging client satisfaction this can lead to the growth of his loyalty towards the bank.
- Enlarging the competitiveness of the bank on the market of bank services.

The growth of the interests in services offered by this channel was the reason of creating by the banks, in terms of their structures, internet branches which are mainly responsible for the development of e-services. The success of the internet branches have been gained by traditional banks with strong and stable position on the financial market and with wide consumers base. It resulted from the compromise between the habits of clients to traditional form of transaction realisation in the bank and the solutions of 21st century standards (internet channels).

Conclusion

Modern e-banks take a particular place in e-economy. Their importance for development of new economy has been emphasised in the e- Europe programme, that is one of the Lisbon Strategy principles. E-banking makes it possible to perform such services as: electronic tax clearings, unemployment benefit or scholarship payments. According to many Romanian bankers, there is a strong belief that multichannel activities and modern technological solutions will contribute significantly to the improvement of profits coming from banking operations. It means that the importance of both Internet and virtual banking on financial markets will be gradually increasing. The researches led by IPSOS show that about 84% of the banks plan to introduce new solutions to bank-client relationship management. Other key enterprises of banking sector include: popularisation of mobile banking technology based on GSM technology with main access channel via Short Message Service .SMS (on a smaller scale, via WAP) and introducing Straight Through Processing Systems (STP).

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ABRAHAM LINCOLN: CENTRALIZING CLASS WARRIOR

*William Barnett II and Walter Block**

Abstract

Abraham Lincoln was the great centralizer. His War of 1861 was only the tip of the iceberg in this regard. This core of his philosophy can also be seen in his “contributions” to class warfare, the American “system” of public works, strong tariff protection, public lands policy, welfare payments to large corporate interests, and in the contrasts between the Confederate and the U.S. Constitutions.

Keywords: Class warfare, Lincoln, tariffs, public lands, Confederate Constitution, centralization.

JEL Classification: B31, N31, N41

1. Introduction

Abraham Lincoln is most famous for suppressing Southern Secession. But this in turn has suppressed appreciation for this contribution to several other aspects of American society. To wit, his championing of class warfare (section II), his support for corporate welfare (section III) and his use of public lands policy to support centralization (section IV). In order to more starkly analyze his “contribution” to U.S. political economy, we also compare and contrast in section V the Confederate Constitution to that of the victors of the War Between the States. We conclude in section VI.

2. Class warrior

DiLorenzo (1998, 244) made a strong case against Lincoln as, “...the Great Centralizer, whose policies did much to undermine the decentralized, federal system established by the Founders.” We contend that Lincoln was a “Class Warrior,” or, at the very least, his principles did not prevent him from stooping to engage in class warfare to achieve his political and economic ends. And class warfare is a way of life of centralizers and their systems. Lincoln was a precursor of every American centralizer of the late 19th and 20th centuries, including, notably, Franklin Delano

* William Barnett II is Chase Distinguished Professor of International Business and Professor of Economics, Joseph A. Butt, S. J. College of Business Administration, Loyola University, New Orleans 6363 St. Charles Ave. New Orleans, LA 70118 (504) 864-7950. E-mail: wbarnett@loyno.edu. Walter Block is Harold E. Wirth Eminent Scholar Endowed Chair and Professor of Economics Joseph A. Butt, S.J. College of Business Administration, Loyola University, New Orleans 6363 St. Charles Avenue, Box 15, Miller Hall 318 New Orleans, LA 70118 (504) 864-7934. E-mail: wblock@loyno.edu.

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Roosevelt. Certainly, class warfare was a feature of the New Deal, America's greatest centralization effort of the 20th century, and FDR, the leader thereof, routinely engaged in class warfare, as have other, lesser American centralizers of the late 19th and 20th centuries.¹

The following two (2) quotes from an "Address to the People of Illinois" signed by A. Lincoln, S. T. Logan, and A. T. Bledsoe as printed in a "Campaign Circular from Whig Committee" of March 4, 1843, are illustrative of Lincoln's class warfare.

"And again, by the tariff system, the whole revenue is paid by the consumers of foreign goods, and those chiefly, the luxuries, and not the necessities of life. By this system, the man who contents himself to live upon the products of his own country, pays nothing at all. And surely, that country is extensive enough, and its products abundant and varied enough, to answer all the real wants of its people. In short, by this system, the burthen of revenue falls almost entirely on the wealthy and luxurious few, while the substantial and laboring many who live at home, and upon home products, go entirely free" (Basler 1953, 311).

"One [reason given against Clay's land bill] is, that by giving [the states] the proceeds of the public lands, we impoverish the National Treasury,² and thereby render necessary an increase in the tariff. This may be true, but if so, the amount of it only is, that those whose pride, whose abundance of means, prompt them to spurn the manufactures of their own country, and to strut in British cloaks, and coats, and pantaloons, may have to pay a few cents more on the yard for the cloth that makes them. A terrible evil, truly, to the Illinois farmer, who never wore, nor never [sic] expects to wear, a single yard of British goods in his whole life" (Basler 1953, 313, footnote added).

FDR (<http://www.knowprose.com/node/12218>) learned well the lesson of class warfare at his predecessor's knee. He is responsible for the following statements:

"We know now that Government by organized money is just as dangerous as Government by organized mob.... [The organized moneyed people] are unanimous in their hate for me and I welcome their hatred.... I should like to have it said of my... administration that these forces met their master."

"The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."

Popular opinion usually "credits" Marx (1848) as the creator of class warfare. And, indeed, there is some justification for such a claim, for he makes it very clearly:

"The history of all hitherto existing society is the history of class struggle."

¹ And, of course, class warfare is of the essence of Communism, and was an very important element in Naziism's ascent to power, witness the Nazi Party Brownshirts. Certainly, in the 20th Century, we have seen all of the great centralizers, whether of the more virulent or less virulent stripe, employ class warfare as a means to their ends.

² Note the use of "the National Treasury" rather than, say, "the Federal Treasury" or "the United States Treasury".

However, this sentiment is a “made-in-America” phenomenon. Pride of place must be given to Saint Abraham, in that his statements were made in 1843, a half decade before those made by the Father of Communism.

A more modern follower of Lincoln³ in this regard is Edwards (2004) who proclaimed:⁴

“Today, under George W. Bush, there are two Americas, not one: One America that does the work, another that reaps the reward. One America that pays the taxes, another America that gets the tax breaks. One America - middle-class America - whose needs Washington has long forgotten, another America - narrow-interest America - whose every wish is Washington's command. One America that is struggling to get by, another America that can buy anything it wants, even a Congress and a president.”⁵

3. Early corporate welfare

DiLorenzo (1998, 255, footnote added) avers that, “[t]he political topic that *did* draw most of [Lincoln's] attention was the economic policy platform of the Whig Party, which from 1820 until the early 1850s was literally defined by Lincoln's political idol, Henry Clay.⁶ As Johannson (1991) has written, ‘From the moment Lincoln first entered political life as a candidate for the state legislature during the decisive 1832 presidential election, [Lincoln] had demonstrated an unswerving fidelity to the party of Henry Clay and to Clay's American System, the program of internal improvements, protective tariff, and centralized banking’ (14).” And, “The three main elements of Clay's American System were federally funded ‘internal

³ This also applies to the prosecutorial side of the Conrad Black law case; a large part of the charges against him consist of the complaint that he is a very rich man. Even the media have joined in this class warfare, characterizing him as a “media baron” (<http://www.cbc.ca/money/story/2005/11/17/black-051117.html>). But a baron was given special political and legal privileges (<http://en.wikipedia.org/wiki/Baron>), something no one even contends is true in this case. A similar pattern was responsible for the prosecution of the case against Microsoft; Bill Gates is also very rich. See on this Anderson, et al, 2001.

⁴ <http://www.washingtonpost.com/wp-dyn/articles/A22230-2004Jul28.html>

⁵ A sharp critic (<http://georgiafiltered.blogspot.com/2007/07/john-edwards-two-americas400-haircuts.html>) maintains that the real difference between the “two Americas” is that one pays \$1250 for a haircut, and the other only \$400. For more on the hairstyling habits of this particular class warrior, see <http://www.msnbc.msn.com/id/18157456/>. According to *Maclean's Magazine* (May 7, 2007, p. 62): “The man who portrayed himself as a foe of Wall Street didn't last long as a man of the people. In 2005, John Edwards gave a speech railing against ‘two economies in this country: one for wealthy insiders and then one for everybody else.’ This week, the Washington Post described how Edwards soon went to work for Fortress Investment Group, a fast rising U.S. hedge fund and a tax sheltered epitome of the ‘wealthy insider’ economy.” For more class warrior-ship see Krugman, 2002, for a specific critique of Krugman, see Coyne, 2002. For general criticism of this doctrine, see DiLorenzo, 2002b; Mises, 1927, 1977; Noonan, 2001.

⁶ Although “the economic policy platform of the Whig Party” may have been “literally defined by ... Henry Clay,” its lineage can be traced back to Hamilton, and his antecedents (Hamilton, 1964 [1791]).

improvements,' considered by many to be nothing but corporate welfare for steamship, canal, and railroad businesses; high protective tariffs, leading to economic autarky; and central banking and fiat money. In short the Clay-Lincoln system consisted of mercantilism, protectionism, the centralization of governmental power, and inflationism" (DiLorenzo 1998, 256).

But this was only the tip of the iceberg, historically speaking, in terms of business socialism. Hughes (1977) and Horwitz (1977) have demonstrated that business regulation of this sort was hardly begun by Lincoln; it dates back to the very founding of the republic.⁷ However, Kolko (1963, 1970) has shown during the progressive period, hard on the heels of Lincoln's days of influence, there was a significant upward ratchet in special privileges for well connected businessmen. Kolko, moreover, gave evidence that large scale capitalists were in the forefront of these initiatives: regulations were *not* promulgated by well meaning politicians and civil servants in order to protect consumers against rapacious firms, and then, only later, were the regulators "captured" (Stigler, 1971, Peltzman, 1976) by business interests. No, these legislative enactments (e.g., the FDA) were set up at the outset at the *behest* of special corporate interests.

4. Public lands

Although most historians maintain that the essence of Clay's American System (CAS)⁸ consisted of the tariff, internal improvements, and central banking-cum-fiat money, in fact, there was a fourth main element: public-lands policy. The issue of the funding of internal improvements was, or became, inextricably bound to the public-lands policy (itself, inseparable from tariff policy).⁹ This requires elucidation.

The economic nationalists, the centralizers, wanted the "nation" to develop in a specific, "balanced" fashion. The East (New England and the Mid-Atlantic States) would be the provenance of manufacturing and commerce, both domestic and international. The South and West would provide, on the one hand, the raw materials for the factories and the food for labor, and, on the other hand, markets for the goods manufactured in the factories. (Obviously, the South and West would also specialize; e g., the South in cotton and the West in grains and livestock.) The sections would be tied together by a system of "internal improvements;" i. e., a

⁷ Rothbard, 2000 traces the rot even further back in time.

⁸ Today, many refer to "Clay's American System" as "*The American System*," perhaps rightfully, though deplorably, so, because, though it is truly un-American in the sense of the principles of the War for Independence, the Articles of Confederation, and the Constitution of the United States of America, it has come to be the system of America. Those who deserve major discredit for this turn of events are far too numerous to name, but to mention a few presidents, in addition to Lincoln: McKinley, T. Roosevelt, W. Wilson, H. Hoover, F. Roosevelt, L. Johnson, R. Nixon, and W. Clinton.

⁹ Peterson, for example, maintains that "[i]n the theory of the American System internal improvements should be financed as they were at their inception, by income from the sale of the public lands" (Peterson, 1987, 83).

transportation system.¹⁰ Unfortunately, the Americans would not cooperate with this “progressive” central planning. They were developing their country as free men are wont to do – through voluntary interactions with their fellow men. (Centralizers do not perceive the spontaneous order that is the natural, though unintended, consequence of such free market activity; rather, without an order imposed from without, as by government, they think that people acting willy-nilly in free markets cause economic chaos¹¹).

CAS, then, was to be the means to the centralizers’ end; and, as such, it was an integrated package. By protecting the American market for manufactures from foreign (read British, primarily) competition, the tariff would promote industrialization. Internal improvements, developed with governmental support, would link southern and western supplies of agricultural and natural resources, and markets for manufactured goods, to the industrial East. And, the financing of manufacturing would be facilitated by a central bank and fiat money. That would provide, directly or indirectly, easy credit for the manufacturers; while the financing of internal improvements would be assisted by tariff revenues, net of those necessary to operate the federal government. The centralizers’ policy prescriptions, as embodied in CAS, then, were designed to affect their vision for the U. S. Unfortunately for the centralizers, a major problem developed.

Essentially, the problem was that the federal government’s receipts exceeded¹² its revenue requirements; and that, despite the fact that these requirements were increasing. Virtually all of the federal government’s receipts, from the inception of the Union through the first third of the 19th century, were generated by the tariff and the sale of public lands. In fact, during that period *receipts from the tariff, alone, exceeded the total expenditures of the federal government by some \$8,000,000* (Table 1). Moreover, during the same period, the revenues generated from the sale of public lands, that had been dedicated to, and used for, servicing the federal debt,¹³ grew rapidly, and exceeded \$44,000,000 (Table 1). The result was that, the debt was repaid to under \$34 thousand in 1835 from a high of over \$127 million in 1816 (appendix). Therefore, the revenue from the sale of public lands became available to the treasury to fund the operations of the government.¹⁴ Unless something was done, there would be no justification for the prevailing, high tariff rates (Taussig, 1967, Part I).

¹⁰ This transportation system was to consist of railroads, canals, and steamboats transiting navigable rivers; and, “internal improvements” meant the construction of the railroads and canals, and the clearing of obstacles to navigation on rivers.

¹¹ Assuming they are good faith centralizers, and not merely taking such positions for their own narrow self-interest.

¹² No matter how this may appear to the modern eye, this is *not* a misprint.

¹³ “After the War [of 1812] they [the public lands] were pledged to the payment of the national [sic] debt...” (Peterson, 1987, 83).

¹⁴ “... as long as the [public] debt was formidable little thought was given to shaping land policy to further the goals of economic development” (Peterson, 1987, 83).

Table 1¹⁵

All data are in 000s of \$.

Period	Total Outlays*	Total Revenue**	Customs Revenue	Revenue from the Sale of Public Lands
1789-1833	615,818	722,103	623,940	44,596
1834-1860	1,114,949	1,083,634	911,632	130,354
1789-1860	1,730,767	1,805,737	1,535,572	174,940

* Includes receipts of the Post Office to the extent they exceeded expenses.

** Includes expenses of the Post Office to the extent they exceeded receipts.

Source: Historical Statistics of the United States: Colonial Times to 1957.

This brought to the fore the complex issue of what was to be done with the public lands. Should the terms of their sale be designed to generate revenue or promote settlement? And, what should be done with the receipts from such sales? On these issues, as well as others, the interests of the East, the West, and the South diverged. Thus, with respect to public lands policy, Peterson (1987, 83, footnotes omitted) states:

“There was a broad consensus on the system of disposing of the lands. (In 1820 land could be purchased at auction at federal land offices for the minimum price of \$1.25 an acre in the minimum quantity of eighty acres.) This did not mitigate the continuing tension between the two objects of settlement and revenue. Settlement was uppermost in the western mind, while revenue was the primary concern in the East. In the eyes of many easterners, above all the economic nationalists, public lands were at best a mixed blessing. They drained off labor and capital from the East, where both were wanted for growth of manufactures – indeed, for the whole complex of arts and industries of advancing civilization – and dispersed them in the slow and exhausting work of frontier development. Richard Rush, Adam’s secretary of treasury, summarized the argument in one of his annual [1827] reports: ‘It is a proposition, too plain to require elucidation, that the creation of capital is retarded, rather than accelerated, by the diffusion of a thin population over a great surface of soil. Any thing that may serve to hold back this tendency to diffusion from racing too far, and too long, into an extreme, can scarcely prove otherwise than salutary.’ Perhaps the most effective check on this potentially crippling dispersal of national energies was the protective tariff. The redundant farm population in the East, instead of going west and adding to the agricultural surplus, would be absorbed into factories and become consumers of that surplus....[a]nother means of counteracting the natural pull of the frontier...was a land policy slanted to revenue.”

¹⁵ Annual data for the years 1789-1860 on the series in this table are provided in an appendix.

And, Frayssé (1988, 104, footnote added) viewed the conflict over public lands policy as follows:

“The working class favored homestead legislation, or, as a last resort, preemption laws. The ‘old states’ of the East, where there were no longer any public lands, favored maintaining the *status quo* (selling at \$1.25 an acre) unless they could obtain something in return. The states of the West favored either distribution of public lands (or the product of their sales) to the states in which they were located as an encouragement to public works or preemption, which allowed farmers to round out their holdings...The South in general had no interest at all in distribution and likewise feared preemption, which contributed to the development of the free states of the Northwest and their rapid population growth.”¹⁶

Public lands policy, then, was problematical, at best, for the centralizers. What was wanted was a program that would hamper settlement, while not obviating the need for high tariff rates. Although a number of approaches were broached, most amounted to variations on the theme of distribution. A public lands policy geared to revenue generation and the distribution thereof for the purpose of internal improvements would be the ideal solution. Thus, Baxter (1995, 53) maintains that, “... another way to develop transportation involved distribution of proceeds from public-land sales for this purpose to the states...[it] offered an alternative to direct federal involvement, and Clay would tirelessly labor for it the rest of his career.”

Peterson (1987, 231, footnote omitted, emphasis added) states that:

“Clay called March 1 [1933] ‘perhaps the most important congressional day that ever occurred.’ It was a personal triumph, of course, ‘the most proud and triumphant day of my life,’ he told Matt Davis. The House sent the Force Bill, the Senate both the Compromise Bill and the Land Bill, to the president for signature. The latter was the almost forgotten child of the session. In December Clay had introduced the same measure the Senate had approved and the House had postponed in the previous session. Again the Public Lands Committee reported its own bill; again, the Senate adopted Clay’s plan for distribution of the proceeds of the sale of public lands to the states. *After years of discussion the question was well understood. If the income of the Land office was excluded from the revenue to support the [federal] government, government would be solely dependent on the tariff, which would tend to perpetuate the American System.* Logically, then, distribution was part of the compromise, another compensatory device, like home valuation, to keep up the tariff.”

And, Frayssé (1988, 104, emphasis added) asserted that:

“The compromise law of 1841 satisfied no one. It linked distribution and preemption so as to provide the strict minimum indispensable for the western states, but Clay failed in his effort to get the support of the East by linking distribution and

¹⁶ Distribution meant the distribution of the revenue obtained from the sale of the public lands to the states, primarily for the purpose of funding internal improvements. Preemption meant laws that granted a preemptive right to the title of a limited amount of public lands to those who actually settled thereon and improved the land.

the tariff. On the contrary, distribution would come to an end each time the tariff rose above 20 percent. *It became impossible to do what Clay had hoped: to empty the federal treasury by distributing the product of the sale of public lands so as to make the increase of customs duties inevitable.* Instead, distribution ceased in 1842 as the tariff climbed.”

Another link between public lands policy and centralization was that distribution was also designed to get the states hooked on the Barmecidal sugar-teat of federal money.¹⁷ President Jackson pocket vetoed the Land Bill. He “...now opposed distribution in any form. Clay’s bill was a ruse for federal support of local internal improvements; it would turn the states into mendicants of the Government in Washington. ‘A more direct road to consolidation cannot be devised,’ Jackson declared. ‘Money is power, and in that Government which pays...will all political power be consolidated’ ” (Peterson, 1987, 232, footnote omitted).

As to Lincoln’s position: “Lincoln had defined his program clearly during the campaign [of 1836]. He favored the distribution of federal lands to the states in which they were located in order ‘to dig canals and construct rail roads, without borrowing money and paying interest on it.’ Land distribution appeared to be merely a means of developing internal improvements, and we shall see that the desire to reach that goal would take precedence over all other considerations” (Frayssé, 1988, 70-71, footnote omitted).

Frayssé (1988, 77) also states that:

“Lincoln henceforth [after January 1839] was completely committed to the idea that public lands should serve exclusively to finance industrial and commercial development through the intermediary of public works. He made no further efforts to conciliate the interest of squatters, workers, and urban artisans who wanted cheap land, or if possible, free land with those of public works entrepreneurs, railroad companies, and large merchants (who wanted to appropriate the product of the sale of the lands in the form of contracts for equipment and commercial profits) or with those of large financial creditors of the states and the federal government (who did not want to watch placidly as the goods of their debtors were dissipated).”

We see, then, that the public lands policy was an integral part of CAS, and, as one would suspect, Lincoln, following his political hero, Clay, was on the wrong side of the issue. And, it avails naught to point to Lincoln’s homestead policy introduced during the War for Southern Independence. That was strictly an expedient intended to aid in the prosecution of the war.

5. The Confederate Constitution

In the view of DiLorenzo (1998, 259):

“The Confederate Constitution was essentially a carbon copy of the U.S. Constitution, except for the following provisions, all of which dilute the power of the central government (DeRosa 1992): protectionist tariffs were unconstitutional;

¹⁷ In the current parlous state of the union, the effects of such addiction should be obvious to all.

government subsidies to private businesses were outlawed; no government funds could be spent on ‘internal improvements’ except for dredging rivers and harbors; all congressional appropriations required a two-thirds majority vote, although a majority vote could be held if requested by the president; the president was given a line-item veto and limited to one six-year term; states could initiate constitutional amendments but Congress could not; central government officials could be impeached by the state legislatures as well as by the House of Representatives; and the general welfare clause of the U.S. Constitution was eliminated.”¹⁸

However, six (6) other significant differences between the two (2) constitutions deserve mention.¹⁹ Of these, five (5) did indeed diminished the power of the central government but one (1) did augment it. The Constitution of the Confederate States of America contained the following provisions.

First, Article I, Section 8, Clause 7, mandated that the Post Office become self-sufficient, in very short order: “...but the expenses of the Post Office Department, after the first day of March, in the year of our Lord eighteen hundred and sixty-three, shall be paid out of its own revenue...” Given the drain that the Postal Service, nee the Post Office, monopoly has been on the U. S. Treasury over the years, the immense amount of patronage involved in the appointment of postmasters, and the vast power of the postal unions, the constraints thereon obviously served the cause of liberty.

Second, Article I, Section 9, Clause 10, prohibited the Congress from entering into cost-plus contracts, or paying, *ex post facto*, cost overruns: “All bills appropriating money shall specify in Federal currency, the exact amount of each appropriation, and the purposes for which it is made; and Congress shall grant no extra compensation to any public contractor, officer, agent or servant, after such contract shall have been made or such service rendered.” Given the cost-overrun abuses involved in, for example, military procurement, such constraints clearly promoted the interests of liberty.

Third, even if, as DiLorenzo implies, the provision in Article I, Section 8, Clause 1, that: “...no bounties shall be granted by the treasury” applied only to private businesses, which interpretation is not necessarily correct, Article I, Section 9, Clause 10, also, apparently, prohibited open-ended entitlements, whether to private businesses, individuals or *states*. This constraint prevented what are perhaps the most insidious destroyers of freedom, the “free lunches” that enslave by inducing dependency on governmental largess – in this case dependency of individuals or states on largess from the federal government.²⁰

Fourth, Article I, Section 9, Clause 20, prohibited “Christmas tree” bills: “Every law, or resolution having the force of law, shall relate to but one subject, and that

¹⁸ The Constitution of the CSA can be found at <http://www.yale.edu/lawweb/avalon/csa/csa.htm>.

¹⁹ This, obviously, ignores differences relating to slavery, though such differences between the Confederate Constitution of 1861 and the Union Constitution as it stood in 1861 were not so great as many might think.

²⁰ On this point, see the text associated with footnote 12.

shall be expressed in the title.” By restraining “logrolling,” this constraint advanced the interests of liberty.

Fifth, Article II, Section 2, Clause, 4, prohibited recess appointments of nominees who had been rejected by the senate: “... but no person rejected by the Senate shall be reappointed to the same office during their ensuing recess.” Had the U. S. Constitution such a provision, perhaps we would have been spared Bill Lan Lee at “Justice” (Thomas, 1999). In any case, this provision restrained the power of the president, a desideratum of a society of free people.

Sixth, Article I, Section 9, Clause 6, allowed tariffs to be placed on exports by a two-thirds (2/3) vote of both Houses: “No tax or duty shall be laid on articles exported from any State, except by a vote of two-thirds of both Houses.” This is the single provision that augmented the central government’s power.

The South, vis a vis the North, has a reputation for backwardness, sloth, for being uncivilized. However, at least with regard adherence to the strictures of private property, economic freedom and free enterprise, it is difficult to see how such an indictment can be sustained.

6. Conclusion

In sum, we have offered a strong indictment of “Honest Abe” as “The Great Centralizer.” DiLorenzo (1998, tba) is directly on target when he states that, “The South’s defeat and subjugation radically changed the very nature of American government from a decentralized, federal system to a consolidated national system and effectively destroyed local sovereignty as an effective check on the centralizing powers of the state.” The points made herein only strengthen this case.

APPENDIX

Table 1: Annual series: total expenditures; total receipts; customs receipts; &, receipts from sales of public lands.

Series #	Y 255	Y 259	Y 260	Y 263		Y 255	Y 259	Y 260	Y 263
Year	Total expenditures	Total receipts	Customs receipts	Receipts from sales of public lands	Year	Total expenditures	Total receipts	Customs receipts	Receipts from sales of public lands
1789-91	4,269	4,419	4,399	-	1826	17,036	25,260	23,341	1,394
1792	5,080	3,670	3,443	-	1827	16,139	22,966	19,712	1,496
1793	4,482	4,653	4,255	-	1828	16,395	24,764	23,206	1,018
1794	6,991	5,432	4,801	-	1829	15,203	24,828	22,682	1,517
1795	7,540	6,115	5,588	-	1830	15,143	24,844	21,922	2,329
1796	5,727	8,378	6,568	5	1831	15,248	28,527	24,224	3,211
1797	6,134	8,689	7,550	84	1832	17,289	31,866	28,465	2,623
1798	7,677	7,900	7,106	12	1833	23,018	33,948	29,033	3,968
Series #	Y 255	Y 259	Y 260	Y 263		Y 255	Y 259	Y 260	Y 263
1799	9,666	7,547	6,610	-	1834	18,628	21,792	16,215	4,858
1800	10,786	10,849	9,081	0.5>	1835	17,573	35,430	19,391	14,758

1801	9,395	12,935	10,751	168	1836	30,868	50,827	23,410	24,877
1802	7,862	14,996	12,438	189	1837	37,243	24,954	11,169	6,776
1803	7,852	11,064	10,479	166	1838	33,865	26,303	16,159	3,082
1804	8,719	11,826	11,099	488	1839	26,899	31,483	23,138	7,076
1805	10,506	13,561	12,936	540	1840	24,318	19,480	13,500	3,293
1806	9,804	15,560	14,668	765	1841	26,566	16,860	14,487	1,366
1807	8,354	16,398	15,846	466	1842	25,206	19,796	18,188	1,336
1808	9,932	17,061	16,364	648	1843	11,858	8,303	7,047	898
1809	10,281	7,773	7,296	442	1844	22,338	29,321	26,184	2,060
1810	8,157	9,384	8,583	697	1845	22,937	29,970	27,528	2,077
1811	8,058	14,424	13,313	1,040	1846	27,767	29,700	26,713	2,694
1812	20,281	9,801	8,959	710	1847	57,281	26,496	23,748	2,498
1813	31,682	14,340	13,225	836	1848	45,377	35,736	31,757	3,329
1814	34,721	11,182	5,999	1,136	1849	45,052	31,208	28,347	1,689
1815	32,708	15,729	7,283	1,288	1850	39,543	43,603	39,669	1,860
1816	30,587	47,678	36,307	1,718	1851	47,709	52,559	49,018	2,352
1817	21,844	33,099	26,283	1,991	1852	44,195	49,847	47,339	2,043
1818	19,825	21,585	17,176	2,607	1853	48,184	61,587	58,932	1,667
1819	21,464	24,603	20,284	3,274	1854	58,045	73,800	64,224	8,471
1820	18,261	17,881	15,006	1,636	1855	59,743	65,351	53,026	11,497
1821	15,811	14,573	13,004	1,213	1856	69,571	74,057	64,023	8,918
1822	15,000	20,232	17,590	1,804	1857	67,796	68,965	63,876	3,829
1823	14,707	20,541	19,088	917	1858	74,185	46,655	41,790	3,514
1824	20,327	19,381	17,878	984	1859	69,071	53,486	49,566	1,757
1825	15,857	21,841	20,099	1,216	1860	63,131	56,065	53,188	1,779

Source: Historical Statistics of the United States: Colonial Times to 1957, pp. 711-712.

Notes to table 1.

1. The receipts and expenditures of the Post Office are netted and the net included in total receipts or total expenditures as the net is positive or negative, respectively.

2. There are two series for “Total gross debt:” 1) Y 257 (pg. 711) noted “as of end of period;” and, “Y 368 (pg. 721), that do not agree with each other. There is a one year shift in the data, such that the same datum that is given for year t debt in the Y 257 series is also given for the year t+1 debt in the Y 368 series, except that in the Y 257 series the years 1789-1791 are combined, whereas in Y 368 series the datum is given for 1791, but not for either 1789 or 1790. The Y 368 series data do agree with the U. S. Treasury Dept. series at: <http://www.publicdebt.treas.gov/opd.opdhisto1.htm>, except for 1835.

3. The series for the annual surplus or deficit, Y256 (pg. 711) is correctly calculated from the receipts and expenditures data. However, this series is inconsistent with the increments to the total gross debt, regardless of which series is used.

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OPENING OF FINANCIAL STATEMENTS TOWARDS PROVISIONAL INFORMATION

*Mihai Ristea, Mihaela Gruiescu, Corina Dumitru and Marilena Zuca**

Abstract

The relevance of accounting information in making effective decisions cannot be reduced only to the retrodiction function. It should help users to evaluate past, present and future events. In this respect, there can be accepted the predictive function of accounting information in forecasting the financial position and performance, and the treasury of the company. To have predictive value, such information must be in the form of explicit forecasts through the provisional accounts as constructed in the present study.

Keywords: forecast, treasury, payments, asset, expenses, income, equity, liabilities.

JEL classification: C53, M21, M41

1. Introduction

In a dynamic economy, the financial accounting of a company cannot focus only on the description of the past. Such orientation of the representation supplemented by yearly reports of information on assets, financial position and results, often puts into question the usefulness of accounting as a tool of management and financial analysis.

To overcome the aforementioned lack in the accounting doctrine and in the accounting practice of several countries, there has been designed the alternative of provisional accounts. They provide, each quarter, estimate information on assets and liabilities, revenues and expenses.

At a functional level, such information shall be defined as a tool to prevent difficulties which a company may face and efforts' management. Any accounting management which focuses on performing management should accept the provisional financial statements. From the methodological point of view, the

* Mihai Ristea is Professor of Accounting at the Academy of Economic Studies in Bucharest. E-mail: m.ristea08@yahoo.com;

Mihaela Gruiescu is Associate Professor of Statistics at the Romanian American University in Bucharest.

E-mail: mgruiescu@yahoo.com;

Corina Dumitru is Professor of Accounting at the Academy of Economic Studies in Bucharest. E-mail:

corinnadumitru@yahoo.com;

Marilena Zuca is Associate Professor of Accounting at the Romanian American University in Bucharest.

E-mail: marilena_zuca@yahoo.com.

provisional statements are based on an analysis of the financial retordiction of financial accounting and are articulated to the company budget. Therefore, these accounts take over the past information on financial accounting and it correlates it and ground it compared with the provisional information found in the estimate of budgets.

2. Forecast methods

The range of methods and techniques used for forecasting the assets, liabilities, equity, revenue and expenses is very broad. Their effectiveness points out the procedures used within the system of budgets. Up to the system of budgets, we define below an interesting series of statistical processes.

The *method of averages* is a possibility to reveal the trend of assets and liabilities, costs and revenues by separating the influence of the main causes from the random ones. In this respect there can be used: the arithmetic method, the chronological method and the sliding (mobile) method.

The *graphical method* consists in the graphical representation of the variation of costs, revenues, assets or liabilities of the previous periods as a cloud of points. A chart of their dispersion is obtained by linking these points.

Thereafter, a visual line of the trend is traced which would remote accurately and equally the points of the dispersal cloud. This can be made more accurately by calculating the arithmetic mean of the two dimensions represented in the reference chart and fixing it in the network graph of the point corresponding to the two means. Afterwards, there is traced the chart for the equalization of the dispersal points so as to pass through the obligatory points of the averages.

Besides the function of forecasting, the graphical method can be used as a means of referral and interpretation of the trend of phenomena development, becoming one of the objective criteria for choosing the method of extrapolation.

The forecast based on *average growth and average growth of dynamics* is based on the assumption that the increase and decrease ratio of expenses and income change very little. Thus, for phenomena which tend to increase in an arithmetic progression, the medium growth is used ($\bar{\Delta}$):

$$Y_{t+1} = Y_t + \bar{\Delta}$$

When the trend of development is under the form of a geometric progression, the average growth of dynamics is used. In this case, the presumed value of the element regarding the economic value is determined based on:

$$Y_{t+1} = Y_t (1 + R_m)$$

where: Y_{t+i} is the forecast value of the element;

Y_t – last known level of the elements;
 R_m – average growth of dynamics of the element during the previous period:

$$R_m = \sqrt[n-1]{\frac{Y_n}{Y_1}} - 1$$

where: Y_n and Y_1 are the last and first term of the series under analysis.

The trend is one of the effective techniques in issuing forecasts. It represents a mathematic function describing the evolution curb of the forecast phenomena. The general form of the trend function is $y = f(t)$, where y is the variable whose value is forecast and t is the time.

The successful application of this trend technique implies several restrictions. Thus, a first restriction is that the forecast phenomenon will develop in the future according to the same curb as the one during the previous period. Another restriction concerns the fact that the phenomenon varies monotonously, namely only upwards or downwards, during the entire period under analysis. Finally, another restriction concerns the selection of connection and mathematic function expressing the evolution curb of the phenomenon.

Thus, in what concerns the costs, as per R.G.D. Allen, the types of functions appropriate for the normal calculation may be represented as follows: $y = at + b$; $y = at^2 + bt + c$; $y = \sqrt{at + b} + c$; $y = at^3 + bt^2 + ct + d$; $y = at \frac{t + b}{b + c} + d$; $y =$

$$at^2 \frac{t + b}{b + c} + d; y = ac^{bt}; y = t^a e^{bt+c}; y = a + b \frac{1}{t}.$$

Regarding income, the same author and the entire literature recommend the following functions: $y = at + b$; $y = at^b$; $y = a + b \frac{1}{t}$; $y = a + bt + ct^2$; $y = a + b \log t$.

We list below the trend of production costs when using the linear function: $y = at + b$, of the parable: $y = at^2 + bt + c$ and of the hyperbola: $y = a + b \frac{1}{t}$. The calculation data, which have been used, are presented in Table no. 1.

If the trend is expressed in the linear equation $y = at + b$, where y represents the value of the phenomenon-effect, in our case – the cost, the parameter a shows how significant is the change of the variable y subsequently the change of the variable t with an unit. As per a concrete definition, the parameter a represents the variable expenses per product unit and b – constant expenses.

Table no. 1

Series of data regarding the cost of product A

Month	Unit cost	Quantity produced monthly	Total cost
January	600	700	420 000
February	560	800	448 000
March	550	750	412 000
April	510	800	408 000
May	520	1050	546 000
June	505	1010	510 050
July	500	1000	500 000
August	480	950	456 000
September	460	1200	552 000
October	450	1250	562 500
	x	9 510	4 814 550

By solving the linear equation, the parameters a and b are determined based on the relations:

$$a = \frac{\sum y}{n}$$

$$b = \frac{\sum ty}{\sum t^2};$$

In the example below,

$$a = \frac{5153}{10} = 513,50.$$

$$b = \frac{-1395}{110} = -12,68;$$

The trend of cost in September:

$$y \text{ November} = 513,50 - 12,68 \times 6 = 437,42 \text{ lei.}$$

For December, it will be:

$$y \text{ December} = 513,50 - 12,68 \times 7 = 424,74.$$

If the cost's evolution is described by the equation $y = at^2 + bt + c$, its forecast for November and December will be:

$$a = \frac{n \cdot \sum t^2 y - \sum t^2 \cdot \sum y}{n \cdot \sum t^4 - \sum t^2 \cdot \sum t^2};$$

$$b = \frac{\sum ty}{\sum t^2};$$

$$c = \frac{\sum t^4 \sum y - \sum t^2 \sum t^2 y}{n \sum t^4 - \sum t^2 \cdot \sum t^2}.$$

For our example, the parameters a , b and c are determined as follows:

$$a = \frac{10 \times 56905 - 110 \times 5135}{10 \times 1958 - 110 \times 110} = \frac{-4200}{7480} = -0,56.$$

$$b = \frac{-1395}{110} = -12,69.$$

$$c = \frac{1958 \times 5135 - 110 \times 56905}{10 \times 1958 - 110 \times 110} = \frac{3794780}{7480} = 507,32.$$

The cost forecast for November and December is as follows:

$$y \text{ November} = (-0,56 \times 6^2) + (-12,69 \times 6) + 507,32 = 411,02 \text{ lei};$$

$$y \text{ December} = (-0,56 \times 7^2) + (-12,69 \times 7) + 507,32 = 391,05 \text{ lei}.$$

Using the same series, the hyperbolic function will be applied as follows $y = a +$

$$b \frac{1}{t}.$$

By solving the linear equation, the parameters a and b are determined as follows:

$$a = \frac{\sum y}{n} = \frac{5153}{10} = 513,50;$$

$$b = \frac{\sum \left(\frac{1}{t}\right) y}{\sum \left(\frac{1}{t}\right)^2} = \frac{-98}{2937} = -33,48.$$

The trend for November and December is:

$$y \text{ November} = 513,50 - \frac{33,48}{6} = 507,92;$$

$$y \text{ December} = 513,50 - \frac{33,48}{7} = 508,72.$$

Techniques of regression and correlation. The trend regards the forecasted phenomena as functions of time, notwithstanding the real factors causing them. Using techniques of correlation and regression this limit is supplemented, especially for phenomena that have no constant development. Compared with the trend, the techniques of correlation and regression replace the variable t by real factors that determine the forecast phenomenon $y = f(x)$. Also, regression techniques express the forecast phenomenon as a function of several independent variables according to the general formula $y = f(x_1, x_2, \dots, x_n)$.

In our case, for expenditure and revenue, the variable t is replaced by production volume. When costs and revenues are the consequence of the influence of several factors, multiple regression is used. For example, the total income of the core activity can be defined as a function of independent variables: the volume of sold production, the structure of production and selling price. Or the expenses at 1000 lei production-manufactured goods are influenced by the change of the entire structure of production, price changes of production, change of the cost per unit.

Update techniques consist of quantifying the influence of the time factor while updating the value of items forming the subject of the accounting model representation. Each movement of value, invested by an accounting entity, sized in time, is part of a process to enhance value. Update techniques measure exactly this value growth. For this purpose, by calculating the present value (current), there is determined the flow of income a_0, a_1, \dots, a_n which can be achieved during the assignment of value. To calculate the flow of income which is added to the present (current) value, and on this basis to determine the value available after n means to forecast the trend of the movement of the value assigned on t_0 .

The present value available after n years of investment depends mainly on the size of present value to be allocated, term of intangibility and rate of update.

The size of current value is provided by the present accounting model with empirical nature regarding the assets and liabilities, and the duration of immobilization coincides with the period for which the forecasting is available. The issue that is raised concerns the choice of update rate.

Within economic entities, the process of enhancing the value is ultimately a process of delivery of the results (profits / losses). As a result, the update rate can only be the rate of yield (recovery) of resources invested (employed capital).

According to known methodology, the rate of recovery of invested resources (employed capital) is determined as a relation between the total result of company and total resources invested (employed capital), as reflected in the balance sheet. The employed capital includes equity and long-term debt or total assets minus current liabilities.

In order for the update rate to be governed by the laws of statistics, it is advisable to be determined for a period of at least five years.

Knowing the three terms that form the relationship of update, the size available after n years of the present invested amount is determined as follows:

$$A_n = A_0 (1 + r)^n,$$

where: A_n represents the available value of the asset A_0 after n years;
 A_0 – The present (current) invested value;
 n – Number of years related to the update period;
 r – Update rate determined according to the method above;

Given that the period for the management of the invested resources is considered as a calendar year, the time unit used in expressing n is the year.

To render the calculation more accurate regarding the update, the year may be multiplied with the coefficient of the movement speed of the assigned value. Therefore, the relation above is as follows:

$$A_n = A_0 \left(1 + \frac{r}{x} \right)^{nx};$$

where x represents the coefficient of the movement speed of the assigned value; knowing the available value (A_n), the size of the net income can be calculated after n years. It is calculated based on:

$$B_n = A_n - A_0,$$

where B_n represents the net income after n years.

The calculation relations presented above are valid in determining the size of cost or future profits. Differences arise on the use of update rate. For forecasting these sizes, it is appropriate to use the profitability rate of consumed resources or turnover and as time unit there is used during the duration of a rotation of production costs.

Balance models. The value expression of indicators regarding the management model, and on this basis their nature derived from factors of production, allows the use of balance relations as forecasting processes. For this purpose, we proceed to the correction of the effective level at t time, indicators of change in value at $t + a$ time of the primary factors acting on them (the consumption standards, time regulations, production volume, labor productivity, etc.).

Changes in these factors can be found in a quantified form in the sections of the economic and social plan of the company, and particularly in the plan of technical and organizational measures. For example, if in the period $t + a$, the consumption of material i used for product j is reduced, the forecast cost for the respective product, in the calculation of “raw materials and direct materials”, is based on the following:

$$C_{t+1}^{(m)} = C_t^{(m)} - q_{t+1} [c_t - (nc_{t+1} - nc_t)p],$$

where: nc represents the consumption;
 q – Production value;
 p – Unit price of materials;
 $C^{(m)}$ – Total expense for materials;
 c – Expenses with material i per unit of product j .

If the price of materials is also reduced, the forecast of production cost is based on:

$$C_{t+1}^{(m)} = C_t^{(m)} - q_{t+1} [c_t - (nc_{t+1} - nc_t)pt + (p_{t+1} - p_t)nc_t].$$

When the technical-organizational measure results in the increase of production volume, the trend of costs is assessed by means of the reduction of the constant expenses per unit of product. The calculation is based on the following:

$$C_{t+1} = c_t - \left(\frac{Ch_{t+1}}{q_{t+1}} - \frac{Ch_t}{q_t} \right),$$

where: c represents the cost per product unit;
 Ch – Constant expenses

Using the same principle, we can assess the level of more complex indicators. For example, the size of balance sheet at end of the year may be forecast based on the relation *balance sheet at the forecast moment + investments in intangible assets during forecast period – (amortization and depreciation of intangible assets) + supply of materials + not funds for allocation + tax on allocation funds + social security + yearly results – turnover assessed per pre-set cost*.

The balance relations can be used in all cases when the period should be assessed the size of certain indicators until the end of the period or for the next administration period. These assessments are necessary to ensure the indicators for plan establishment and for reporting and for acknowledging the development of phenomena in subsequent periods.

The data necessary to build balance sheets are ensured by the system of accounts and plan for economic and social development. For example, the size of stocks of materials at the end of the period can be appreciated based on the relation *effective stock at the end of the assessment + entries provided by the purchase plan until the end of the period – outgoing of materials provided in the plan of production costs or potential sale of supra-normative stocks*. The size of inventories of end products is determined based on the relation: *accounting inventory at the assessment moment + incoming during the assessment period, recorded in the production process – outgoing in the same period, recorded in the sales plan*. The level of unfinished production inventory is calculated based on the balance relation:

accounting inventory at the assessment moment + production expenses planned to be made during the assessment period – production planned to be manufactured during the period, etc.

In an exhaustive, all assessments made on the basis of balance relations presented above can be materialized in a balance of synthetic accounts with three equalities, namely: *initial balances, movements and final balances*. In the balance, to enhance the relevance of forecasted indicators, the debtor and creditor movements can be amended with some coefficients of variation for the sizes resulted from the terminated period compared with the sizes planned for the same period.

The balance equations analyzed above provide a specific approach of a singular phenomenon. They use ad-hoc for each case separately.

In the economic reality, the described parameters share functional interdependencies. Each parameter is part of an assembly and the function is inferred from the characteristics and requirements of this ensemble.

Thus, a certain approach is necessary for the system of forecasts. *Balance models* are needed to meet this requirement.

By their structure, the balance models reify the intersections between variables expressing processes of economic reality. Consequently, the forecasted sizes are derived by solving the system of equations in which dependent variables are obtained under assumed values of independent variables and default functional relations.

The calculation relations used to determine the size, whose oscillations should be provided, are the ones to solve the system of equations described by means of the balance. These relations gain certain nuances depending on the endogenous or exogenous nature of variables.

The use of balance models in forecast processes raises an issue of principle, generated by linear equations describing balance coefficients, or, as it is known, in the economic reality - the flows of material value and treasury, and production costs do not vary linearly in time.

To solve this limit of balances, the literature recommends using the tools for updating the coefficients. Starting from the study of evolution in time of coefficient matrices resulting from a series of balances based on empirical data, it is determined by means of trends the matrix of update coefficients able to be used in planning and forecasting activities.

If the coefficients are not updated, their use in forecasting can be taken as guarantee considering the effect of mutual cancellation of variations produced in the matrix. An increase of the coefficient i corresponds to a decrease of the coefficient k which cancels the modification of i and so on. This feature, attributed to the aggregate balances, represents the reason allowing the use of input-output tables in forecast calculation.

3. Budgetary methods used in accounting forecasts. Case study

The significance of accounting forecast is pointed out within the system of budgets mainly orientated towards the forecasts of achievable and available assets,

payable liabilities and income and expenses. The point of convergence and emergence of all flows of real and monetary values is the treasury budget. It is a directory budget in the budgetary economy of the company. From the example below, it can be noticed that the methodology of establishing the provisional accounts is supple and variable, as it is based on various options of approaches and calculations which supplement feasible financial information supplied by financial accounting. Unlike this methodology, the one regarding the financial accounting is based on standardized rules of terminology, evaluation and presentation, which rules are uniform and consistent.

We have below a simplified example regarding provisional accounts.

3.1 Analysis and forecast data

a) Balance on 31.12.2007:

-thousands of lei-

ASSET		EQUITY AND LIABILITIES	
0		1	
• Tangible non-current assets	20 000	• Capital and reserves	10 000
(-) amortization	<u>10 000</u>	• Result	264
	10 000	• Long-term banking loans	1 200
• Goods	2 200	• Accrued interest for banking loans on long term	36
(-) impairments	200	• Operating expenses	3 500
• Customers	2 300		
(-) impairments	100		
	2 200		
• Availability	<u>800</u>		
	15 000		<u>15 000</u>

b) Sales forecast for 2008:

• Trimester I	16 500 thousand lei
• Trimester II	21 000 thousand lei
• Trimester III	18 000 thousand lei
• Trimester IV	19 500 thousand lei
TOTAL	<u>75 000 thousand lei</u>

Based on the analysis of the financial year 2007, we may notice that 70% of the sales were on commercial credit with an average cashing period of 3 months and the rest of 30% were made in cash.

c) Merchandise supply:

• Trimester I	12 000 thousand lei
• Trimester II	10 500 thousand lei
• Trimester III	13 500 thousand lei
• Trimester IV	14 500 thousand lei
TOTAL	50 500 thousand lei

The suppliers are paid in cash 10% and 90% by commercial credit with a term of 90 days.

d) Purchase of tangible non-current assets in amount of 2 100 000 Lei delivered and started-up at the end of trimester I.

These goods are depreciated monthly for 10 years.

e) Personnel expenses (including social security):

• Trimester I	3 000 thousand lei
• Trimester II	3 750 thousand lei
• Trimester III	3 750 thousand lei
• Trimester IV	4 500 thousand lei
TOTAL	15 000 thousand lei

f) Other expenses to be paid on short term, assimilated to payments in cash:

• Trimester I	1 500 thousand lei
• Trimester II	1 800 thousand lei
• Trimester III	1 950 thousand lei
• Trimester IV	2 250 thousand lei
TOTAL	7 500 thousand lei

g) Other relevant data for forecasts:

- The yearly interest rate is of 12%;
- The yearly amortization for the financial year 2008 is calculated in the Amortization table and is 3 750 lei for existing goods;
- The receivables from the balance sheet 2007 are cashed during the first trimester of 2008;
- The final merchandise inventory assessed statistically represents 10% of the yearly expenses regarding purchases and the depreciation provision, also assessed statistically based on accounting data of the last five years, represents 10% of the value of final inventory.

- For receivables from clients, the provision assessed for depreciation represents 50% of the value of uncertain receivables, which represent 5% of the value of commercial receivables;

- In the financial year 2008, based on the approval of the General meeting of shareholders, dividends of 150 thousand lei were appropriated from the profit of 264 lei, paid in the third semester;

- The yearly rate of refund of the loan on long term of 1 200 thousand lei is 300 thousand lei, being paid in trimester 3 – 2008, in September.

3.2. Elaboration of network of budgets and provisional accounts for 2008

a) Budget of sales - thousand lei -

Specification	Tr. I	Tr. II	Tr. III	Tr. IV	TOTAL 2008
Sales	16 500	21 000	18 000	19 500	75 000

b) Budget of investments - thousand lei -

Specification	Tr. I	Tr. II	Tr. III	Tr. IV	TOTAL 2008
Purchased equipment	700	700	700	-	2 100

c) Budget of supply - thousand lei -

Specification	Tr. I	Tr. II	Tr. III	Tr. IV	TOTAL 2008
Goods	12 000	10 500	13 500	14 500	50 500

d) Budget of personnel expenses - thousand lei -

Specification	Tr. I	Tr. II	Tr. III	Tr. IV	TOTAL 2008
Personnel expenses	3 000	3 750	3 750	4 500	15 000

e) Budget regarding other expenses - thousand lei -

Specification	Tr. I	Tr. II	Tr. III	Tr. IV	TOTAL 2008
Expenses	1 500	1 800	1 950	2 250	7 500

f) Budget of treasury – payments

- thousand lei -

Specification	Tr. I	Tr. II	Tr. III	Tr. IV	TOTAL 2008	To be paid 2008
• Receivable payment – clients 2007	2 300	-	-	-	2 300	-
• Sales in cash (30% of sales)	4 950	6 300	5 400	5 850	22 500	-
• Sales on commercial credit (90% of sales)	-	11 550	14 700	12 600	38 850	13 650
TOTAL	7250	17 850	20 100	18 450	63 650	13 650

Example in trimester II:

- Payments in cash

21 000 thousand lei x 30% = 6 300 thousand lei

- Payments in commercial credit

16 500 thousand lei x 70% = 11 550 thousand lei

g) Treasury budget – payments

- thousand lei -

Specification	Tr. I	Tr. II	Tr. III	Tr. IV	TOTAL 2008	To be cashed 2008
• Payments suppliers 2008	3 500	-	-	-	3 500	-
• Purchases in cash 10%	1 200	1 050	1 350	1 450	5 050	-
• Purchases on commercial credit 90%	-	10 800	9 450	12 150	32 400	13 050
• Personnel expenses	3 000	3 750	3 750	4 500	15 000	-
• Other expenses	1 500	1 800	1 950	2 250	7 500	-
• Investments	700	700	700	-	2100	-
Loan refund (1 unit)	-	-	-	-	-	-
• Loan interest (12% x 1 200)	-	-	300	-	300	-
• Dividend payment	-	-	144	-	144	-
	-	-	150	-	150	-
TOTAL	9 900	18 100	17 794	20 350	66 144	13 050

Example, trimester II 10 500 thousand lei x 10% = 1 050 thousand lei and 90% of 12 000 thousand lei trimester I becomes 10 800 thousand lei in trimester II.

h) Centralizer treasury budget
– thousand lei –

Specification	Tr. I	Tr. II	Tr. III	Tr. IV	TOTAL 2008
• Available at the beginning of the trimester	800	(1 850)	(2 100)	206	800
	7 250	17 850	20 100	18 450	63 650
• Payments	8 050	16 000	18 000	18 656	64 450
AVAILABLE	9 900	18 100	17 794	20 350	66 144
• Payments					
BALANCE AT THE END OF THE PERIOD	(1 850)	(2 100)	206	(1 694)	(1 694)

PROVISIONAL RESULT ACCOUNT FOR 2008

- Thousand lei -

EXPENSES	INCOME
0	1
1. Purchase cost of sold goods 47 650	1. Sales 75 000
• purchases 50 500	
• inventory variation (5 050 – 2 200) (2 850)	
2. Personnel expenses 15 000	
3. Other expenses 7 500	
4. Amortizations 3 750+2 100 x 10/100 x ¾ 3 908	
5. Inventory impairment, depreciation 305	
6. Client impairment, depreciation	
7. Financial expenses 135	
8. Profit 261	
TOTAL 75 000	TOTAL 75 000

j) The accounting balance is drafted by processing and valorization of provisional information

PROVISIONAL BALANCE FOR 2008

- Thousand lei -

ASSET	EQUITY AND LIABILITIES
0	1
• Tangible non-current assets 22 100 (20 000 + 2 100)	• Capital and reserves 10 114 (10 000 + 264 – 150)
(-) amortizations 13 908 (10 000 + 3 908)	• Result 261
8 192	• Long term loans 900 (2 100 – 300)
• Goods 5 050	• Current interests 27
(-) impairment, depreciation 505	• Financial debts 1 694 (sold creditor 512)
4 545	• Operating debts 13 050
• Clients 13 650	
(-) impairment, depreciation 341	
13 309	
TOTAL 26 048	TOTAL 26 048

4. Conclusions

By its content, the study presented above highlights both the quantitative analysis able to lead to explicit forecast based on accounting information and models of provisional accounts adjustable in accounting.

The scientific contribution of this study is revealed by analysis of:

- Current accounting situation centered on financial information relative to the past, an additional aid to diagnostic analysis rather than for effective decision making;
- The compatibility between traditional accounting principles and the concept of forecasting requires the development of accounting theory in order to adapt to the production of forecast information;
- Provisional accounts drafted in compliance with the present form and contents of financial reports, with some adjustments on informational structures, formulate by convergence and complementarity useful information regarding:

appropriation and payment of dividends; granting and payment of debts; variables of prices regarding accounting values, etc.

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STUDY ON IMPACT OF ENVIRONMENTAL CHANGE ON SELECTED PUBLIC SECTOR ENTERPRISES IN INDIA

Pradeep Kautish*

Abstract

Government policy measures adopted by many developing countries to reform the public sector enterprise performances can be classified into two broad categories in terms of decision criteria taken into consideration. The first category of reform primarily focuses on distancing the government from ownership change and control issues of these enterprises. Partial privatization or divestment falls in this category of change reform mechanism. The second category aims at improving the environmental change aspects in which these enterprises operate and function. One such reform is delegation of operational and functional autonomy to managers of publicly owned enterprises through performance contracts and reviews. Empirical evidence on the gains of privatization versus benefits of autonomy delegation from the developing countries that have undertaken these reforms in the past are yet inconclusive. The present study of India spanning over two decades of panel data with a decade of data for evaluating the post reform performance of the centrally owned enterprises, provides evidence of significant positive impact of autonomy delegation to public enterprise management on firms profitability. The study, however, does not find any evidence of significant impact of partial privatization and divestment. Further the study also finds significant impact of environmental reforms of hard-budget constraint and deregulation of sectors earlier under government domain to private participants on the profitability performance of the public enterprises in India.

Keywords: environment, administration, change, public enterprises, India.

JEL Classification: H83, M48, O38.

Introduction

In the last two decades, economic reforms undertaken by governments' world over have aimed at shrinking public deficit, significant proportion of which was attributed to poor financial performance of state owned public sectors. Reform measures were undertaken in almost all developed and emerging economies that had government ownership in some form or other. The aim was to reduce public enterprise dependence on government budgets and to provide new sources of revenue to the state in the short run. In general the reform measures can be grouped into two broad categories. The first category has consisted of reform strategies aimed at distancing the government from ownership change and control of public sector enterprises (partial or complete privatization). Such strategies find theoretical support in the

* Pradeep Kautish is Professor at the Faculty-Marketing Area, Jaipuria Institute of Management, 1, Bambala Institutional Area, Pratap Nagar, Sanganer, Tonk Road, Jaipur- 302033, Rajasthan, India. Phone No. 0141-2771330-33, Ext. 219. E-mail: pradeepkautish@gmail.com

arguments of property rights theorists like Alchian (1977), Alessi (1987) and public choice theorists like Levy (1987), Niskanen (1975) among others. Alchian (1977) and Alessi (1987) for instance, argue that firms under private ownership inherently perform better than publicly owned firms due to the presence of market for ownership rights wherein, owners of a private firm if dissatisfied with the managers can sell their stakes in the firm. The presence of tradable property rights in private firms help discipline the managers (agent) in maximizing shareholders (principal) wealth as compared to public ownership where such markets are virtually absent. Coupled with the absence of market monitoring mechanism, the caretakers of Public Sector Enterprises (P S E) usually politicians and government bureaucrats in Indian context are often found to use their discretionary authority and control rights over the wealth of P S Es to further their own rent seeking activities (like providing employment to people of their constituency or party workers etc.,) and in the process hamper the incentives of the P S E managers in maximizing the performance of their firms. Given the above it is argued that it is ownership 'per se' that needs to be reformed to improve the performance of the P S Es (Boycko et al., 1996; Shleifer, 1998).

The second category of reforms has been aimed at improving the environment in which the P S Es operate, rather than change the ownership of the firm partially or fully depending upon situation. Proponents of this viewpoint contest that 'ownership per se does not matter'. Instead they believe that removing the environmental imperfections and distortions in which the state owned firms operate, in particular by implementing hard-budget constraints, improving incentives to top management and by and large linking their benefits to firms performance, delegating enhanced functional and operational autonomy to top management along with introducing product market competition & capital market efficiently as private enterprises. The objective of this study is to contribute additional evidence on the benefits of ownership change versus environmental reform in public sector enterprises. To do so the study draws on the evidence of P S E reforms from India. The value of undertaking a study of P S E reforms in India lies in the fact that India is one of the countries where an entire gamut of P S E reforms has been implemented sequentially over the years that includes both ownership change and environmental reforms. Thus an Indian study can enable one to undertake an analysis of the relative impact of environmental versus ownership reform within an integrated framework. Analyzing the performance of firms that have undergone both these category of reforms at different time periods in a single framework helps us contribute to the limited evidence that exists with respect to the efficacy of these two groups of reform strategies.

Review of Literature

Empirical evidence on the impact of P S E reforms have been well documented for China and several countries of former Soviet Union including Russia, as well as Central and Eastern European countries. Coexisting with the evidence from several studies that privately owned firms perform better than public sector firms are evidence from studies that support the environmental reforms in State Owned Enterprises (S O E). However most studies examine one or other category of S O E reforms in exclusion of others and only few studies contribute evidence to the debate on benefits of ownership change versus environmental reforms. Of these studies specifically pertaining to India are Majumdar (1998b), Shirley and Xu's (1998), Boubakri, Cosset and Guedhami (2004), Sudhir Naid (2004) and Gupta (2001). While Majumdar (1998b), analyzed the influence of soft-budget constraint on efficiency performance of state-owned firms in India, Shirley and Xu's (1998) focus was on the impact of performance contracts signed by managers of state owned enterprises with their respective governments across six developing countries including India. Boubakri, Cosset and Guedhami (2004) analyze the difference in three years mean performance for pre and post partial privatization in 50 firms across 10 Asian countries including India.

Sudhir Naid (2004) using similar methodology studied the mean differences in performance of P S Es in India pre and post partial privatization. The study by Gupta (2001), that is closest in the literature to the present analysis, has focused on the impact of partial privatization on Indian centrally owned firms revenue, labor productivity and on share of government loans in the total borrowings of firms. The study however does not take account of the autonomy that was delegated to P S E managers before partially privatizing the equity shares in these P S Es. Hence the partial privatization impact analyzed could have captured the effects of delegation of autonomy to central P S Es that was not controlled for in the estimation. The present study accounts for the delegation of autonomy reform while examining the impact of partial privatization on profitability performance of the enterprise. What the present study seeks to undertake is an integrated analysis of the differential impact of the whole gamut of reforms ranging from P S Es operating environment change reforms (delegation of autonomy and soft-budget constraint impact along with de-reserving sectors for private participation) to ownership changes of partial privatization on the profitability performance of the central P S Es in a single frame work.

Research Methodology

The data for the study is sourced from 'Public Enterprises Survey', published by the Department of Public Enterprises, Ministry of Heavy Industries, Government of India. Additional data is obtained from the 'Memorandum of Understanding', published by Department of Public Enterprises, Ministry of Heavy Industry, Government of India. For special purposes some data has been taken from industrial sources and organizational websites too for the study purpose. Hence the sample consists of a

decade of enterprise performance data pre and post-restructuring and partial privatization. The centrally owned public enterprises belonging to manufacturing and service sector have been considered. The sample used for the study consists of 142 firms grouped into 19 cognate groups following the cognate grouping of central P S Es in Survey of Public Enterprises, 2009 in other words whole gamut of data used is secondary data.

Of the total sample, in 86 P S Es autonomy was delegated through the MoU system to top management. Further 56 P S Es that had signed MoU in atleast one year in the sample period later underwent partial privatization of central government equity holdings. Thus the sample allows one to draw comparison between firms that have not undergone the environmental reform of autonomy delegation against the firms that have been delegated only autonomy through MoU reform with no ownership change and those that have undergone both autonomy delegation and ownership change. When the disinvestment of central government equity shares ROS 51% the enterprise (3 P S Es in the sample) moves out of the domain of Central government ownership and hence is excluded from the data set from that time period. Data for all the variables for all time periods was not available hence those data points were lost where profitability variable data was not recorded for that particular year, giving an unbalanced panel with 142 firms.

Variables of Interest

Functional autonomy was delegated to Indian P S E managers through signing of Memorandum of Understanding (MoU). Under this system, individual enterprises sign MoU with its respective government ministries at the beginning of the financial year. They are then evaluated and graded at the end of the financial year against the targets set in the MoU. Some firms that did not keep with the time allotted by the contract for submission of reports were not evaluated. A priori an enterprise would not be able to predict if it is going to be evaluated or not. Hence with the signing of MoU, a firm is expected to start striving towards fulfilling its targets set in the MoU. It is hypothesized that signing of MoU by a P S E will have positive impact on its profitability performance. As pointed out by Winston (1993), under deregulation there are two opposing forces frequently at work.

Firstly the inefficiencies caused by regulation generally raise the firms costs of operation but the insulation from competition created by regulation raise the firms' revenues, especially in firms belonging to inherently highly competitive industries. Thus under deregulation though firms can reorganize their operations and may be successful in reducing their costs, the excess profits that the firms were earning under regulated environment would be dissipated in deregulated environment. Thus deregulation dummy 'De-reserve' captures the net impact of these two opposing forces on firms' profitability performance. If the hypothesis that private ownership is superior to public ownership holds, one would expect that as private ownership increases, the profitability performance of the P S Es would improve. The study captures the impact of partial privatization by introducing the percentage of equity

shares disinvested by the central government in the enterprise. Further it may be that divesting higher percentage of central governments equity holdings to private parties may have varying impact on the P S Es performance. To capture the impact of soft-budget constraint on performance of P S E, the ratio of loans borrowed by individual enterprises from central government to total loans borrowed lagged by one year is taken. The variable capturing the soft-budget constraint impact ('Soft-loan') is expected to have negative impact on P S Es performance.

Performance Measures

Profitability as a yardstick of measuring P S E performance gained importance when governments world over started to feel the burden of loss making P S Es on their budget deficits. In India too, this is evident from the importance given to financial performance ratios in the MoU. 50 percent weightage was given to financial profitability in the composite score evaluation of targets set under MoU, with almost 20 percent weightage given to return on asset (ROA) ratio by almost all P S Es signing MoU's. In the analysis firms' profitability performance is measured using two accounting ratios namely, return on sales (ROS) and return on assets (ROA) as adopted in several studies in the literature (Boardman and Vining, 1989, 1992; Boubakri and Cosset, 1998; D'Souza and Megginson, 1999; Megginson et al, 1994). ROS, the profit margin capturing profitability of each rupee of sales, is calculated as profit before tax ratio of sales. ROA, a measure of the ability of the management to convert firms' capital to profits, is defined as profit before taxes as a ratio of total assets. One other profitability performance variable that is frequently used in the literature is return on equity (ROE). However, ROE cannot be calculated for firms with negative net worth, a problem that is faced by almost one fourth of total P S Es by 2001 in India. Thus by using ROA and ROS as measures of profitability performance we avoid these problems.

Control Variables

The study accounts for other firm characteristics that may also affect its performance by incorporating control variables. A description of these and their possible effects is given below:

- **Export Intensity:** It controls for the effects of exposure to international competition. It is defined as proportion of exports to total sales and is expected to have positive impact on P S Es performance.
- **Depreciation Intensity:** Defined as the ratio of depreciation expenditure to sales, it proxies for capital intensity of the company's technological process. No prediction is made regarding the sign of the variable.
- **Size:** To reflect the effect of unobserved factors that are related to size $\ln(\text{Asset})$ is introduced in the regression. As pointed out in the literature (Majumdar, 1998b; Sarkar and Sarkar, 2000), in the product market, size reflects possible entry barrier that might result from economies of scale. Size also reflects the extent of market power of a company. It is postulated to have positive impact on firm's

performance.

- List: Some of the P S Es were listed on local, national and international stock exchanges since 1994, when the National Stock Exchange, Mumbai, India was set up. As pointed out by Harvie and Naughton (2000) listing of state owned firms on stock exchanges results in long-term benefits due to imposition of greater discipline on enterprise management that result from the scrutiny that listed companies are subject to from investors. This is more so if companies are listed in stock exchanges where public disclosure requirements are more stringent, and the scrutiny from investors more rigorous. Even though the Indian stock markets are not yet fully developed, listing the P S Es on these stock exchanges would put pressure on the management of these P S Es to perform better. Hence listing is expected to have positive impact on firm's performance. This is captured by dummy variable 'List' that takes the value one for the year the firm is listed on the stock exchange. In our sample none of the P S Es were deleted. Hence the dummy once turned on for a firm remains so through out the sample period.

Empirical Estimations

In analyzing the impact of reforms on the performance of P S Es, the most likely form of selection bias that could affect the results is the problem of 'cherry picking'. As pointed out by Frydman et al., (1999) there is a possibility of 'cherry picking' arising due to certain firms being picked for adopting reform strategies (for autonomy delegation and partial privatization) because they are in some relevant sense "better" to begin with. This might be the case, for example, if reforms are politically difficult for the Government to undertake due to resistance from certain interest groups. Government in such situations wants to prove the success of its reform policies and may pick the best cherries from its garden to implement the reforms. Any analysis to study the impact of these reforms should take account of such pre-reform differences in the groups of firms. We do so in our study by accounting for the unobserved group specific fixed effects (α_m) as given in equation (1) below:

$$(1) \quad Y_{it} = \alpha_m + \lambda t + \beta' X_{it} + \gamma' Z_{it} + \varepsilon_{it}$$

Where:

Y_{it} - refers to the performance variable for firm 'i' at time 't';

X_{it} - refers to the variables of interest (reform variables);

Z_{it} - refers to control variables;

β 's and γ 's are parameters to be estimated;

λt - refers to year effects ;

ε_{it} - refers to random component and

α_m - capture the group specific characteristics of ROS-sectional group 'm'.

In our analysis we distinguish three groups of firms based on the category of reform that they have undergone. The first group refers to P S Es that have

undergone the environmental reform of autonomy delegation through the MoU system (Partial reform). The second group comprises of firms that have undergone both autonomy delegation and ownership change (Full reform) and the third group refers to those P S Es that have not undergone either of these reforms. Thus the inclusion of group effects helps us differentiate between the unobserved group specific characteristics that might have influenced the P S E to undergo reform in the first place from the impact of implementing the reform on the firm's performance. We estimate the baseline specification given above in equation (1) for the entire sample. We further examine the impact of reforms on the performance of P S Es by using different control groups in an attempt to deal with most kinds of selection bias that could potentially affect our results.

Under the baseline specification, we study the impact of the environmental reform of autonomy delegation; de-reserving monopoly industries under public sector and soft-budget constraint along with ownership change reform of partial privatization on the firms' profitability performance. The baseline specification given by equation (1) is estimated for the entire sample. We account for the possibility of the problem of 'cherry-picking' by incorporating the two group dummies 'Partial- reform' and 'Full- reform'. The dummy variable 'Partial- reform' refers to the group of P S Es that have undergone only the environmental reform of autonomy delegation through the MoU system. The 'Full- reform' dummy variable takes the value 1 for those P S Es whose top management was delegated autonomy and in later years the government equity holdings in these P S Es were partially disinvested. Thus these P S Es underwent both the environmental reform and ownership change phenomenon. Sample data analyzed is for the period 1994-1995 to 2005-05 for 142 P S Es. Of the total sample, in 86 firms autonomy was delegated to top management. Further in 56 P S Es government undertook partial privatization of its equity holdings to outside private parties. We further examine the impact of the environmental reform of autonomy delegation and ownership change through partial privatization on the performance of P S Es by changing the control groups in an attempt to deal with most kinds of selection bias that could potentially affect our results.

Impact of Autonomy Delegation Change

In estimating the impact of delegation of autonomy to firm's management, the study compares the post reform performance of 142 P S Es that were delegated autonomy with their own pre reform performance. The time period analyzed here is 1994-95 to 2004-05, the latest year for which the reform data is available. Thus the sample consists of a decade of enterprise performance data pre and post-autonomy delegation. The environmental reform of autonomy delegation is captured through a dummy variable 'Autonomy'. Soft-loans borrowed by P S Es ('Soft-loan') and industries de-reserved by government that were under public sector dominance ('De-reserve') are also introduced as reform variables in these regressions. We further truncate the sample data at firm years where the first trenches of partial privatization took place in P S Es. This enables us to study the pure impact of autonomy

delegation to top managements of government owned P S Es on the profitability performance of these firms.

Incremental Impact of Partial Privatization

In analyzing the incremental impact of partial privatization, the study compares pre and post partial privatization performance of a sample of centrally owned P S Es that had undergone environmental reform of autonomy delegation. The sample consists of 142 P S Es, all of whom underwent MoU reform. In 56 of these 142 P S Es, partial privatization of central government equity holdings was undertaken in later years. The time period for the study is eleven years post 1994-95 when MoUs in the present form were first signed between P S Es and the government owners. The average impact of government equity share divestiture on P S Es performance is estimated by introducing the percentage of equity holding disinvested ('Part-pvt'). The environmental reform of autonomy delegation was undertaken by all the P S Es in this sample in one or other time period prior to disinvestment. This is accounted for in the analysis by incorporating 'Autonomy' dummy along with other environmental reform variables ('Soft-loan' and 'De-reserve').

Thus in examining the incremental impact of partial privatization, the study contributes additional evidence to the debate on benefits of adopting environmental policy reforms versus ownership change. It may also be that higher levels of disinvestments have varying impact on the firm's performance. We distinguish this from the above-analyzed average incremental impact of partial privatization ('Part-pvt') by incorporating a non-linear (quadratic) specification 'Part-pvt' in our regression models. We test the robustness of the reform variable coefficients in all our regressions by dropping the year dummies that may be capturing part of the reform impacts as some of the reforms were implemented in one particular year for most of the P S Es in our sample data (like de-reservation that was implemented in most of the industry groups in 1994-95). All regressions are estimated after taking care of the presence of influential observations by truncating the distribution of the dependent variable at 1 percent low and 1 percent high ends of the distribution. We also correct for heteroscedasticity in all our regressions.

Empirical Estimation and Results

4.1 Descriptive Statistics

The mean and standard deviations for the performance measure along with other firm characteristics for the various groups of P S Es is given in Table (1). The first group (No Reform) refers to P S Es that have not undergone either the reform of autonomy delegation or partial privatization. The second group (Partial reform) refers to P S Es that have undergone the environmental reform of autonomy delegation through the MoU system and the third group (Full reform) refers to those P S Es that have undergone both the reform of autonomy delegation and ownership change through partial privatization. The average return on assets (ROA) for P S Es belonging to 'Full Reform' category was around 10 percent compared to lower average of around 3 percent for P S Es that underwent only 'Partial Reform' of autonomy

delegation. P S Es that did not undergo any reform (No Reform) performed poorly with negative average ROA of around 8 percent. The standard deviation for ROA is also higher for the category of P S Es belonging to 'Full Reform' as compared to 'Partial Reform' and 'No Reform' category, which have similar standard deviations suggesting that P S Es belonging to 'Full Reform' category are more heterogeneous in their ROA performance. In terms of average return on sales (ROS) ratio P S Es belonging to 'Full Reform' category shows a positive average of 0.4 percent. Average ROS is negative for both 'Partial Reform' and 'No Reform' category of P S Es, with 'No Reform' category having more negative average. Standard deviation is higher for 'No Reform' category of P S Es as compared to the other categories, indicating that 'No Reform' group is more heterogeneous in its ROS performance.

Table 1: Data Summary Statistics (Period of Analysis: 1994-1995 to 2004-05)

Variable	No Reform	Partial Reform	Full Reform
ROA			
Mean	-0.08	0.03	0.13
Standard Deviation	0.23	0.18	0.31
ROS			
Mean	-0.63	-0.10	0.004
Standard Deviation	1.48	0.78	0.81
Softloan			
Mean	0.69	0.52	0.32
Standard Deviation	0.41	0.42	0.37
Exint			
Mean	0.04	0.05	0.07
Standard Deviation	0.17	0.15	0.11
Number of Enterprises	30	74	38
Number of Observatoins	89	40	73

Note: 'No Reform': Includes P S Es that did not undergo either the autonomy delegation reform or the reform of ownership change. 'Partial Reform': Includes P S Es that underwent only the reform of autonomy delegation through MoU system and no ownership change. 'Full Reform': Includes P S Es that underwent both the reform of autonomy delegation and ownership change through partial privatization.

The average ROA and ROS performance of P S Es belonging to 'Full Reform' is higher than averages for 'Partial Reform', which is higher than 'No Reform' averages. Thus there is a possibility of the problem of 'cherry picking' arising in our sample data where better performing P S Es were selected to undergo partial or full reforms. We account for this possibility of the problem of 'cherry-picking' by incorporating the two group dummies 'Partial-reform' and 'Full-reform' in our empirical specification (see Equation 1). The average loans borrowed by P S Es from their owner central government are highest for 'No Reform' category with around 68 percent. It is approximately 52 percent for 'Partial Reform' category and lower by around 20 percent for 'Full Reform' category of P S Es. Thus P S Es that have undergone both the reform of autonomy delegation and partial privatization have lower average soft budget constraint as compared to those that have undergone only autonomy delegation, who are less constrained by soft loans as compared to P S Es that have not undergone either of the reforms. While some firms borrow 100 percent of their loan amount from central government others do not depend on government loans at all (zero percent soft loans), lending heterogeneity to our sample data. This is indicated in the standard deviations of the three samples that range from 37 to 43 percent. There is not much variation in average export intensity of P S Es belonging to various categories. On an average export intensity is around 4 to 7 percent in P S Es with standard deviations ranging from 10 to 17 percent in all the three categories of P S Es.

Regression Results: Impact of Autonomy Delegation

The estimation results of the baseline specification for the entire sample using equation (1) for both the performance measures ROA (return on asset) and ROS (return on sale) is given in Table (2) below.

Table 2: Impact of Autonomy Delegation and Ownership Change (Period of Analysis: 1994-1995 to 2004-05)

Variable	ROA	ROA#	ROS	ROS#
Autonomy	0.04*	0.03*	1.27*	1.06*
Partial-Pvt ¹	0.02	0.01	-0.27	-0.03
Soft-loan	-0.07*	-0.07*	-0.74*	-0.76*
Deresve	-0.08*	-0.13*	-2.15*	-1.39*
Size	-0.01*	0.00*	*0.00*	-0.10*
Exint	0.02**	0.02**	0.21	0.30
Dpint	-0.01*	-0.01*	-3.29*	-3.30*

List	0.02	0.01	0.30	0.03
Partial- Reform dummy \$	0.03*	0.03*	0.36*	0.38*
Full- Reform dummy \$	0.03*	0.03*	0.20*	0.25*
Intercept	0.06*	0.04*	1.14*	1.09*
R-Square	28	29	27	24
F-test@	0.18		8.58**	

Note: * One ,two and three asterisks denotes significance at 1, 5 and 10 percent levels respectively # denotes regression results after dropping year dummies 1 The coefficient of 'Partial-pvt' dummy is in percentage terms.

@ denotes test statistics for the equality of group dummies 'Partial-Reform dummy' and 'Full-Reform dummy' \$ denotes group dummy. 'Partial-Reform dummy' that takes the value 1 through out the sample period for P S Es that have undergone only the reform of autonomy delegation and no ownership change. 'Full-Reform dummy' is turned on through out the sample for P S Es that have undergone both autonomy delegation and ownership change. These are intercept shifts that are included in the model to account for the problem of 'cherry-picking'.

'Autonomy' dummy representing the impact of delegation of autonomy to PSE managements through signing of MoU has significant positive impact on both the profitability performance measures (at 1% significance level) as seen from Table (2). The impact coefficient is approximately 0.03 percentage points for ROA while it is over 0.2 percentage point for ROS. While the evidence of positive impact of autonomy delegation on productivity performance of Chinese SOE is documented by several studies in the literature (Groves et al.,1994; Shirley and Xu,2001), the impact of performance contract on profitability performance of SOE is not found to be consistently positive (Li and Wu, 2002; Shirley and Xu, 1998). Li and Wu (2002) do not find any consistent impact of autonomy delegation (production autonomy) on return on asset performance of 680 Chinese SOE. Shirley and Xu's (1998) study of implementation of performance contracts in state owned enterprises for natural monopolies across six developing countries including India (only four centrally owned P S Es were analyzed) did not find any improvement in the post performance contract signing ROA profitability trends. The results found in the present study for Indian P S Es, favor the implementation of performance contract. Positive results evidenced in this study signify that setting of one/ few explicit objectives for the enterprise to achieve with higher weightage to profitability targets and delegating autonomy to top management for achieving these targets through MoU system helped the PSE management focus its efforts in improving the firm's profitability performance. Managers on their part to achieve commitment from the lower level managers and employees are found to link the MoU targets to internal incentive schemes for the junior managers and employees (Vithal P., 2001).

Further it may also be that with the initiation of privatization policy in some P S Es there are higher returns to be gained by the executives of better performing P S Es in the managerial job market (Gerard and Khalid, 2000), which further induces them to take advantage of the autonomy delegated to them and thus in turn improve the performance of the PSE. Further to test the hypothesis that firms' profitability improves post delegation of autonomy as compared to pre reform period we compare the post reform performance of P S Es with their own pre reform performance. In this analysis we exclude those P S Es that had not undergone the reform of autonomy delegation from our sample. In some of the P S Es that had undergone the reform of autonomy delegation to its top managements, the government equity holdings were later partially divested. Though we truncate our sample data at those firm years where the first trenches of disinvestments took place, we account for the possible problem of cherry picking by incorporating the 'Full- reform' dummy.

The dummy takes the value 1 for P S Es that underwent both the environmental reform and in later years ownership change. This is done to account for the possibility that among the P S Es that underwent the partial reform of autonomy delegation some of the P S Es were better performing (that were later picked for implementing partial privatization reform) to start with. We account for this in our analysis ('Full-reform'). The result is given in Table (3) below. Results seen in Table (3) indicate that delegating autonomy to P S Es top management significantly (at 1 % level for both performance measures) improves the profitability performance of firms. As pointed out earlier the emphasis on replacing multiple objectives of multiple principles by few clear goals for the management to achieve and providing functional and operational autonomy through MoU system help management to focus their efforts on improving the performance of the P S Es. Further we analyze the impact of ownership change that some of the P S Es underwent in the later years on the firms performance. In analyzing this we also try to evaluate the relative benefits of environmental reforms as against the reform of ownership change.

Table 3: Impact of Autonomy Delegation (Period of Analysis: 1994-1995 to 2004-05)

Variable	ROA	ROA#	ROS	ROS#
Autonomy	0.06*	0.05*	0.14*	0.09*
Soft-loan	-0.11*	-0.10*	-0.19*	-0.19*
Deresve	-0.12	-0.04*	-0.17***	-0.11*
Size	-0.02*	-0.02*	0.01**	0.001*
Exint	-0.03	-0.03	0.00	0.01
Dpint	-0.08*	-0.08*	-1.22*	-1.19*

List	-0.04	-0.05	-0.08	-0.09
Full- Reform dummy	0.02*	0.02*	0.03*	0.03*
Intercept	0.26*	0.26*	0.08	0.07***
R-Square	25	24	26	25

Note: * One, two and three asterisks denote significance at 1, 5 and 10 percent levels respectively. # denotes regression results after dropping year dummies \$ denotes group dummy that takes the value 1 for all sample periods for P S Es that have undergone both autonomy delegation and ownership change reform. It is intercept shift that is included in the model to account for the problem of 'cherry-picking'.

Incremental Impact of Partial Privatization

We analyze the incremental impact of partial privatization first by estimating the baseline specification given by equation (1) for the entire sample. Here we control for the possibility of 'cherry-picking' problem by incorporating the group dummies 'Partial-reform' and 'Full-reform' as described above. The results indicate that the average impact of partial privatization of central governments equity holdings in P S Es, captured here by coefficient of 'Partial-pvt' has no significant impact on both profitability performance measures as seen in Table (2). Thus there is no evidence of average additional gains from partial privatization on both the profitability performance measures. This result for the partial privatization varies from other studies in the literature for India like Gupta (2001) and Boubakri, Cosset and Guedhami (2004). The former study as pointed out earlier does not account for the environmental reform of autonomy delegation to PSE managements in India. In our analysis explicitly accounting for autonomy delegation through MoU system with a longer time span of data. The latter study by Boubakri, Cosset and Guedhami (2004) analyze the difference in three years mean performance for pre and post partial privatization in 50 firms across 10 Asian countries including India. They find partial privatization to have significantly improved profitability, efficiency and output performance in P S Es. However, the results from my analysis are more in confirmation with Sudhir Naid (2004), who finds that partially privatizing central government equity holding significantly reduces return on sales and return on equity with no significant impact on return on assets. He attributes this decline in profitability to the increased competition and deregulation following the new economic policy of 1991 in India.

The study is similar in its methodology to Boubakri, Cosset and Guedhami (2004). Further our results are also in confirmation with experience of ownership reforms undertaken in Egypt studied by Omran (2002), who do not find any significant improvement in profitability, operating efficiency and output performance of partially or fully privatized firms in Egypt. All P S Es in whom central government equity holding was partially privatized had undergone MoU reform in some time period prior to ownership change. A better specification to analyze the pure

incremental impact of partial privatization would then be to truncate the sample data (firm year) prior to first MoU that was signed between the PSE management and central government owner. Further by excluding those P S Es that did not undergo any reform (environmental or ownership reform) from the analysis we also control for some selection bias. Thus the analysis compares the performance of P S Es that underwent partial privatization against those that were the most likely candidates for ownership change (P S Es that underwent autonomy delegation reform). Results for the two performance measures ROA and ROS are given in Table (4) below.

Table 4: Incremental Impact of Partial Privatization (Period of Analysis: 1994-1995 to 2004-05)

Variable	ROA	ROA#	ROS	ROS#
Autonomy	0.04*	0.04*	0.08*	0.05*
Partial-Pvt ¹	0.09	0.08	-0.01	-0.02
Soft-loan	-0.14*	-0.11*	-0.14*	-0.14*
Deresve	-0.01	-0.03**	0.00	-0.03***
Size	-0.01	-0.01*	-0.01*	-0.01*
Exint	0.06	0.04	0.04***	0.06
Dpint	-0.15*	-0.15*	0.69*	0.70*
List	0.00	0.00	0.00	-0.02
Full- Reform dummy	0.03*	0.02*	0.02*	0.02*
Intercept	0.24*	0.23*	0.17*	0.17*
R-Square	22	25	18	19

Note: * One, two and three asterisks denotes significance at 1, 5 and 10 percent levels respectively. # denotes regression results after dropping year dummies

1 The coefficients of partial privatization ('Partial- pvt' and 'Partial-Pvt²') are in percentage terms. \$ denotes group dummy that takes the value 1 for all sample periods for P S Es that have undergone both autonomy delegation and ownership change reform. It is intercept shift that is included in the model to account for the problem of 'cherry-picking'.

Results indicate that partially divesting central governments equity holdings to other private equity holders without transferring the management of the firm to them have on an average no significant impact on the profitability performance of the P S Es. It may be that partial privatization at higher levels of government equity holdings have varying impact on the performance of the P S Es. We test for this hypothesis by

incorporate a quadratic term in our analysis ('Partil-Pvt'). Results are presented in Table (5) below.

Table 5: Incremental Impact of Partial Privatization with Non-linear Specification (Period of Analysis: 1994-1995 to 2004-05)

Variable	ROA	ROA#	ROS	ROS#
Autonomy	0.04*	0.03**	0.19*	0.15*
Partial-Pvt ¹	-0.18	-0.15	-0.57	-0.46
(Partial-Pvt ²) ¹	0.01	0.01	0.01	0.01
Soft-loan	-0.13*	-0.14*	-0.28*	-0.29*
Deresve	-0.01	-0.03**	-0.04**	-0.16*
Size	-0.01*	-0.01*	0.01	0.01
Exint	0.04***	0.04	0.10**	0.11**
Dpint	-0.14*	-0.16*	-1.51*	-1.47*
List	0.00	0.01	-0.01	-0.05
Full- Reform dummy	0.02*	0.02*	0.01	0.02**
Intercept	0.27*	0.24*	0.08	0.09
R-Square	21	19	22	21

Note : * One, two and three asterisks denotes significance at 1, 5 and 10 percent levels respectively. # denotes regression results after dropping year dummies 1 The coefficients of partial privatization ('Partial- pvt' and 'Partial-Pvt²') are in percentage terms. \$ denotes group dummy that takes the value 1 for all sample periods for P S Es that have undergone both autonomy delegation and ownership change reform. It is intercept shift that is included in the model to account for the problem of 'cherry-picking'.

As seen from the coefficients of 'Partial-pvt', partially divesting equity holdings even at higher levels has no significant impact on the performance of P S Es. One recommended policy measure that may improve the enterprise performance is full privatization, with both ownership and control of the enterprise being passed on to private participants.

Similar reform policy measures adopted in several other developing and industrial countries has given positive results. However, as seen in this study, going half way and implementing privatization partially where the control over the management is

still under central government, has not been effective in improving the performance of the P S Es.

Impact of Soft-loans and De-reservation

Soft-loan as hypothesized has significant negative impact on both profitability performance ratios of P S Es (significant at 1% levels for both ROA and ROS) throughout the analysis. On an average a percentage point increase in soft-loans for the entire sample of P S Es results in approximately 0.07 percentage point negative increase in ROA while it is higher by approximately 70-77 percentage point for ROS as seen in Table (2). The findings are in confirmation with Gupta (2001) who finds that soft-budget constraints have negative and significant impact on P S Es profitability performance (measured as ROS profits) in India. The results of the present study are also consistent with Estrin's (2002) survey, where he finds hard-budget constraint to have positive impact on productivity and profitability (sales growth) performance of firms, significantly so for non-CIS countries as compared to less consistent impact for Russia and the CIS states. A similar trend is witnessed with the coefficient of de-reservation. Dereserving ('De-reserve') the public sector dominated industries and opening them to private competition on an average have significant (at 1% level of significance) negative impact on both performance ratios analyzed in Table (2).

Introducing private sector competition in the industries reserved earlier for public sector investment has had a negative impact on public enterprise profitability. The above results contradict the results of Gupta (2001) who find de-reservation to have positive significant impact on sales and profits of partially privatized firms in India. However as compared to Gupta (2001) whose sample period consists of only one time period prior to de-reservation, the time horizon adopted in this study is twenty years with around ten years of data corresponding to pre-reform period. With such a large time horizon we are able to better capture the impact of de-reservation. Also we estimate several alternate specifications in our study to test for the robustness of our results. Thus the results of the present study reflects the fact that, the introduction of actual and potential competition from private sector as pointed out by Winston (1993), has eroded part of the monopoly profits that the well organized producer groups of P S Es had benefited from, being under the regulated environment shielded from private sector competition over the decades. We test the robustness of the reform variable coefficients by dropping the year dummies that may be capturing part of the reform impacts as some of the reforms were implemented in one particular year for most of the P S Es in our sample data (like de-reservation that was implemented in most of the industry groups in 1994-95). The results are given in Tables (2)-(5). Almost all the regression results remain robust to this alternate specification except de-reservation dummy in Tables (3), (4) and (5).

We find the coefficient of 'De-reserve' has significant impact on both the performance measures in all the regressions after dropping year dummy thus indicating

that year dummies might have captured the de-reservation impact rendering 'De-reserve' coefficient statistically insignificant in the earlier specification. Turning to control variables, public sector firms do not seem to enjoy any economies of scale or be able to exploit their market power due to their sheer size captured by 'Size' variable. On the other hand size has significant negative impact on almost all performance measures as seen in Tables (2) - (5). Increasing export intensity in firms has a positive impact on their profitability though it is significant only in some of the regressions analyzed above. Significant negative coefficient of 'DpInt' in almost all the regressions indicates that more capital intensive a firm is its profitability performance is negatively influenced while listing of P S Es ('List') on local and national stock exchanges have no significant impact on firms performance measure. This may be because most of the PSE stocks that are listed are either not traded at all or are traded in small volumes infrequently, resulting in insignificant impact on firms' performance.

Discussion and Conclusion

In contributing additional empirical evidence on the benefits of environmental reform and ownership change reform, the chapter analyzes the case study of India, where both these type of reforms have been implemented over the past decade. Indian centrally owned P S Es have undergone environmental change reforms of delegation of autonomy through signing of MoU's, de-reservation of sectors by the government that were earlier under public sector domain to private investment and hard-budget constraint where government put pressure on P S Es to live with in their budget. Further, the Government of India has also partially privatized its equity holdings in some of the enterprises that have undergone the reforms of autonomy delegation. Thus the case study of Indian PSE reforms has provided one with an opportunity to study the differential impact of both category of reforms while allowing one to draw comparisons between firms that have not undergone any reform against those that have undergone only environmental reforms of autonomy delegation and those that have undergone both ownership change (partial privatization) and environmental reforms (autonomy delegation).

In analyzing the above we try to control for the possibility of most of the selection bias that may arise due to the problem of 'cherry-picking'. We do this by incorporating group dummies that capture the average differential performance of group of P S Es that may be selected for implementing reforms (autonomy delegation and partial privatization) as they are better performing firms to start with. We also change our control groups to test the robustness of our results. The results indicate that the incremental impact of delegating autonomy to PSE management by setting performance targets and grading them for their performance through MoU system, have significant positive impact on the profitability performance of P S Es. One reason why it is so may be because of explicitly stating one/ few objectives and attaching weights to them in the individual enterprise MoU's helped managements of P S Es focus its efforts on improving the performance of the P S Es. Further delegating

autonomy to management in achieving these targets through MoU system and the existence of managerial labor markets (Gerard and Khalid, 2000) act as additional incentives for the management to perform better in future business.

Soft-loans indicating the impact of soft-budget constraint as hypothesized have significant negative coefficient through out the analysis. Thus access to easy loans as argued by several in the literature in past (Bartel and Harrison, 1999; Kalirajan and Shad, 1996; Kornai, 1979 among others) results in poor performance of P S E. This result, as contended by Winston (1993), indicates that the monopoly rents that were accruing to public sector enterprises under the regulated environment where they were well insulated from private sector competition has eroded to some extent under the de-reserved environment thus adversely affecting the profitability of these firms. The incremental impact of ownership reform of partial privatization in firms that have undergone environmental reforms on an average does not seem to have any impact on the firm performance. One recommended policy measure that may improve the enterprise performance is complete privatization, with both ownership and control of the enterprise being passed on to private participants. Similar reform policy measures adopted in several other developing and industrial countries²⁵ has given positive results. However, as seen in this study, going half way and implementing privatization partially where the control over the management is still under central government, has not been effective in improving the performance of the P S Es.

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MONEY LAUNDERING ON THE BACKGROUND OF THE FINANCIAL CRISIS - A ROMANIAN REALITY

Iulian Gheorghe Ioniță *

Abstract

The purpose of most illegal activities (especially those in the economic field), whether illegal as specific to organized crime networks (cigarette smuggling, alcohol; traffic of weapons, nuclear material, drugs, human beings; trade in protected species of animals and plants, with human tissues and organs; forgery of currency or other values etc.) or other illegal activities developed more or less in organized manner (such as embezzlement, corruption, tax evasion, fraud, informatics fraud), is to generate funds for the organized criminality group or individual that develops them.

As these illegal activities generate substantial funds, the organized criminality group or individual (launderer) involved have to find a way to control these funds without attracting attention to the activity which generates them or to the persons concerned. Through the process of money laundering one tries and succeeds (in most cases) to hide the real origin and possession of these funds.

In the context of the current financial crisis, the phenomenon of money laundering experiences an extension and a specialization without precedent. This situation demands a concerted reaction by the authorities who enforce the law in preventing and fighting money laundering and no only.

Keywords: underground economy, tax evasion, fraud, money laundering.

JEL Classification: E26, G01, G20, H20, H26, K14, K20, K42

1. Introduction

This paper explores the Romanian particularities of the money laundering process and its implications in the current financial crisis.

Currently, a strong specialization and professionalization of organized criminality individuals or groups who develop illegal activities specific to the underground economy is manifested.

These activities become more and more numerous, complex and difficult to be tracked by the authorities who enforce the law in preventing and fighting money laundering.

Unfortunately, one can notice (and so did money launderers) an insufficient specialization of the authorities who apply the law in preventing and fighting money laundering, an insufficient specialization which affects rapid collection of evidence and especially finding some solutions so as to make activities more efficient.

* Iulian Gheorghe Ioniță is Associate Professor of Law at the Romanian American University in Bucharest. E-mail: ionita.gheorghe.iulian@profesor.rau.ro

2. The concept of money laundering

Money laundering is considered the financial *de facto* part of all infractions which result in profit (NOPCML, 2005, p.8).

Money laundering is a typical American expression used initially in the structures of organized crime so as to designate reinvestment in legal business of money obtained from illegal business, using complicated internal and international financial circuits for this purpose (Sandu et al, 2001, p.317).

According to Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism, Warsaw 2005 (CE 2005 Convention, art. 9 par. 1),

„Laundering offences ... offences ... when committed intentionally:

a. the conversion or transfer of property, knowing that such property is proceeds, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of the predicate offence to evade the legal consequences of his actions;

b. the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property, knowing that such property is proceeds;

and, subject to its constitutional principles and the basic concepts of its legal system;

c. the acquisition, possession or use of property, knowing, at the time of receipt, that such property was proceeds;

d. participation in, association or conspiracy to commit, attempts to commit and aiding, abetting, facilitating and counseling the commission of any of the offences established in accordance with this article”.

According to Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering (91/308/EEC), Directive 2001/97/EC of the European Parliament and of the Council of 4 December 2001 amending Council Directive 91/308/EEC on prevention of the use of the financial system for the purpose of money laundering (2001/97/EC) and Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (2005/60/EC, art. 1, par. 2),

„... the following conduct, when committed intentionally, shall be regarded as money laundering:

(a) the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such activity to evade the legal consequences of his action;

(b) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such

property is derived from criminal activity or from an act of participation in such activity;

(c) the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such activity;

(d) participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counseling the commission of any of the actions mentioned in the foregoing points”.

According to Romanian Law no. 656 of 7 December 2002 on prevention and sanctioning money laundering, as well as for setting up some measures for prevention and combating terrorism financing (Law 656/2002, art. 23, par. 1)

„The following deeds represent offence of money laundering and it is punished with prison from 3 to 12 years:

a) the conversion or transfer of property, knowing that such property is derived from criminal activity, for the purpose of concealing or disguising the illicit origin of property or of assisting any person who is involved in the committing of such activity to evade the prosecution, trial and punishment execution;

b) the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity;

c) the acquisition, possession or use of property, knowing, that such property is derived from any criminal activity”.

3. Stages and methods of money laundering

Through the process of money laundering, an appearance of legality is given to some profits obtained illegally by delinquents who subsequently benefit from the obtained sums without being compromised (NOPCML, 2004, p.6).

Money laundering consists in masking through various methods and techniques the origin of the obtained illegal funds, masking which conditions the possibility of certain (unpunished) introduction of these funds in the legal financial and economic circuits (Sandu and Ioniță, 2005, p. 224).

There are several methods and techniques of money laundering, which may vary from a simple conversion of sums, transferring them outside the country, mixing with other legal funds, buying and selling luxury objects, to the transfer of the sums through shell companies and complex international business networks.

In the case of infringements specific to organized crime (such as traffic of weapons, drugs, human beings, etc.) or other crimes (such as smuggling, theft, blackmail) which generate dirty money, the resulted funds are under the form of money in cash, money which has to be introduced in the financial system by any means.

Despite the imagination of the launderers and the variety of methods used, the process of money laundering is performed in three stages: placement, layering and integration.

In practice, these stages can appear distinctly but can also lap over, depending on the available opportunities for laundering and on the requirements of the organized criminality individual or group which develops them.

A typical money laundering scheme



Source: UNODC

I. Placement

The purpose of this initial stage is „literally getting rid” of cash obtained from illegal activities, in order to separate funds from illegal sources, which could be monitored by law enforcement agencies. In this placement stage of money laundering, the money launderer introduces his illegal profits into the financial system through financial institutions, casinos, exchange offices and other businesses. The placement stage can be carried out through many methods, including

- *currency smuggling*: the money launderer illegally moves cash obtained from illegal activities out of the country through various methods of transport; this method is used because large sums in cash do not occupy a large space and can be hidden in various locations;

- *currency exchanges*: the money launderer purchases with cash obtained from illegal activities, another country currency; this method is favored by the fact that in transition economies the liberalized foreign exchange markets creates lapses for currency movements which are beyond the control of law enforcement authorities;

- *blending of funds*: the money launderer mix the lawful funds with the cash obtained from illegal activities; this method is used because the best place to hide cash is with a lot of other cash;

• *financial institution complicity*: the money launderer uses persons who hold or control financial institutions; this method is preferred because these people can facilitate the process of laundering the cash obtained from illegal activities through structuring in a way that disguises the original source of the funds.

II. Layering

The purpose of this second stage is that of making the activities for money laundering more difficult to be determined by the reporting entities and discovered by the authorities who apply the law in preventing and fighting money laundering. Separation from their source in view of ensuring anonymity is done through creating some complex financial transactions schemes, especially conceived to mislead the reporting entities and the authorities for the application of the law. Thus, the launderer uses the funds so as to buy investment instruments, transfers them in a series of different bank accounts worldwide or disguises transfers as being payments for goods and services. The placement stage can be carried out through many methods, including

• *cash transfers to other countries*: the money launderer uses multiple geographically distant accounts to transfer the cash obtained from illegal activities; this method is used especially in such jurisdictions which do not cooperate in investigations aiming at fighting money laundering.

• *cash converted into investment instruments*: the money launderer converts the cash obtained from illegal activities into investment instruments by way of a bank or other financial institution; this method is favored by the fact that the cash obtained from illegal activities was successfully placed within the financial system, with people who own or control financial institutions.

• *disguise the transfers into payments for goods and services*: the money launderer disguises the transfers of the cash obtained from illegal activities into payments for goods and services; this method is preferred as providing an appearance of legitimate actions.

III. Integration

If the previous stratification process is successful, the money launderer will introduce luxury goods or business, the previously laundered money in the economic circuit investing on the real estate market; only, this time, cash obtained from illegal activities will appear as "clean" funds, obtained from legal commercial activities. The integration stage can be carried out through many methods, including:

• *property dealing*: the money launderer sells properties acquired through shell companies; this method is used because the proceeds from the sale would be considered legitimate.

• *false loans*: the money launderer recovers „loans” that were credited to their companies; this method is preferred because it allows to recover their own laundered money in an apparently legitimate transaction.

- *false import/export invoices*: the money launderer uses false invoices by import/export companies, overvaluation of entry documents to justify the funds later deposited in domestic banks and/or the value of funds received from exports; this method is used because it has proven to be a very effective way of integrating illicit proceeds back into the economy.

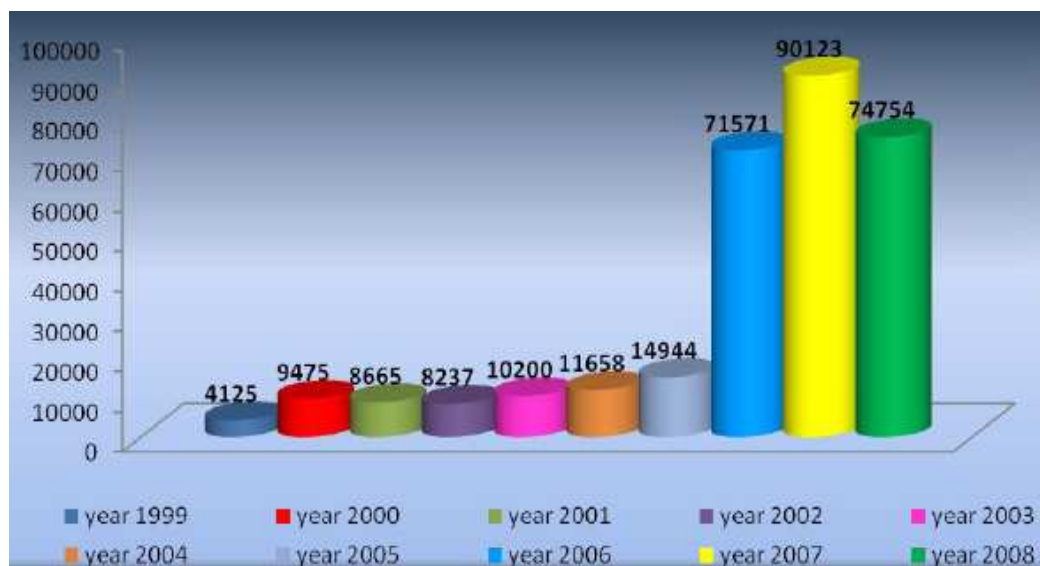
- *foreign bank complicity*: the money launderer uses persons who hold or control foreign banks; this method is preferred because using known foreign banks presents a very difficult target for law enforcement.

4. The characteristics of money laundering in Romania

Even if one cannot assert that money laundering is „specifically” a Romanian phenomenon, it attained in time some particular characteristics.

4.1. Evolution of money laundering

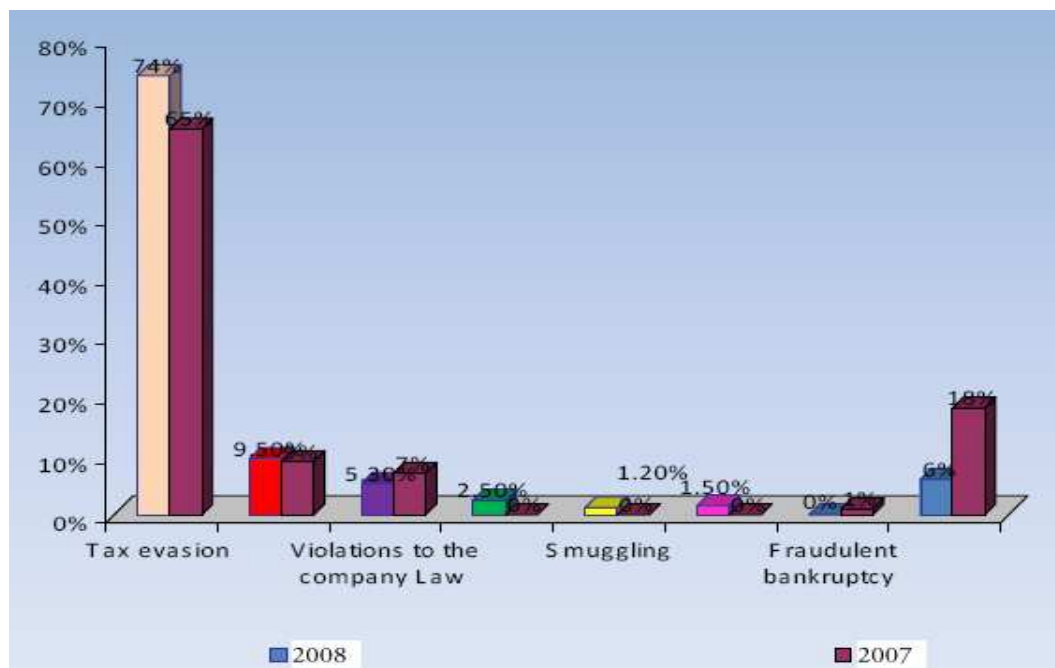
According to the data supplied by the National Office for Prevention and Control of Money Laundering (NOPCML, 2009), the phenomenon of money laundering revealed an ascending trend, experiencing a true „explosion” in the past three years when the number of cash transaction reports which exceeded 15.000/10.000 EUR increased.



Source: NOPCML, 2009, p. 71

In the year 2008, from the total notifications which signaled indications related to committing the infringement of money laundering, sent by NOPCML to the Prosecuting magistracy under the High Court of Cassation and Justice, it resulted that main infraction which generated dirty money was tax evasion (74 % of the cases).

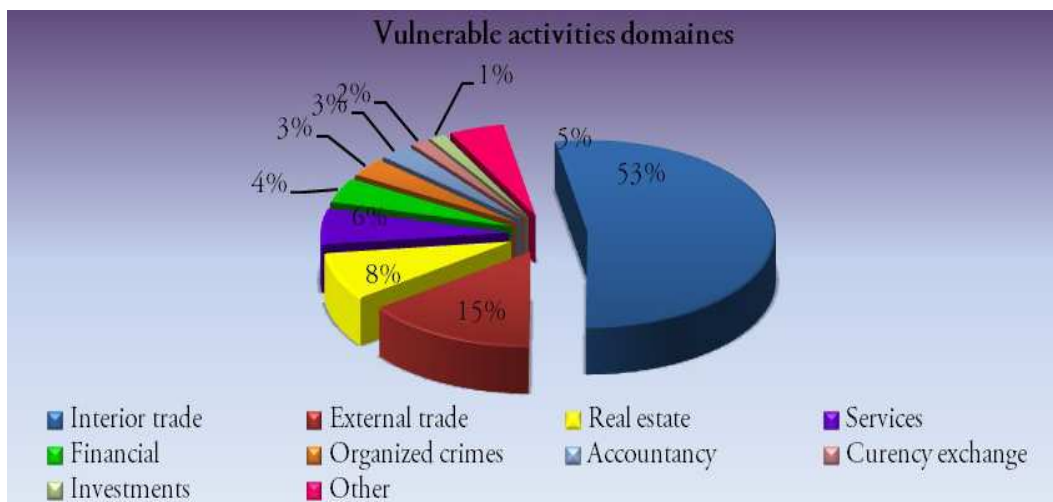
The following crimes which generated dirty money were deceit (9.50% of the cases), crimes relating to the law of trade companies (5.30% of the cases), transnational infringements (2.50% of the cases), procuring, prostitution, human traffic (1.50% of the cases), smuggling (1.20% of the cases) forgery and use of forgery, narcotic drug traffic, etc. (6% of the cases).



Source: NOPCML, 2009, p. 16

In these transactions approximately 1,500 natural persons were involved and the sums subjected to recycling were of approximately 400 mil. EUR.

As far as the origin sources of these sums are concerned, from the financial analyses completed in the year 2008, it resulted that main vulnerable domains of activity were domestic trade (53%), foreign trade (15%), real estate (8%), services (6%), and the financial field (4%), organized crime (3%) and so on.



Source: NOPCML, 2009, p. 17

4.2. Registered and investigated casuistry in Romania during recent years

According to the Directorate for Investigating Organized Crime and Terrorism of the Prosecutor's Office attached to the High Court of Cassation and Justice, following the criminal prosecution activities undertaken by prosecutors within the Macro Economically-Financial Crime Fighting Service, in 2007 (DIOCT 2008, p. 15-16) 432 cases related to money laundering were solved; in 2008 (DIOCT 2009, p. 25-26) 977 cases related to money laundering were solved, while at the end of the year prosecutors were still dealing with 613 cases.

Out of the investigated cases (DIOCT 2008, p 16-18 and DIOCT 2009 p 31-35), we present the following as examples:

I. Under public prosecutor's charge no. xxx/D/P/2006 (7th of Aug. 2007) the arraignment of defendant T.F.L. and others was ruled, on account of money laundering, tax evasion and association with third parties with the intent of committing crimes. It has been taken into account that this group had carried out several under evaluated merchandise imports, creating several commercial circuits with the help of „ghost companies”, to the detriment of the state's budget in the amount of ROL 28 billion.

II. Under public prosecutor's charge no. xxx/D/P/2004 the arraignment of defendants O.R., M.K.A.N., K.J.M.K., M.A.A.T., T.T., G.I. and C.O. was ruled. It has been taken into account that the Guidance and Control Department within the Ministry of Finance notified the Department for Fraud Investigation, within the I.G.P.R., about the fact that, after the legal and real investigation of the commercial operations undertaken by S.C. „AD” S.R.L. Bucharest with S.C. „M.I.” S.R.L. Oradea, it was made clear that, even though merchandise in excess of ROL 668 billion had been traded, S.C. „AD” S.R.L. Bucharest did not run its activities from the stated headquarters, therefore meeting all constitutive elements of tax evasion. In completion of the notification, on 2nd of Nov. 2003, the Ministry of Finance, through

the same Department of Guidance and Control, brought forth documents which indicated that 3 companies: S.C. „B.P.” S.R.L. Craiova, S.C. „M.P.” S.R.L. Timisoara and S.C. „Y.S.” S.R.L. Prahova, asked for reimbursement of the V.A.T, following the export of the same merchandise (insulating frames which were produced by S.C. „A” S.A. Botosani) for the same company S.C. „N.I.” L.L.C. at prices that were 1000 times over the normal ones.

III. Under public prosecutor’s charge no. xxx/D/P/2006 (5th of May 2007) the arraignments of 3 defendants were ruled, for economic crimes and money laundering. It was taken into account that during 2003-2004, the defendants had prejudiced the consolidated state budget with ROL 33,374,186,198 (EUR 873,190), by hiding the chargeable source when selling the 17.934 square meter plot of land belonging to S.C. „L” S.A. Pitesti to the company S.C. „T.I.” S.R.L. Sibiu, using for this purpose the method of ‘interposing a new owner in the process of selling and buying. For dissimulating the origin of the illegal sum of money obtained by undertaking economic crimes, the defendants drew up two fake contracts: one concerned a loan and one real estate in Columbia, both of which ensued that the money had been legally obtained. Subsequently the sum of money was gradually transferred to a bank account until it reached S.C. „L” S.A. Pitesti, as a loan, the money being used for supporting a SAPARD project.

IV. Under public prosecutor’s charge no. xxx/D/P/2004 (6th of June 2007) the arraignments of four defendants were ruled, under the charge of setting up an organized crime group for purposes of committing economic crimes. During a one year period (2003-2004) the defendants set up an organized crime group with the purpose of not keeping track of papers belonging to the firms they administrated, in order to avoid tax payment to the state budget. The defendants bought merchandise of lower quality, free of taxes in order to sell it as high quality taxable merchandise and acquire for themselves the value of the latter, in the amount of EUR 900,789.18.

V. Under public prosecutor’s charge no. xxx/D/P/2004 (2nd of December 2008) the arraignments of several defendants were ruled under the charge of associating for the purpose of committing economic crimes such as tax evasion, money laundering etc. The evidence showed that defendant A.K., helped by his nephews Z.R. and Z.O. set up a well organized criminal group which was specialized in under evaluated imports, tax evasion and money laundering. It was established that during 2001-2004, in Romania, several organized criminal groups operated, composed mostly of Turkish citizens, the majority of which were from the Sanliurfa area (Kurdish area). They were specialized in financial and economic crimes and did not hesitate to cooperate with each other if there was a profit to be gained by these criminal activities. One of the most important group was the one that dealt with bringing poor people from Turkey to Romania and then setting up several ghost companies (under these peoples’ names), which did not operate at the headquarters they had declared, in order to avoid state taxes. The companies thus set up were ultimately used by other criminal groups for committing financial and economic crimes. After their visa would expire (2 months), the persons who were associated

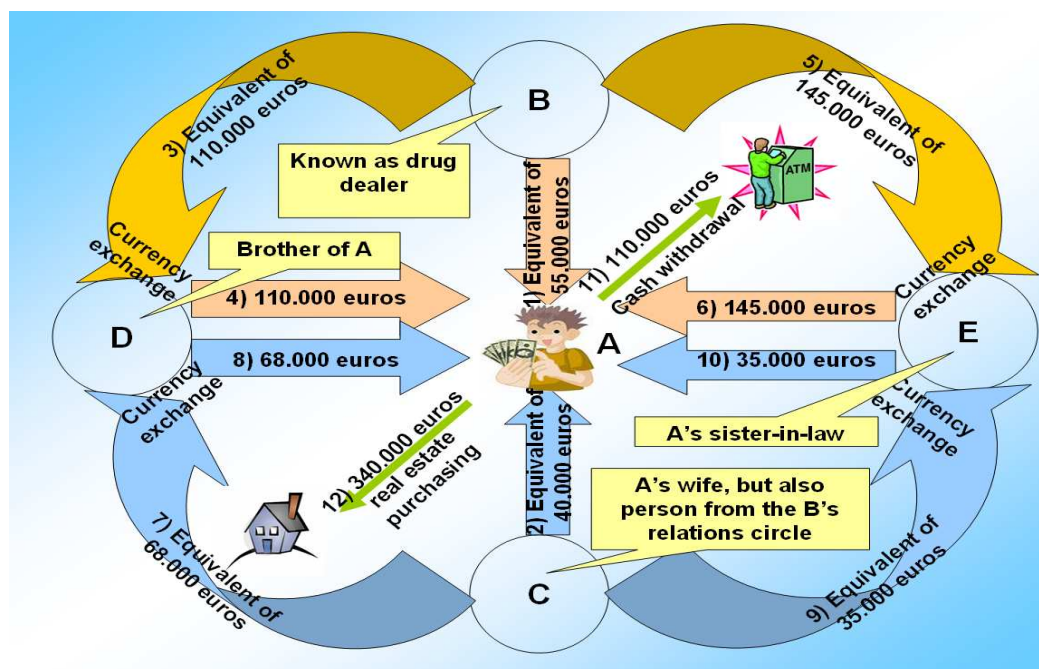
with the mentioned companies would have to sign a proxy that gave the right of management to the next person who was to be brought to Romania for the same purpose. Companies would be created under this person's name as well and were used either immediately or subsequently, depending on the activity undertaken by the organized groups. After taking part in a certain number of criminal activities for these groups, the ghost companies would be handed over to people with fake identities or abandoned. The sums of money obtained were transferred, through the accounts of the ghost companies for the purpose of hiding their true origin, or were picked up in cash, under false documents (usually slips from natural persons), or exchanged in foreign currency and transferred in accounts outside Romania. Iraqi citizens were sometimes also used in carrying out activities for these ghost companies, or firms set up in their names. Based on notifications received from the National Office for Fighting Money Laundering, the arraignment of 43 defendants was ruled, on account of suspicious money laundering activities undertaken through the accounts of 21 social firms which did not operate at the stated headquarters. The financial examination and audit found that the afore-mentioned companies prejudiced the state budget by ROL 58,737,894,396, consisting in VAT of ROL 25,355,493,952 and profit tax of ROL 33,382,400,444.

VI. Under public prosecutor's charge no. xxx/D/P/2006 (24th of March 2008) the arraignment of defendants S.T, T.C.E., M.G., P.C. was ruled on the account of: tax evasion, constituting/belonging to an organized crime group for the purpose of committing infractions, deceit with regard to the quality of the merchandise, forging of aliments and other products and money laundering. It was taken into consideration that during 2004-2007 in Romania, several groups consisting of natural persons and companies undertook criminal activities for the purpose of gaining significant financial resources, through money laundering, tax evasion and the forging of goods. Evidence showed that, in order to succeed in creating networks for capitalizing on forged alcoholic and wine products without paying taxes, and in order to keep a legal appearance for its activities during 2006-2007, the defendant S.T. accompanied by several Romanian and Moldavian citizens, as head coordinator and decision maker for S.C. „A” S.R.L. and S.C. „N&K” S.R.L., decided to acquire several companies that would operate as ghost firms in the fields of producing and commercializing alcoholic drinks and wines. Also, the same companies were used in banking operations that had a double role: to create the illusion that payment for commercial activities was taking place, for which they would issue account invoices, and on the other hand, in order to create the possibility of laundering important sums of money, under the appearance of cash outflow or of successive circulating of notes of hand issued with receipts, which were reintroduced in the mentioned companies' patrimony or in the patrimony of the defendants. Therefore it was shown that by prejudicing the state budget with RON 6 million, as an aftermath of influencing the taxable mass and introducing illegal merchandise in the commercial cycle, it was necessary to launder these illegal funds.

4.3. Typologies of money laundering

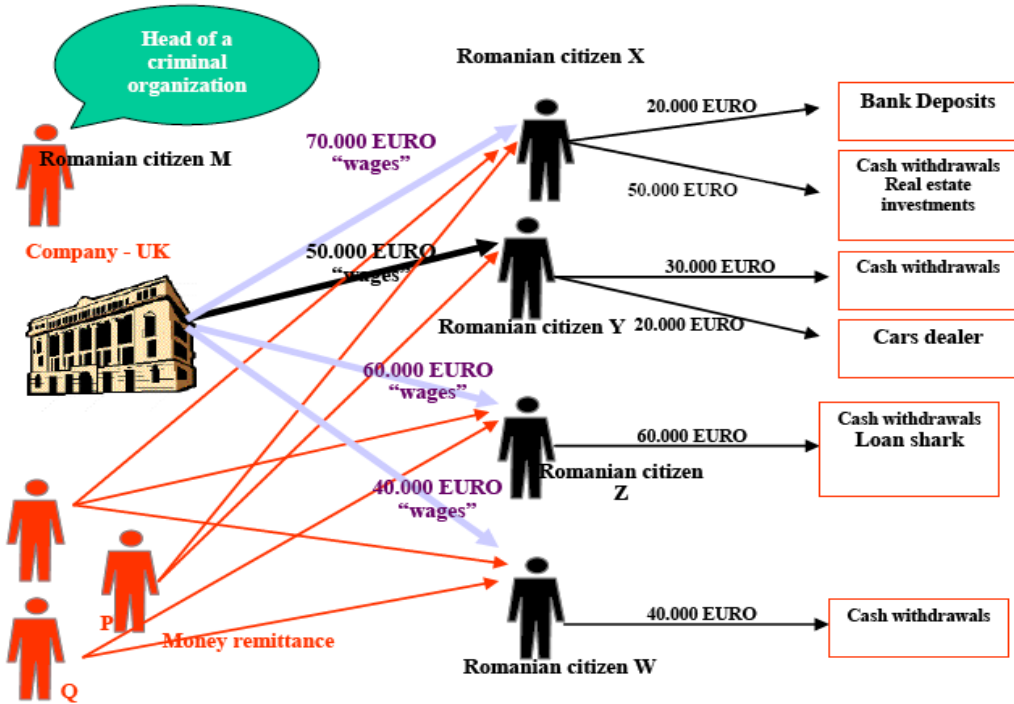
In the past years, from the casuistry registered in Romania in money laundering, there resulted some typologies for money laundering. These schemes of financial flow are frequently used by the launderers in Romania so as to dissimulate the origin, the nature, the disposal and movement of funds resulted from illegal activities for the purpose of creating the appearance that these were generated by legal activities.

I. The distribution of sums of money resulting from committing the crime of drug traffic to more persons, their cashing by other persons as loan payment, followed by their withdrawal through more operations below the reporting limit and „transfer” for building purchase.



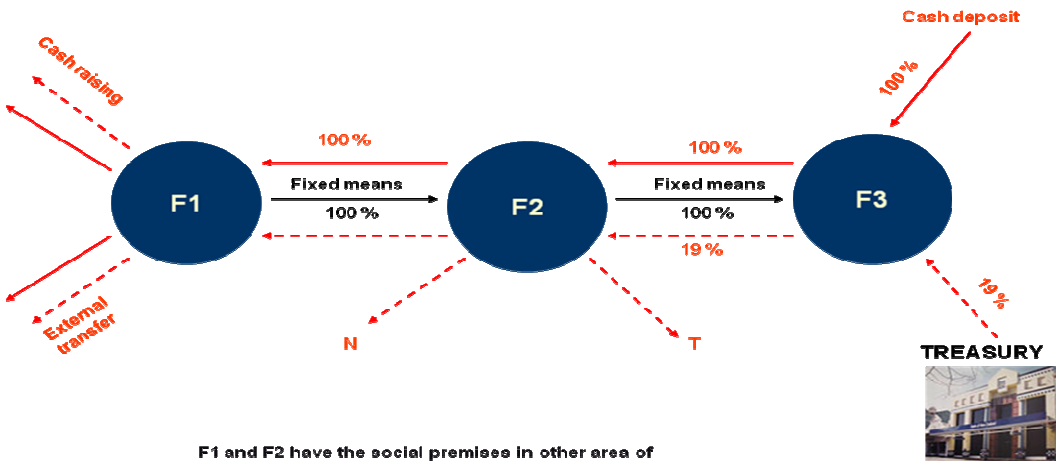
Source: NOPCML, 2009, p.83

II. The transfer of large sums of money obtained by embezzling cash machines and committing other infringements specific to electronic commerce to trustworthy persons, under the justification of wages, followed by the opening of bank deposits, the purchase of tangible and intangible goods, the withdrawal of these sums, etc.



Source: NOPCML, 2008, p. 57

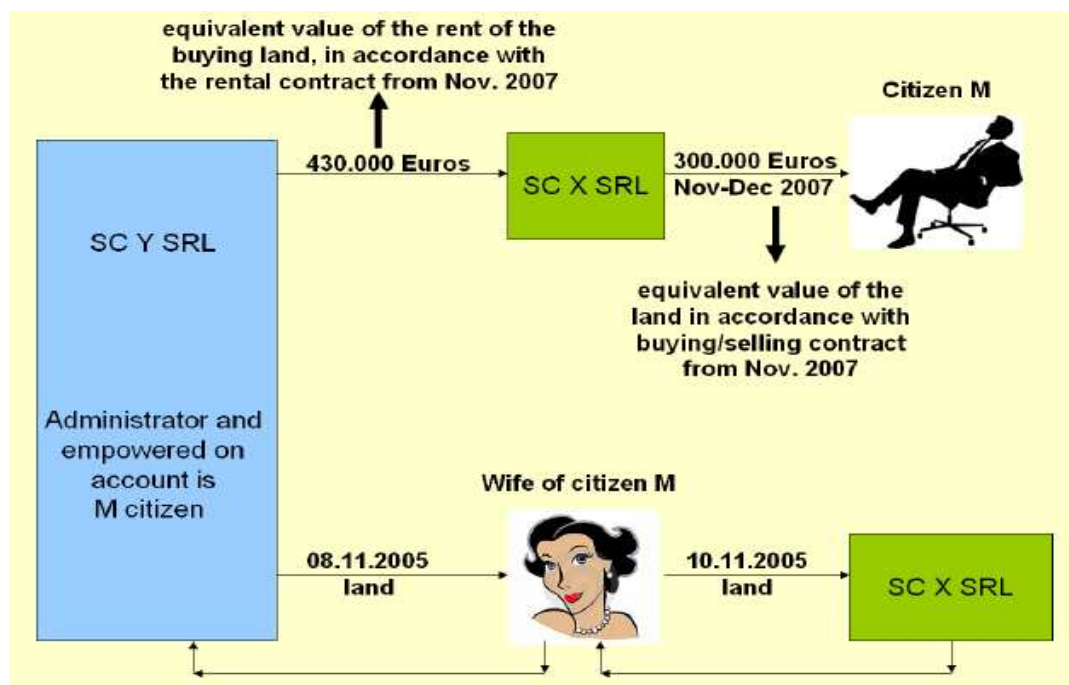
III. Setting up fictional financial and commercial circuits by using shell companies in order to gain illegal VAT deductions.



F1 and F2 have the social premises in other area of competence than the fiscal organism that gives the VAT deduction, to make difficult the investigations, taking into account the 30 days deadline for solving the VAT request

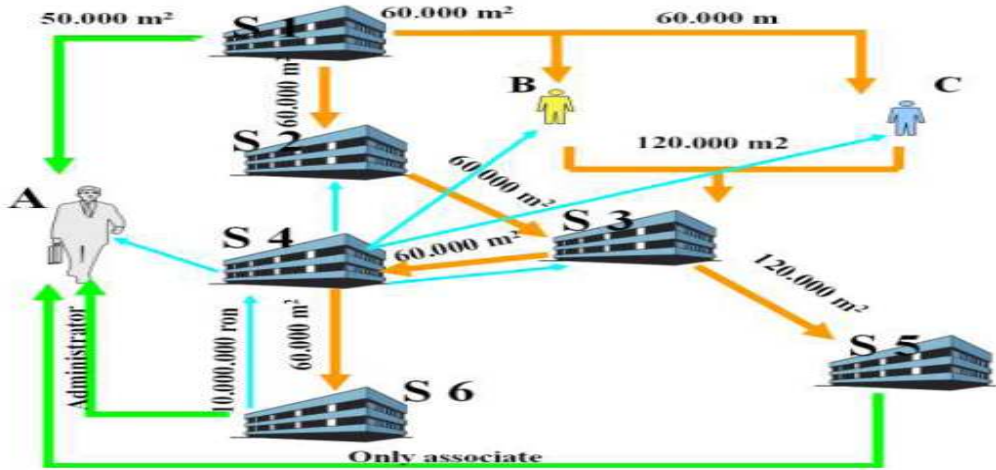
Source: Sandu, 2005, p. 15

IV. Distorting economic results performed by the company and avoiding budgetary obligations by concluding false sale-purchase contracts and real estate leasing.



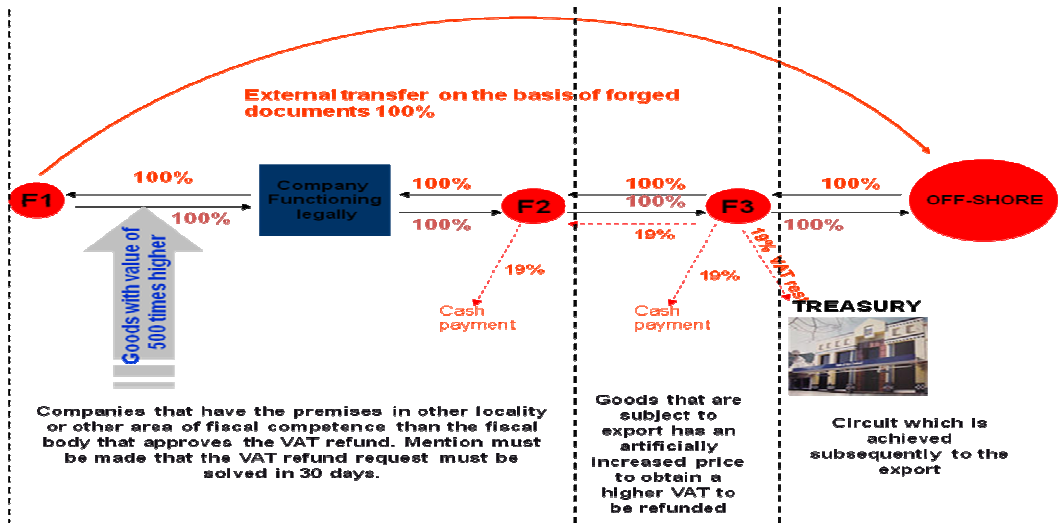
Source: NOPCML, 2009, p. 87

V. Organization and coordination of a group of firms with the purpose of totally or partially avoiding the payment of tax obligations by non-declaring taxable incomes or by hiding the taxable object or source or by diminishing the incomes under the justification of fictional operations of successive sale-purchase of lands between members and non-registration of the obtained sums.



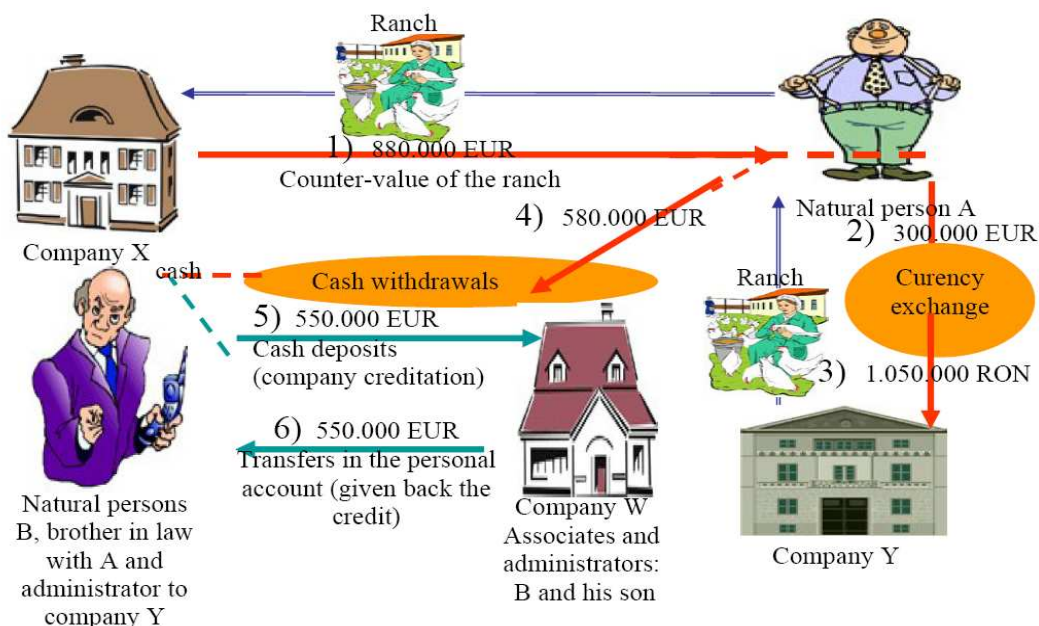
Source: Source: NOPCML, 2008, p. 58

VI. Successive transfer of large amounts of money from the current accounts of the companies that carry out apparently legal activities to shell companies based on fictitious commercial operations, thus diminishing the taxable basis and fictitiously generating inferential VAT.



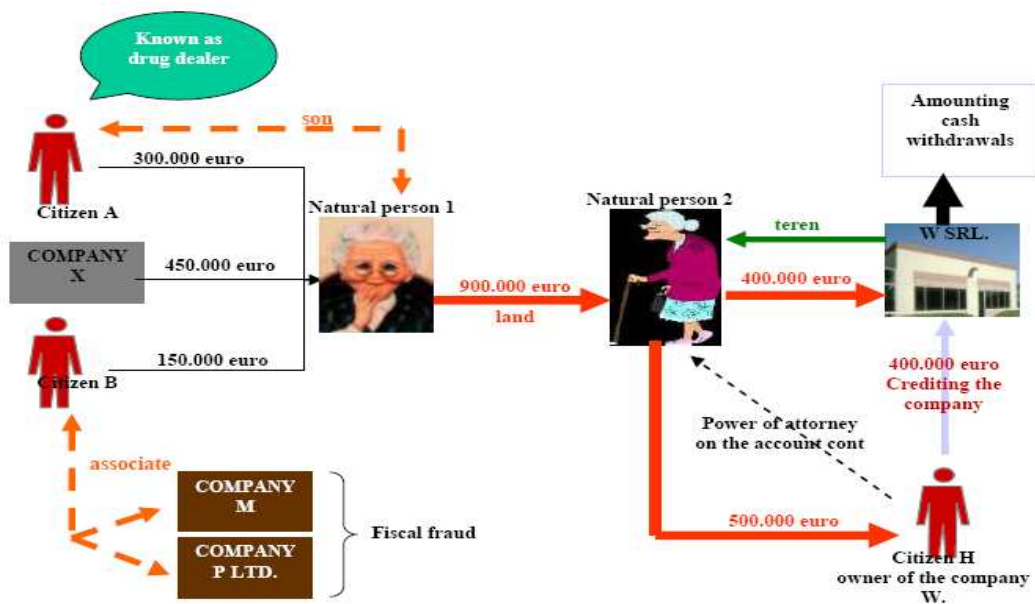
Source: Sandu, 2005, p.16

VII. The use dishonestly the goods of the company for a purpose contrary to its interests or for his own use, deceived and obtained sums of money through interposed persons.



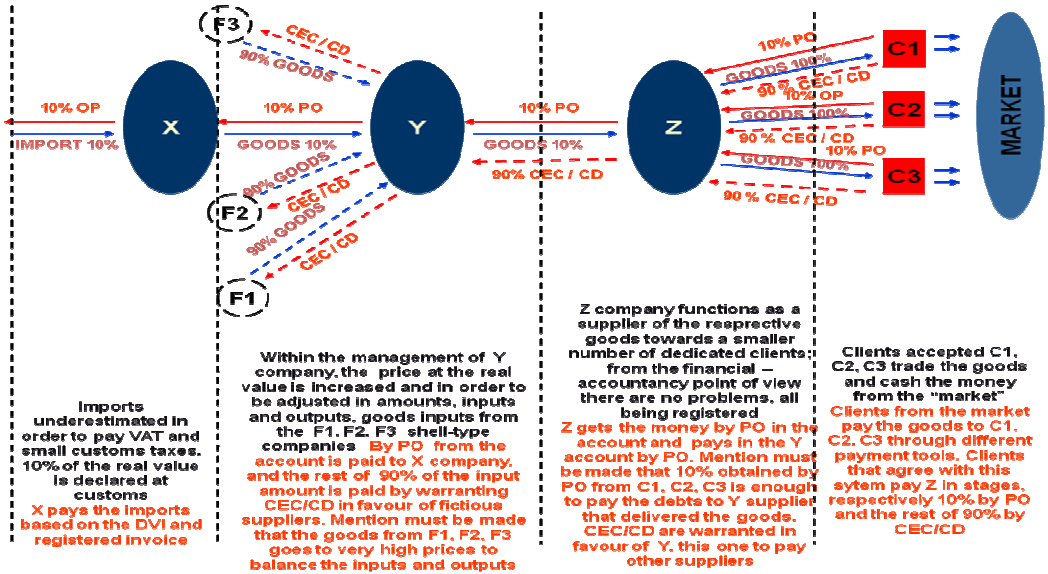
Source: NOPCML, 2009, p.78

VIII. The use of elderly persons as interposed individuals for fictitiously concluding sale-purchase contracts for some real estate properties using sums obtained from drug traffic and tax evasion.



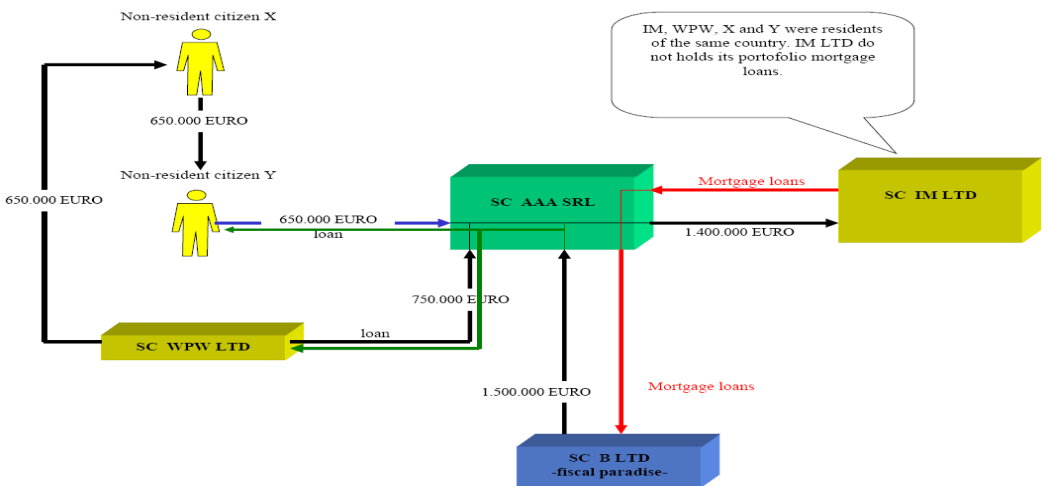
Source: NOPCML, 2008, p.56

IX. The use of bank system for successive transferring of sums obtained from smuggling and tax evasion.



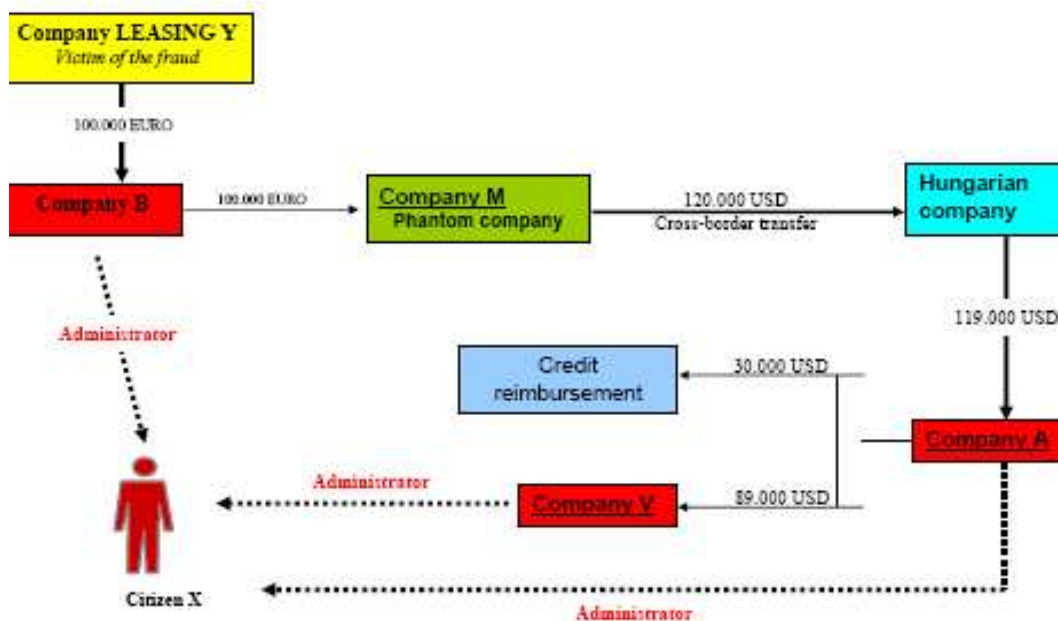
Source: Sandu, 2005, p. 17

X. Interposing of natural persons and trade companies for successive transfers, using various justifications of the sums obtained from committing tax evasion, deceit, forgery, corruption infringements, etc.



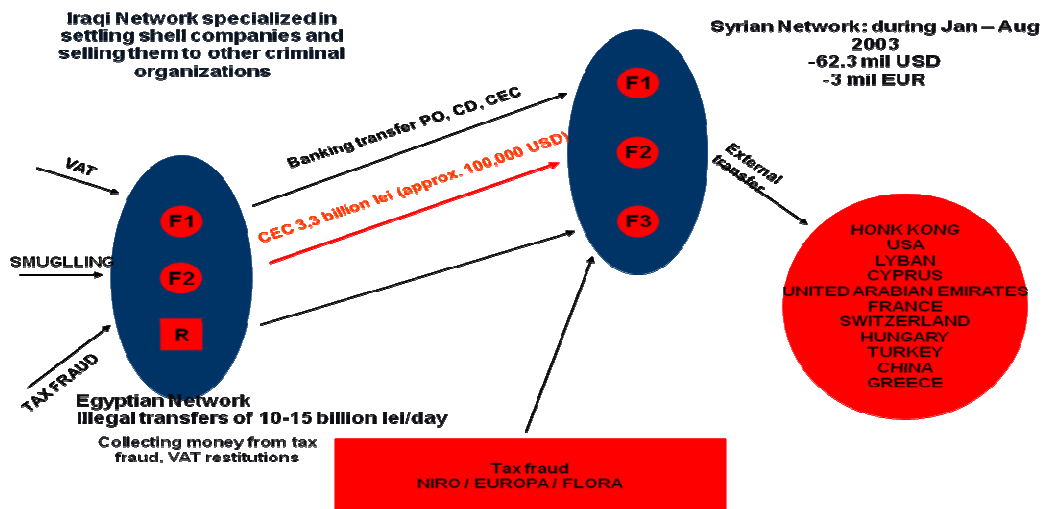
Source: NOPCML, 2009, p. 85

XI. Fictitious delivery and reception of equipments which are the object of leasing contracts for the purpose of embezzling leasing companies, exchanging the sums into other currency and their transfer through other companies.



Source: NOPCML, 2008, p. 55

XII. Cooperation of specialized organized crime networks in creating ghost companies with those specialized in collecting dirty money and transfer abroad of the sums from the underground economy.



Source: Sandu, 2005, p. 18

Conclusion

The process of money laundering is of critical importance because if it is successful it will allow the launderer to have control over the funds generated by the developed infringing activities and will also offer (which is the most important) a lawful coverage for their source.

The increased social danger of money laundering infringement and of misdemeanors which generate dirty money consists in the fact that this dirty money, laundered through various methods, is subsequently used for repeating infringing activities and finally obtaining (in fact) economic and political power.

In Romania as well as in other countries, money laundering has become a „national sport”. As expected in this period of crisis, the phenomenon of money laundering experienced an expansion and a specialization without precedent. This situation demands a concerted reaction by the authorities who enforce the law in preventing and fighting money laundering and no only.

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IMPLICATIONS AND PERSPECTIVES OF THE PRESENT ECONOMIC CRISIS

*Mariana Sorlescu, Iuliu Marin Ivanescu, Mona Ivanescu**

Abstract

The financial crisis that hit the global economy since the summer of 2007 is without precedent in post-war economic history. Although its size and extent are exceptional, the crisis has many features in common with similar financial-stress driven recession episodes in the past.

The crisis is deep, being the result of a paradigm and a way to make public the policy which did not understand that markets functioning well are not equal to the lack of rules/ regulations and the decrease of the public interventions in economy can easily become unproductive. The order system was a political, historical and economic failure. But the markets can also fail and, that is why, the judgement by public action must not be eliminated.

We are in full economic crisis, forcing us to analyze both the factors and the effects of the crisis, which spread immediately in this global world with serious economic and cultural interdependencies.

Keywords: financial crisis, growth, global recession, credit jam.

JEL classification: E00, E60, F01

Introduction

The financial crisis that hit the global economy since the summer of 2007 is without precedent in post-war economic history. Although its size and extent are exceptional, the crisis has many features in common with similar financial-stress driven recession episodes in the past. The crisis was preceded by long period of rapid credit growth, low risk premiums, abundant availability of liquidity, strong leveraging, soaring asset prices and the development of bubbles in the real estate sector. Overstretched leveraging positions rendered financial institutions extremely vulnerable to corrections in asset markets.

As a result a turn-around in a relatively small corner of the financial system (the US subprime market) was sufficient to topple the whole structure. Such episodes have happened before (e.g. Japan and the Nordic countries in the early 1990s, the Asian crisis in the late-1990s). However, this time is different, with the crisis being global producing events similar with those that triggered the Great Depression of the 1930s.

* Mariana Sorlescu is Associate Professor of Economics at the Romanian American University in Bucharest. E-mail: madisorlescu@yahoo.com

Iuliu Ivănescu is Associate Professor of Economics at the Romanian American University in Bucharest. E-mail: iuliumarin@clicknet.ro

Mona Ivănescu is Assistant Professor of Economics at the Romanian American University in Bucharest. E-mail: mona.ivanescu@hotmail.com

In early 2008 many experts and business analysts estimated that the severe financial crisis would not extend over the real economy. These views were quickly dissipated and unfortunately in 2009 we all got up brutally from our great dreams.

When giants as Lehman Brothers, Bear Stearns, Merrill Lynch or AIG are on the verge of bankruptcy and the public perception is the one of financial panic, it is impossible for the banks from different corners worldwide not to be affected sooner or later, to a smaller or larger extent.

The crisis is deep, being the result of a paradigm and a way to make public the policy which did not understand that markets functioning well are not equal to the lack of rules/ regulations and the decrease of the public interventions in economy can easily become unproductive. The order system was a political, historical and economic failure. But the markets can also fail and, that is why, the judgement by public action must not be eliminated [Daianu, D., 2009].

Effects of the crisis in world economies

Almost everywhere in the world economy was in free fall in first half of 2009, to stabilize at a very low level in the second half of the year.

Each year we have to learn new terms when it comes to economics. In 2008, the focus was on terms such as financial crisis, credit jam, rescue package and the word Soffin, which means special funds to stabilize financial markets, for which Germany adopted a special law. In 2009, these concepts were joined by others, such as the law of accelerating economic growth.

Then, there was rarely a year in which the Germans had to memorize three names at the head of the Ministry of Economy. In the beginning of 2009, the Bavarian Christian-Social politician, Michael Glos announced on February 7 he was tired and resigned. Two days later, the economy reins were taken over by his party colleague, Baron Karl-Theodor zu Guttenberg, of course only until September 27 legislative elections. Since then, the economy has been run by the liberal Rainer Brüderle. In Germany, however, economic policies are not set by the Ministry of Economy, but by the Ministry of Finance, if not directly by the Federal Chancellery.

If overseas, the bankruptcy of the investment bank Lehman Brothers had led to the collapse of the entire banking system, the European Union would have suffered the same effect by the payment default of the real estate financier Hypo Real Estate.

Fearing this next disaster, the representatives of the G20, of the most industrialized nations plus emerging countries, decided at their meeting in London, to implement control mechanisms for high-risk financial products, so-called hedge funds, for rating agencies and bonuses awarded to bank managers. The representative of the host country, British Prime Minister Gordon Brown said on that occasion: "Today is the day the world met to counter the global recession. Not with words but with a plan to revive the global economy, a reform plan and with a timetable for their implementation. "

The deepest recession after the II-nd World War finished in the 3-rd semester of 2009, when it was registered a 0,4% economic growth in the Euro area, after five

Iceland	-5.1	-0.4	-5.7	:	-6.3	-0.7	-8.0	:
Norway	-0.7	-0.9	0.9	:	-1.1	-2.3	-0.7	:
Switzerland	-0.9	-0.3	0.3	:	-1.7	-2.3	-1.5	:
Main economic partners								
United States	-1.6	-0.2	0.6	1.4	-3.3	-3.8	-2.6	0.1
Japan	-3.1	0.7	0.3	:	-8.6	-6.0	-4.7	:

Sursa: Eurostat, 2010.

Not all the EU countries have responded affirmatively to the economic growth, some countries have taken timid growth since the second quarter, (Czech Republic, Germany, France, Poland, Portugal, Slovenia, Slovakia, Sweden), others have succeeded positively in the third quarter (Belgium, Denmark, Ireland, Italy, Luxembourg, Netherlands, Austria), and others have continued to decline.

While Poland remained the only E.U state with a positive economic growth, in countries such as Letonia, Lituania, Estonia, Hungary or Bulgaria the gross domestic product continued to fall dramatically. Latvia' economy contracted by 17,9% in 2009 compared to 2008, Estonia by 15,6% after the first three quarters of the year 2009 compared to 2008, managing a small comeback in the fourth quarter of 2009 compared to 2008, and Lithuania's GDP dropped by 13% in 2009 compared to 2008.

Romania registered in the 3-rd semester of 2009 a fell in GDP by 0,7% compared to the previous three months and by 7,1% compared to the same period of 2008, a not so significant fall as they told because they were expecting a decrease in the first three semesters by 7,7%.

Emerging countries have so far managed to cross less affected the recession's effects. China's economy, for instance, increased in 2009 with more than eight percent. The Asian country has meantime become an engine of the world economy, representing hope to overcome this crisis.

The crisis was initially a crisis of the financial markets. Currently, many banks record huge profits again. Ironically, it has become possible because the world's governments have indebted more than enough to finance programs to stimulate economic conjuncture.

2010 came with shocking news. Greece, an EU member for more than two decades, was on the verge of entering a sort of national bankruptcy.

Beyond the help agreed to save Greece, the Athens crisis brought into discussion at European level the need for economic coordination in the euro area.

The European Council in March 2010 appointed the Chairman of the European Union, Herman van Rompuy, to organize a group to reflect on ways of establishing permanent economic governance. A super-executive with the task to implement strict budgetary discipline and to build mechanisms to prevent and avoid crisis. The

working group should provide the euro zone leaders with a package of responses by the end of this year.

Rompuy presented in Parliament plenary session in Strasbourg a final report of the European Council, explaining to the Community legislature the need for more effective monitoring and control instruments.

It is at least bizarre the behavior of the Brussels officials who insist on an unprecedented escalation of the public authority's involvement in the real economy, ignoring the reality that the current economic and financial crisis has been triggered by the public and populist measures taken by the U.S. government, which fact has affected not only the U.S. economy, but the world economy as we have seen in recent years.

So far, four states have had benefits from this crisis and certain Western chanceries call them the winners of this "competition". Brazil, Russia, India and China are, among emerging nations, the four pillars of strength. Even if, from a cultural standpoint, they do not share any common values, the four countries have weight in the financial world.

When the crisis broken out in 2008 reached the economies of Brazil and Russia, crashing them with about three percent, the leaders of the two nations decided to consult each other - and with counterparts from other countries, which also dominated the group of markets on an upward trend. However, two more qualified: China and India.

In Moscow, in June 2009, the four leaders sought a common language for discussing solutions to the deadlock of the global markets. The somewhat institutionalized coalition of the four was dictated not only by the membership to the same economic class. In fact, we are talking about four states that gather almost half of the global population. And, statistically we are speaking about 10% of the mankind's gross domestic product. Therefore, together, these four countries may claim increased attention from organizations such as IMF.

The four countries known as the BRIC have been reporting an average annual growth of up to ten percent in recent years. For comparison, the average in the European Union has been, in recent years, about two percent.

What are the advantages of the four? For the moment, Russia and Brazil are major exporters of raw materials, with oil and gas on top of deliveries. China is, in particular, the cheap labor bank of the planet but also has significant resources for innovation. Innovation as creative tool is an asset for India, but India is particularly recommended by the talent of software developers - which, of course, could be translated as "brain bank".

So, for year 2010 looking ahead, recent data give a mixed picture. The global economy, most notably emerging Asia, appears stronger than expected earlier, although it remains to be seen to what extent this will help the EU this year.

Financial-market conditions have recovered since early 2009, but balance-sheet adjustment is not complete and uncertainty remains abundant. Improved sentiment indicators for the EU point to an expansion of activity going forward, but hard data, especially industrial production and retail sales, have been less encouraging recently.

A sizeable slack in the economy continues to keep inflation in check. With the main driving forces being still temporary in the EU and globally, the robustness of the recovery is yet to be tested, and a soft patch later this year is accordingly to be expected in the EU as well as in most developed economies.

Based on an update for the seven largest EU Member States focusing on growth and inflation this year, the economic outlook for the EU remains broadly unchanged from the Commission's autumn 2009 forecast. GDP growth is projected at 0.7% in both the EU and the euro area in 2010, with only marginal revisions for most individual Member States. Notwithstanding increased volatility in commodity and exchange rate markets, the inflation forecast also remains largely unchanged for 2010.

The recent turbulence in financial markets illustrates well the high uncertainty that continues to surround economic projections. Risks to these projections thus remain high, but broadly balanced, with some risk factors, such as heightened turbulence in sovereign bond markets on the one hand and a more vigorous recovery of the world economy on the other, gaining importance since the autumn forecast.

Effects of the crisis in Romania and perspectives

As regards Romania, the results of the survey conducted by the Central Bank in January did not outline an improvement of the industrial sector, while in the construction field, the climatic factors continued to affect smooth business.

Beyond the stories of politicians and experts' estimates, data from the National Institute of Statistics show that we have not overcome the recession. The Romanian economy has a long way to recover.

Industrial businesses, one of the most relevant indicators of the economic situation, increased in March by 3.3%, supported by increased orders by 11% and consequently the production of 1.4%. The consequent increase in the last three months is influenced mainly by the advance of trade with western countries which appear to have already emerged from the crisis.

Exports increased, by 10.6% in February compared to the previous month and by 23% compared to February 2009 to 2.56 billion Euros. Interestingly, after 14

consecutive months of decline, due to increased industrial demand (production equipment, energy, etc.), but also currency appreciation, imports increased by 14.7% in February, well above the level in January.

And the trade, the main engine of the economic growth in recent years, has begun to feel the first positive signs. Sales of fuel, another important indicator of the economic situation, rose by 2.5% in February compared to January. And non-food sales advanced by 4.6% and food sales by 2.5%.

Overall, however, trade remains more than 20% below the 2009 level, the statistics being influenced by the significantly lower car sales.

As regards services, business grew in the second month of the year by 5.4% compared to February 2009 and 3% compared to the first months of 2010. The advance came, according to INS, amid growing demand for services in hotels and restaurants by 1.6% in February 2010 compared to same month last year.

It is expected that construction activity will maintain its downward trend. The total portfolio of orders to industrial operators will record a mild restriction, and the construction will continue on a descending slope, associated to weather conditions.

The construction field sees tightening stocks of finished goods. Regarding the availability of raw materials, most respondents from both economic sectors continue to anticipate a normal size for January. Considering, however, the negative levels of balances, it is not excluded to record stocks below the standard rate, most likely in the construction field.

As mentioned, the most significant rebound was registered by the residential construction field, where works fell in February more than 60% compared to the same month last year. Also, non-residential constructions fell 37% compared to February 2009. Interestingly, compared to January, this segment has marked an advance of 11.4%, which represents a signal of work resumption after winter.

Economic results of the first two months of the year have been reflected, as expected, in budget revenue decrease (-19% VAT, for example) and increased labor market crisis.

Regarding inflation, according to experts, it fell in March, reaching a range of 4,1-4,4%, in the context in which the RON's exchange rate appreciation tempered the increase in consumer prices and the adjustment of excise duties in January mitigated the inflation's effects. Official data from the INS will be communicated on Monday.

Much better results in the production sector, foreign trade and RON exchange rate appreciation at the beginning of the year increased confidence in the Romanian economy. According to Eurostat, the index measuring confidence in the Romanian economy went up by 1.4 percentage points in March compared to February. Growth

rate is lower than the European average, but is relevant to improving the overall economic perspective.

Most forecasts say that the Romanian economy could return to growth in the second half of the year, but we should also settle for stagnation. This especially since the advance of Western economies has tempered, with the spending of public money allocated to anti-crisis programs.

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The construction field will witness tightening stocks of finished goods. Concerning the availability of raw materials, most respondents from both sectors continue to anticipate a normal size for January. Considering, however, the negative levels of cyclical balances, it is not excluded recording stocks under the standard rate, most likely in constructions.

Over 40 percent of industrial companies and 52 percent of total construction operators specify the restrictive impact of demand on production activity. Another negative factor is the financial blockage, its action being felt in industry (in the case of 18 percent of companies) and construction (32 percent of operators). Also, the high level of bank interest installments, the evolution of the exchange rate and insufficient raw materials have restrictive influences.

Redundancies of staff will continue, opinions' balancing recording levels close to those of the previous period (-25 percent in industry, -50 percent in construction).

Estimates indicate the likelihood of a slightly downward trend of capital accumulation in industry, while in constructions, investments will accelerate their decline. The economic performance of the industrial sector will not record significant changes compared to December, but the construction field sees a considerable drop.

In this context the pressures that are on the government to take measures to redress the economy are dangerous because it does not have sufficient space for maneuver, depends on external funding and cannot handle a crisis whose roots are outside the country.

It becomes increasingly clear that after 2008, it is impossible for Romania to escape the current crisis if the global economy does not surpass the crisis, because we are dependent on the global context. The value of the companies depends on the business they undertake, and the business is not too profitable during crisis, although there are some exceptions.

Romania's current account has run disturbing deficits in recent years, which also occur when the Leu strengthens against the European currency, thus making imports cheaper. Given that Romania produces very little and the consumption is heavily

import-oriented, it is expected that nearly all expense bills, whether public or private, to stimulate imports.

When imports grow, the amount of money leaving the country increases, thus increasing demand for currency and a risk of leu devaluation are triggered. In this situation, the central bank is almost forced to intervene by selling foreign currency from its treasury to stop the currency falling. NBR is currently preoccupied with maintaining a certain level for the leu in order to avoid additional problems for the banks' million of clients – citizens or companies, which have contracted loans in foreign currency.

Conclusion

The financial blockage that extended in the economy will not disappear too fast because, on the one hand, the demand for consumption is still low, and on the other hand the access to loans is still restricted because of the damaging profile risk of the companies and the bankers' lack of appetite for new adventures on the markets.

But the worldwide system is characterized by inequalities, that make all the dependent countries recover heavily, and the differences between the rich and the poor become deeper, and the middle class, which barely appeared, get a powerful strike.

In conclusion, I quote Andrei Marga which "*Criză și după criză*", saying that to boost economic, political and cultural Romania, expertise, competence and vision needed for reforms, but also the leaders.

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THE IMPACT OF TAX EQUITY ON INCOME TAX COLLECTION DURING ECONOMIC DECLINE

*Stela Aurelia Toader**

Abstract

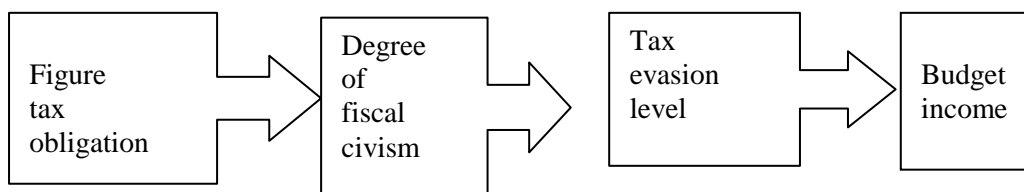
Generally, during financial crisis benefits liable to taxation represented by revenues which have been generated, consumed or saved that create fiscal prelevation are variably reduced. An element that can have an influence is tax payers' conformation degree, which is lower in these times and the natural trend of tax evasion is higher for objective reasons, we might state. The speed of reduction of taxable income during financial crisis is amplified when tax payers feel the tax duty as inequitable. In this paper I shall analyze the effects of the most recent two measures within tax policy in Romania, as far as taxing company profit is concerned, alongside with ensuring equity.

Key words: fiscal policy, tax equity, fiscal civism, voluntary conformation, contributive capacity, tax evasion.

JEL Classification: G01, H21, H25

1. General aspects of tax equity

There is a direct relation between the way tax obligation is determined and the degree of fiscal civism. Fiscal civism or voluntary conformation to pay tax obligations directly influence tax evasion and public financial resources within public budget.



One of the main requirements that must be taken into consideration by institutions that make decisions in taxes is to ensure equity when figuring tax obligation for tax payers, as a precondition for the premises to raise tax income.

Tax equity, as a specialized term, is synonymous to social justice as far as taxes are concerned. Creating an equitable fiscal system is necessary due to philosophical reasons and pragmatic reasons of efficiency and fiscal effectiveness. An inequitable fiscal system generates some sort of resistance from tax payers, which can amplify tax evasion.

* Stela Aurelia Toader is Associate Professor of Finance at the Romanian American University in Bucharest, E-mail:stelatoader@yahoo.com

The implications of the way taxes are figured and of the equity degree ensured have on the effectiveness of duties can be noticed better in times of economic fall, when finding public financial resources is more difficult than in times of rising economy when the basis of taxation is also high.

The principle of tax equity, as Adam Smith initially stated, lies within the fact that subjects of a state must pay their taxes according to their income.

Tax equity, as basic principle of tax policy, was progressively implemented. Ensuring tax equity refers to meeting the following several conditions at the same time:

- Making all people who generate certain income or own specific wealth submit to taxes under the stipulations of the law;
- Passing laws on tax exemption when dealing with minimum income, so that minimum living standards can be met;
- Establishing fiscal duties for each tax payer according to their payment possibilities, taking into consideration their income (wealth) that can be liable to taxation;
- Establishing the same fiscal duty for all tax payers with specific payment possibilities;

The way taxes are established, namely the criteria of setting the basis of taxation and the duty at a certain level of the basis of taxation is highly significant when it comes to ensuring tax equity.

2. Analysis of the evolution of tax income in romania from 2007 to 2009

When dealing with economic fall, the basis of taxation is lower, and therefore the possibilities of public authority to collect financial resources necessary to cover public expenses are fewer.

On the other hand, economically and socially speaking, the role of state intervention can be expected to become higher, as a requirement from members of the society (individuals and legal entities). To meet the extra demand of public financial resources which ensure a higher degree of state intervention in supporting economic activities and legal entities affected by crisis, public institutions must reconsider their tax policy measures to ensure high tax income.

Under these circumstances, it becomes crucial to ensure equity in establishing the fiscal role of tax payers.

Tax measures taken in Romania after the beginning of the current crisis prove that tax equity has not been taken into consideration by decision-making institutions, although it is one of the most important principles within tax system.

The consequences of this fact became obvious when budget revenues got lower because of fiscal charges.

Changing the level of the main budget indicators from 2007 to 2009 highlights the reduced possibilities when trying to cover public expenses and probably the emergence of the first proof of crisis in Romanian public finances.

Table 1: Budget indicators in Romania, 2007-2009

	2007		2008		2009	
	mill. RON	% in GDP	mill. RON	% in GDP	mill. RON	% in GDP
Fiscal income BGC	76.365,8	19,5%	94.044,4	18,3%	88.324,3	17,5%
Overall revenues BGC	127.108,2	32,5%	164.466,8	32%	156.624,9	31%
Total expenditure BGC	136.556,5	34,9%	189.121,7	36,9%	193.025,4	38,2%
Deficit	-9.448,4	2,4%	-24.654,9	4,8%	-36.400,6	7,2%
Fiscal income flexibility as related to GDP	-		0,73		3,74	

Source: www.mfinante.ro and author's own calculations

The flexibility of tax income in relation with the gross domestic product measures the reaction of tax income to changing GDP.

As one can notice from the data that have been shown, in 2008, compared with the previous year, the flexibility of tax income in consolidated budget was sub-unitary. This shows that there is a trend of lowering tax income in GDP, and slow growth to the raise of GDP.

In 2009, because of the economic fall, the flexibility of tax income as related to the gross domestic product was 3.74, which indicates that the speed to cut down tax income is higher than the speed to reduce the gross domestic product. If the gross domestic product decreased by 1.63% in 2009, the tax income in consolidated budget decreased by 6.08%.

One of the main reasons for this evolution is the constantly high level of tax evasion, which seems logical under conditions of financial crisis.

During 2007 –2009, the tax pressure accepted by tax payers and provided as the relation between tax income and gross domestic product. The evolution of accepted tax pressure resulted in the increase of tax income during 2007-2008 considering the real economic growth, whereas during 2008-2009 when the gross domestic product had a negative evolution, we dealt with the decrease in real tax income.

Table 2: The evolution of accepted tax rates and the real level of tax income based on fiscal charges during 2007 – 2009

	2007	2008	2009
Accepted tax liability	19,5%	18,3%	17,5%
GDP – constant prices 2006 (mill. RON)	372.758,49	454.540,77	423.404,81

Income tax collected – constant price 2006 (mill.RON)	72.840,32	83.180,97	73.979,65
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Source: Personal calculations based on statistic data from www.mfinante.ro and www.insse.ro

If in 2008 unlike 2007 in spite of tax liability being lowered by 1.2 p.p., considering the real growth by 22% in the tax income within consolidated budget, the real tax revenues within general budget grew by 14.2% in 2009. In 2008, when the real gross domestic product was lowered by 6.9%, the reduction of official tax rate by 0.8 p.p. the overall tax income decreased by 11.06%.

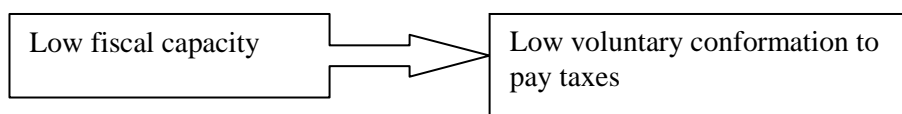
The data support the statement that during economic fall it is inefficient to provide tax payers with a superior duty.

Integrating tax policy in the decision-making process of economic agents generates a change in their initial state and behavior that arises objectively as a result of their concern for finding ways of organizing and carrying out activities that generate the lowest taxes possible, as expenses within economic activity, under the context of meeting the objective of maximizing their benefits. According to the theory created by the American economist Arthur Laffer, an extremely high level of charges destroys the basis that the tax system operates on, as it discourages the tax payers to carry out activities that generate taxable income or even makes them hide these revenues. Under the current economic and financial context in Romania, Laffer theory becomes important. Thus, under financial crisis the effects of higher taxes will get stronger on the tax income decline.

The only measures within tax policy that can be taken during financial crisis refer to using economic instruments as means to stimulate the recovery of economic activity. In such times, the reduction of tax level can bring higher income in the public budget.

As I have previously mentioned, voluntary conformation to paying taxes is reduced, as tax payers try to survive by any means and making tax liability more difficult will highlight tax evasion level.

This statement is directly related to the requirement of tax policy that tax liability must be established according to the fiscal capacity of tax payers, especially when the capacity to pay taxes is reduced.



3. Profits tax in romania under the context of the current financial crisis

Ensuring tax equity in Romania under the context of financial crisis is analyzed by referring to the measures regarding changes in tax liability and profits tax payers after May 1st 2009, namely economic agents that operate in various fields of economy.

3.1. Minimum profits tax

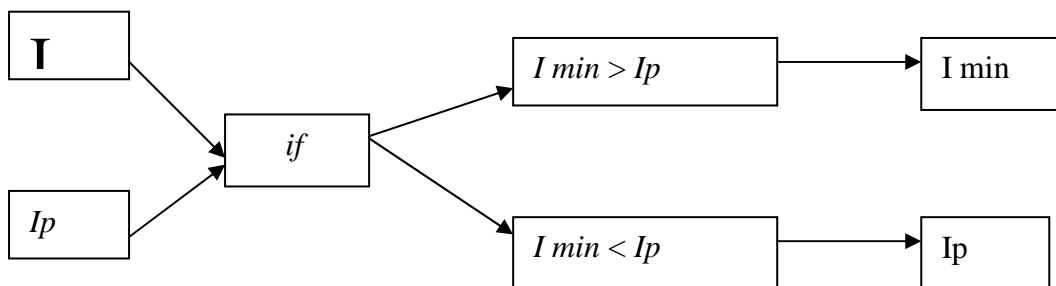
Economic agents have been forced into paying minimum profit tax by the Emergency Ordinance no 34/2009, starting from the second quarter of 2009.

The minimum tax was set as a fixed sum according to the income portion. Annual revenues that define minimum taxes are those earned the previous year when taxes were due to be paid.

By means of minimum tax, tax payers are forced to pay the highest sum of the tax calculated according to data in bookkeeping and the minimum tax established according to previous year income.

To establish profits tax, we show the following decision tree, where:

- I_{min} is the minimum profits tax as a fixed sum according to previous year's revenues
- I_p is profits tax as a proportional coefficient of 16% of taxable income for the year liable to taxation.



In the following stages we shall analyze the effects of minimum tax on tax equity for bearers of tax liability and tax payers.

The main requirement of tax equity refers to establishing tax liability according to the financial possibilities of the bearers of taxes.

From this perspective, the minimum tax induces the following effects:

- *it determines a certain regresiveness of tax payment, specific to indirect taxes*

As a fixed sum according to income level, all tax payers with revenues within the limits of a portion, that are liable to pay the minimum tax, will have to pay the same fixed sum. This way, the weight of taxes in the revenues decreases within a portion from tax payers with income on the lower part of a portion to those with high income at the superior layer of a portion, which results in: $\frac{Im_{in}}{V_{min}} > \frac{Im_{in}}{V_{max}}$.

To explain this statement, tax pressure on payers will be analyzed according to the tax grid established by the Emergency Ordinance 34/2009, to establish minimum tax. This is the following:

Total annual income (lei)	Official minimum tax (lei)
0-52000	2200
52001-215000	4300
215001- 430000	6500
430001 – 4300000	8600
4300001 – 21500000	11000
21500001 – 129000000	22000
Over 129000001	43000

Relying upon this grid, tax pressure for payers with income on the lower/higher part of a tax grid will be established, as it follows:

- For annual income of 52001 lei, the tax liability of tax payers will be 4300 lei. In this case, the tax pressure is 8.27%, while
- For annual income of 215000 lei, the tax liability of payers is 4300 lei. In this case, the tax pressure is only 2%.

From this perspective, one can state that the minimum tax brings about inequity as far as tax payers are concerned, as it does not meet the requirement of establishing tax pressure according to contribution possibilities, establishing an inverse proportional relation between income and taxes to be paid.

• it determines the raise of tax liability for tax payers with income that is higher in the respective year than the previous year

Tax liability as profits tax refers to taking a part of the profit of tax-paying legal entities. After this stage, the part that remains with the economic agent is used to further finance activity or is given to shareholders. Maximizing profit is the essence of any activity developed by economic agents. The tax policy reduces the benefit that they can enjoy as a consequence of their effort.

To carry out activity that generates profit, economic agents make certain expenses that must be taken into account by the tax system when profits tax is established.

Connecting tax liability exclusively to revenues is against the principles and basic rules in tax system, considering that these revenues are earned in other times than the one that is liable to taxation.

From this perspective, the tax liability of a tax payer can be increased if the revenues for the previous year V_0 are higher than those for the time when they are liable to pay the tax V_1 , or reduced in the opposite case.

This way,

◦ $V_0 > V_1 \Rightarrow$ increased tax liability

◦ $V_0 < V_1 \Rightarrow$ reduced tax liability

As far as Romania is concerned, under the context of the negative trend of tax basis (the gross domestic product in nominal and real terms) during 2008-2009, the tax liability is increased as it relies upon superior tax level.

This way, all tax payers with income below the part with revenues of the previous year will be faced with an increased tax liability.

Let's consider a tax payer with revenues of 100000 lei in the previous year, where the minimum tax is 4300 lei. If during the year he is liable to pay taxes (under the circumstances of minimum taxes) the revenues are 50000 lei, the tax pressure will get to 8.6%, while 4.4% would have been the case when income in the time that taxes are due to be paid.

If we take into consideration all that has been stated so far, the minimum tax does not rely upon payers' or tax bearers' contribution capacity, or on the income earned in the time when the tax is due to be paid.

• *it determines the increase in the tax liability of payers whose expenses are over a certain rate of the total income;*

To establish the minimum limit of the weight of expenses in the total income beyond any increase brings about an increase in tax liability, we shall start from the inequality $I_{min} > I_p$, where profits taxation is the tax that payers are supposed to provide on account of the taxable profit as the difference between income and expenses. To simplify, we will not take into account tax adjustment, and all revenues will become taxable income and all expenses will be deductible, which makes taxable profit the same as bookkeeping profit.

This way,

$Minimum\ tax > profits\ tax = taxable\ profit * 16\% = (Total\ revenues - Total\ expenses) * 16\%$

If the total expenses are a specific percentage g of total income, the inequality shown previously will become:

$$\text{Minimum tax} > \text{Total revenues} * (1 - g) * 16\%$$

From this relation we conclude that when $g > 1 - p$,

$$\text{where } p = \frac{\text{Tax}_{\text{min tax}}}{16\% * \text{Total revenues}},$$

the minimum tax liable within public budget is higher than that calculated on account of taxable profit.

In other words, tax payers whose expenses weigh more than (1- tax weight minimum in 16%* Total revenues) will be liable to pay more than what they would have been liable to pay by establishing the tax as a proportional rate of 16%.

Consequently, a tax payer with total annual income of 60000 lei for those with total expenses of 44400 lei, has to pay an annual profits tax calculated as proportional rate of 16%, namely 2496 lei. Considering that annual income of payers in the previous year was 52001 lei - 215000 lei, the minimum tax is 4300 lei. Therefore, tax pressure of the respective payer is increased by 11,5 p.p, from 16% to 27, 5%.

3.2. Quarterly anticipated payment as annual profits tax

According to current regulations, profits taxation is an annual tax with quarterly anticipated payment.

The general rule that has worked until this tax year, 2010, refers to the fact that anticipated payment is established considering quarterly taxable profit from the beginning of the tax year.

Starting from January 1st 2010, quarterly anticipated payment is established considering the profit of the previous year, along with the inflation index estimated when establishing the initial budget for the year they are due to be paid.

After the tax year the profits tax is calculated again considering the profit from the year the tax should be paid for, and the tax differences that are paid higher than the tax liability are given back to tax payers.

Such a change in the way anticipated payment is generated, where P_0 (taxable profit from previous year) is higher than P_1 (profit from the time the tax is due to be paid), involves an increase in PA_0 (anticipated payment calculated considering previous year's profit), whereas the taxes liable established by means of quarterly profit in the respective tax year (PA_1), $PA_0 = (P_0/4) > PA_1 = (P_1/4)$,

Tax payers are this way forced to credit the state budget for a while with the difference ($PA_0 - PA_1$), without asking for their approval.

Considering that tax payers have to pay increases for delays when they are unable to pay off their duties according to tax policy, as anticipated payment, the state should give tax payers interest for using monetary funds that belong to tax payers, which is not stated under the current legislation.

The state is the user of funds that belong to tax payers and it does not have to pay anything for that. It is in a privileged position, as tax payers do not get the same treatment when they have debts.

4. Conclusions

Maintaining equity in establishing tax burden for payers is one of the main requirements to ensure the effectiveness of taxes.

Under financial crisis, when the tax basis is lowered and voluntary conformation is low as a natural consequence of saving money for personal needs, a significant part of income, any raise in tax liability and failing to meet tax equity requirements leads to cutting down the sums that can be acquired within public budget because of tax prelevation.

The last two tax measures with respect to the income tax in Romania breach both the principle of tax equity and the rule according to which the tax burden must not be increased in periods of economic decline.

To sum up, the introduction of the minimum tax as a responsibility of income tax payers entails the following effects:

- It does not contribute to the establishment of a correct relation between the contributive capacity and the tax burden of tax payers determining, on income installments, an inverse proportional relation between the level of the income obtained and the growth of the tax due;

- It does not consider the real contribution power, setting the tax due depending on the incomes obtained by the tax payer in a period other than the one for which tax is due now;

- For certain tax payers, it determines the increase of the tax pressure over the level of 16%

On the other hand, the introduction of the anticipated payment system based on the profit obtained in the year preceding the year for which tax is due also introduces a certain degree of inequity with respect to the tax treatment of tax payers as to the privileged position of the public authorities.

The effects of such measures will be visible in the growth of the tax evasion and implicitly in the reduction of tax income collection.

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EFFECTS OF ECONOMIC CRISIS ON THE ROMANIAN ECONOMY

*Valeriu Potecea, Georgiana Cebuc**

Abstract

Romania, which for 50 years was part of the "communist experiment", returned in 1989 to rules of market economy, hoping that within a reasonable period will reap the benefits of capitalist values. Global seizures that began to affect the whole world economic system in 2008, from the U.S., seem to invalidate not only all political and economic accumulation obtained by our country in almost 20 years but efforts to affect and ideal economic theories which fully adhered

Keywords: economic crisis, Romanian economy, real estate, unemployment.

JEL Classification: E32, F20, F31

1. General context of crisis

Although last year was assured, even the high level that Romania will not be affected by global economic crisis, here it is now felt the full effects, both economic and social.

And could it be otherwise, even if we can not say that there is a direct link between the origin of the financial crisis erupted in the United States and the situation here, the most common view is that a financial crisis is triggered locally (in a region , country or institution), and then "spread" everywhere. This process of "spreading" is often encountered as the contagion. Moreover, news of contracting various national economies, have become customary in the media are not likely to give us an encouraging outlook, showing overall the dimensions of such a phenomenon

According to foxnews.com, the U.S. economy contracted by 6% from early this year, exceeding analysts' estimates, provided that the savings made in most areas of activity and the largest fall of U.S. exports in the last 40 suppressed the growth years for consumer spending, which was not enough to cover the massive savings made in almost all areas of activity - building houses, cars, equipment and software. The unemployment rate climbed to 8.9% in April from 8.5% in March, and employers have fired at least 600,000 workers for the fifth consecutive month, so that the

* Valeriu Potecea is Associate Professor of International Business at the Romanian-American University in Bucharest.

Georgiana Cebuc is Assistant Professor of International Business at the Romanian-American University in Bucharest. E-mail: srdgeorgiana@yahoo.com

recession beginning in December 2007, 5.7 million Americans remained unemployed and expectations are bleak, unemployment is estimated at 9.5% at the end of this year, will be increased to 9.7% in 2010.

Overseas, in Europe, the UK economy will contract by 3.8% this year and 0.2% in 2010, International Monetary Fund estimates that the recession will last longer than among the other major world economies, IMF warning that Britain would be the only member of the G7 to be affected by the recession in 2010.

In turn, Germany, Europe's largest economy, faced with declining GDP, which is the largest contraction of the economy in 1990, the reunification of Germany. Economic decline was exacerbated by the massive drop in exports and investment, amid worsening global economy, the recession has worsened in the latter part of last year.

In Spain, a country that, along with Italy, working an impressive number of Romanian workers, number of unemployed almost doubled in the last year, exceeding four million people, of which over 800,000 registered only in the first three months of this year, which led to an unemployment rate of 17.36% in the first quarter of this year, the highest in the EU, whose average is 7.9% (in February 2009). Moreover, these rates have not been achieved since 1998, when the unemployment rate climbed to 17.99% and the number of those left without a job is the highest in 1976 here, since these data were recorded for the first date. Massive degradation of the labor market occurred after the housing market fell and the activity in the construction sector (where have many Romanian) is dwindling, especially as the country through the worst recession in the last 15 years.

Dutch economy, already in a deep recession, will contract this year, according to the Institute for Economic Policy Analysis (CPB). 3.5%, being the largest decrease from 1931 till now, for next year, an institution estimated economic loss of 0.25%. In this economy dependent on exports, production is likely to remain low for a long time to come and unemployment rising to 5.5% from 4% in 2008, and 8.75% in 2010. Also, the budget deficit in the Netherlands would increase to 2.8% of GDP in 2009 and 5.6% of GDP in 2010.

Another dynamic and open economy, like that of Denmark, could shrink by 1.1% this year, according to Danish central bank estimates, because of decreased demand and production. GDP fell throughout 2008 and will continue to decline in 2009, so that GDP will be 1.1% lower than last year.

And Turkey's economy will contract by 3.6% this year due to global economic crisis, although initially, the authorities in Ankara estimates in an economic program for 2009-2011, a growth of 4% for this year.

Decreased global demand for automobiles, machinery and technology products are made to Japan's economy is headed for the worst recession since the Second

World War. Japan's economy has been compressed by 3.2% in October-December period, which is the fastest decline in the oil crisis in 1974. Economists believe it is possible that the decrease has continued in the first half of this year. Japanese Prime Minister Taro Aso launched an economic stimulus package, worth 150 billion dollars, for reviving the economy, reaching 3% of GDP, provides funds for clean energy generation, health care, support and promotion of culture and labor market tourism

Also in Asia, the IMF estimates that the recession will slow China's growth rate to 6.5% from 6.7%.

And Australia went into recession, which led the Government to announce a stimulus plan worth 26 billion dollars to protect the economy before the global financial crisis. The money will be spent on infrastructure, schools and homes, and to pay cash for those with low and average income.

Regarding the European emerging economies, IMF analysts believe that they will contract by around 3.75% this year and in 2010 will record an advance of only 1%, compared with increases of 4-7% recorded in period 2002-2007.

The region affected by this crisis is the commonwealth of independent states, who are facing dramatic decline in lending, lower demand and reduced energy prices. Thus, the IMF estimated that the economies of former Soviet states will compress up to 5.1% this year and will grow by 1.2% in 2010.

2. The economic crisis and its effects in Romania

As noted above, the global crisis, had no way to get around and our country. Lately, more and more Romanian companies face serious problems they attributed the economic crisis The following are some of the economic and social effects that in it.

- ***Lack of export controls in areas such as the United States or European Union, the destination of over 70% of Romanian exports***

International trade of Romania in January 2009 fell by 31.6% against 2008, exports recorded a decline of 24.0% and import a drop of 36.4% over the corresponding period last year, as shown in Overview of developments in international trade of Romania in January 2009 published ROMANIAN Trade Promotion Center. The total volume of intra trade of Romania in January 2009, fell by 27.1% against 2008, exports recorded a decline of 18.7% and import a drop of 32.6%. Intra export value (by the 26 EU countries) was 1483.8 million, down 18.7% from the same period last year and represented 77.3% of total Romanian exports. Intra import value (derived from the 26 EU countries) was 1859.8 million, down 32.6% from the same period last year and represented 73.5% of total Romanian

imports. 70% of Romania's trade balance with the European Union, indicate that "provides" a fairly significant import crisis.

EXPORT OF ROMANIA FOB achieved in January 2009 amount to 1920.1 million, recording a decrease of 24.0% (-605.1 million euros) from the same period a year earlier, when it amounted to 2525.2 million. The value of exports to the 26 EU countries was 1483.8 million, down 18.7% over the same period last year and represented 77.3% of total Romanian exports. Export value was extra 436.3 million euros, down 37.7% over the same period last year and represented 22.7% of total Romanian exports. Compared with decreases in January 2009 of -24.0% for total, compared with January 2008, exports by product evolution was different, respectively, were dropped at: -49.4% mineral products, products chemical and plastics -42.3% base metals and articles thereof -37.0%; Articles of stone, plaster, cement, glass, ceramics -26.9% wood products industry, paper (including mobile) -- 18.4%, machine-building industry products (including electrical) -16.5% -14.4% textile and leather industry products and foodstuffs increases to 18.0%.

- *Decreased demand in real estate.*

Many companies within the construction area and have unrealistic expectations in increasing the pace of development of the real estate sector, have invested significant sums in production capacity that can not be recovered easily because of decreased demand. However, many developers in the real estate sector is facing difficulty in selling apartments or new houses built, however, they continue to seek prices above 600 euros / sqm, provided that not more than 1 sq m built 300 to 350 euros sqm. Small investors who purchased land near cities for resale, and they were paid mostly by bank loans found that their price has dropped and it is very difficult to resell. Some of those who figured to start construction on these lots have been thinking and solutions coming from overseas, the United States, such as lotteries, to pay debts from the bank.

- *Increasing the number of bankruptcies*

According to research company Coface, by the end of 2009 more than 20,000 firms will go bankrupt or judicial reorganization, which means 4% of all active firms. The most affected sectors are trade, construction, real estate and agriculture. Furthermore, these sectors have been affected both in 2008 (when 56% of the approximately 14,500 companies in bankruptcy came from trade and construction) and the first quarter of this year. While increasing the number of insolvency and bankruptcy is a perfectly normal market adjustment due to economic context. Because, do you, what matters is not the number of companies into bankruptcy, as their market value and their domain, yet most important and alarming change in recent months is that

they have entered into insolvency nearly 900 firms in manufacturing (about 18% of the total, compared with about 15% in 2008). The most striking development is that the share of companies specialized in real estate transactions, from 1% in 2008 to 6% in the first quarter. With regard to zonal distribution of bankruptcies in 2008, Bucharest, Prahova, Timiș and held the top three places.

- ***Unemployment and return home of Romanians that worked abroad***

After a period of low unemployment (4% in 2008), estimates for this year made by the European Commission and the International Monetary Fund is between 8 and 8.9% for 2009 and 7.7 and 9.7% 2010. The National Agency for Employment of Labor Force nearly 31,000 collective redundancies were made only in the first two months of the year. Textiles, chemical, oil and gas, and construction is and will be in the coming months the main areas which are and will be dismissal. Furthermore, recruitment firms say that banking, financial services and real estate's most spectacular falls were recorded in terms of volume recruitment. On the other hand, employment in the volume have done just retailers who are responsible for nearly all of the over 3,000 people employed in the first three months of the year, according to an analysis carried by Ziarul Financiar. New shopping centers - Militari Shopping Center and Grand Arena, but the extension of the older malls as Plaza Romania and Iris Shopping Center, have meant about 1,700 jobs in Bucharest. International food trade networks will create around 8,500 jobs by the end, given the fact that for this year are scheduled opening 100-110 stores in modern trade the dominant food. On the other hand, is a new situation, that of returning the country to Romanian workers affected by unemployment, and important families sent funds remaining at home.

- ***Increasing food prices***

Anyone can see that markets are full of vegetables and fruits to import, especially from Turkey and Jordan. Prices have increased by 20% only last month, even though the euro has risen against the lion for some time, but because virtually no local competition, there are no greenhouses producing all season, and vegetables and fruit Romanian season reach the market with a delay of 2 months over imported. Amid a prolonged drought from last spring, food prices increased on average by 10.82 percent from last year, percentage reached in March, an increase higher than inflation rate which was set at 8.63 to percent. After lowering the previous year, while the main cereal harvest fell by 50 percent on average agricultural production this year promises to be better because rich spring precipitation. But farmers already provide a 10 percent increase in prices of wheat and corn because more expensive diesel, whose price has gone from 1.1 euros per liter, in a country where the average salary barely reaches 350 euros. However, Romanian producers denounced the policy of

large distributors, which they accuse require a series of "duties and compensation" which translates into an "artificial increase in prices. Employers from the food industry also criticizes the international chains that "favors imports" at the expense of local products and claim that "the Romanian market is virtually blocked by the interests of brokers and supermarkets, and Romanian farmers struggling to produce organic fruit and vegetables, but their efforts are futile, because they place "

- *leasing companies face the problem of returning the goods financed, both cars and machinery.*

By reducing income or dismissal, are unable to pay the leasing rates, some users are in limited circumstances, were forced to abandon the car, even if they have paid several installments, and they have returned to sponsor companies. Meets the same situation and if companies, which due to weaker orders and prevented from coming into payment, were "forced" to give up the fleet they had, or specific equipment involved in the production process. The situation is very happy for leasing companies, after a period of accelerated growth over 5 years to see the parks occupied by cars returned with heavy machinery that are resold, given that many of them were used in May than 1 year and half, and new cars prices, influenced by discounts practiced new car dealers are sometimes lower than prices of these cars used. The situation is worse in the leasing of equipment, where funding is considerable value and resale possibilities are limited.

- *Production of black, no billing, escaping to tax and resulting in extremely serious problems receiving revenue from the state budget, highly pressured. Romania's state budget has difficulty, in this moment, to ensure that expenditure is committed, and the Ministry of Finance made frequent loans to cover running costs*

- *Reducing the minimum wage to the economy and eliminating bonuses, increases and overtime.*

- *Private kindergartens facing withdrawal of children by parents who no longer can afford to pay fees of 400-500 per month.*

- *Insurance companies no longer find new customers, just shelves for children are those that are concluded.*

- *Issues for people with housing loans, lower prices for apartments*

3. Conclusions

The vulnerability of Romania in the current economic crisis takes not only international financial resources, more expensive to cover the trade deficit (of which about 2 billion are generated only in the agri-food sector), but also unable to increase domestic productivity and exports on short terms. According to Western analysts, Romania has demonstrated repeatedly that it is unable to promote long-term macroeconomic policies, the often being more important the political factor.

At this point, there was a "ray" short-term economic prospects and the environment and the actions of the state to find a way out of crisis by developing a package of anti-crisis measures. What is lacking Romania, say the experts, is an analysis of the financial crisis and economic impact on all economic sectors, because it shows its effects at different time intervals, with a different magnitude, the longevity of a crisis different from a sector.

Moreover, a World Bank report on Romania stated that our country faces risks pro-cyclical fiscal policy, wages, external financing and reduced external demand, which may lead to a spiral of economic contraction and the problems in the banking sector.

The stability of banks with majority Romanian (state or private) has become particularly important to maintain confidence in the banking sector, any problems arising can cause serious effects of the economic climate in our country. In this respect there is still more views in accordance with the recession in Romania will be the effects will be avoided or reduced through a combination of fair national effort (primarily) with leverage provided by international institutions.

Not all scenarios about Romania are so bleak. Representatives of the Swedish company East Capital investment management believe that Romania is better positioned than Hungary and the Czech Republic. "During the economic downturn, states export depends Hungary and Czech Republic are also vulnerable. At the opposite extreme, Turkey, Romania and Russia, with a high domestic consumption, is in a better position to face economic storm ' said Karin Hirn, co-founder of the Swedish asset management company East Capital

Moreover, some analysts believe that Romania has three advantages to the countries of the region, but they are not (re) rating known international agencies: the exposure of more than export to foreign markets (Romania exports is not than 24% of GDP, compared to 60-70% as it is in Hungary, Slovakia, its Czech) loans are negotiated in Romania, as a ratio to GDP, only 39% compared to values of 70-80% in other states area, so that no matter how bad it would perform the banking sector should not affect the economy in a dramatic way and, not least, Romania is not affected by price increases in energy products. Along with Poland, are the only countries in Eastern Europe which are not dependent on imported gas and oil.

All these advantages may be, along with packages of measures already implemented by the Romanian authorities, as our country to cross this difficult time with less cost, with easier to heal wounds of post-crisis.

BLACK SEA: A GEOPOLITICAL AND ECONOMIC PERSPECTIVE OF THE EASTERN BORDER OF THE EURO-ATLANTIC STRUCTURES

*Daniela Popa**

Abstract

The Black Sea is a crossing space between worlds, different cultures and global interests. Political, economic and social shifts occurred over time within the states in the area, with major consequences in the game of power and in exercising control in the game. The new realities of the international political scene have highlighted the crucial nature of the Black Sea Region for European security, being known as the new eastern frontier of Europe. The full European security can not be achieved as long as the Black Sea area remains unstable

Keywords: regional security, regional cooperation, asymmetric risk, regional risk, energy security.

JEL Classification: F51, F52, F59

The Wider Black Sea region is an area of joint action for global actors such as European Union, North Atlantic Treaty Organization, United Nation Organization, The Organization for Security and Cooperation in Europe, United States of America, Russia etc. This is because in the process of redefining the strategic - political issues of this area are involved explicitly or not, directly or not, players with a global vocation. The Black Sea is a crossing space between worlds, different cultures and global interests. Political, economic and social shifts occurred over time within the states in the area, with major consequences in the game of power and in exercising control in the game.

The geopolitical and geostrategic interests of riparian countries, the interests of the main players in the top hierarchy of the world (USA, Russia, China, Japan, India, and EU countries), the huge economic potential, the military and demographic role of this area as link between Central Asia and the Middle East, are evident. The new realities of the international political scene have highlighted the crucial nature of the Black Sea Region for European security, being known as the new eastern frontier of Europe. The full European security can not be achieved as long as the Black Sea area remains unstable.

Including Romania and Bulgaria, NATO placed the Black Sea littoral countries in a position of parity number (three to three), and NATO involvement in Afghanistan and Iraq means a significant shift to the east area of operations for the Alliance. Also, plans for redeployment phases of U.S. bases in Western Europe were added. Partnership for Peace under NATO had a profound impact throughout the region, starting a reform process of the armed forces and internal security agencies.

* Daniela Popa is Associate Professor of at the Nicolae Titulescu University in Bucharest.

Also, the enlargement of European Union has favored the rise of a new strategic factor in the region. Approval of the conceptual framework of the EU's relations with neighboring countries in East, aimed in the first instance the Russian Federation, Ukraine and Moldova, is a clear indication of rising European interest to the Black Sea as a natural bridge to the vital energy sources from Central Asia and the Middle East. Another important element of the role that EU plays in the region is taking the main responsibility in the Balkans through the stabilization and association agreement. This process could be a model for a similar process for the South Caucasus.

Security in the region must reflect the new status of the Russian Federation and Ukraine as a partner with NATO, EU and U.S., facilitating constructive approach within the framework of multiple problems (fighting against unconventional or asymmetric threats, military body reform, energy security) with direct implications. An analysis of the security environment in the region also involves analysis of "frozen conflicts" in the area, as well as those in Abkhazia, Transnistria and Nagorno-Karabakh. Russian Federation is still very active in the area, both by exerting a direct influence and by its potential actions in the geopolitics of energy field. Strategic configuration of the region has changed through the existence of Ukraine, Georgia and other states that had resulted from the dissolution of the former USSR, as state actors, with their own interests. On short and medium term, the concerns of the European Union and the U.S. will be focused on ensuring the stability of transatlantic relations.

From a military perspective, there is no reason to say that the region is not stable. Naval forces don't have the traditional role of territorial defense. These structures are rather involved in military actions to counter the asymmetric risk. The evolution of strategic relationship between east and west and the economic opening promoted by the enlargement of European Union and NATO require a clarification of the concept for the EU's eastern border, being an complementary area for the states that currently are not included in the integration project - Russia, Belarus, Ukraine, Moldova, respectively those adjacent states - Georgia, Armenia, Azerbaijan, Central Asian states.

The objectives of EU and Euro-Atlantic area are: to strengthen the regional cooperation strategy, which includes the entire eastern area to Central Asia; to set up a European strategy for Moldova, Armenia and Azerbaijan; to establish and strengthen the infrastructure; to renew the European programs for telecommunications and IT, transport (TRACECA), energy (INOGATE); to strengthen the regional projects by joining PfP related projects; to assimilate the best practices of cross-border and sub-regional cooperation, already experimented with the support of the Stability Pact; to support a regional program of environmental protection and sustainable development in the Black Sea Area and to extend the opportunities to improve cooperation with Armenia, Georgia and Azerbaijan, and with Turkey and Israel, through Caucasus, from Georgia.

Being a EU and NATO member, Romania has a geostrategic position and has opened relations with countries in the region that lead to the establishment of a strategy that includes the following priorities: to support the process of strengthening a good governance, to support the development of effective administration of the borders, to eliminate trade barriers and to strengthen relations in the regional free trade and to resolve the minority issues and territorial disputes, based on national commitments undertaken.

The defining element that reflects the geopolitics of the extended Black Sea Area is that this region lies at the confluence of three major geopolitical regions: the Balkans, Eastern Europe and Asia Minor, and close to the hot zone of the Middle East, while being a segment of the southern border of the Russian Federation and the northern limit of the southern flank of NATO. Black Sea is the gateway out to Ocean for Bulgaria, Romania, Ukraine and the Transcaucasian countries, not forgetting to mention that it lies on the route proposed for transporting the Caspian and central Asian oil to western European consumers.

The region is rich of marine and submarine resources; it is the shortest way for Russia to the south and east area, providing commercial and tourist facilities, having a large number of ports, being therefore a good environment for the economic, cultural and military activities. The Wider Black Sea Region is an area of 350 million consumers, with an important demographic and economic potential. That is why the region is so attractive for the traditional global actors.

A strategy in the region must regard the special role that the energetic resources of Central Asia and The Middle East have in the Euro-Atlantic security equation. Europe imports about 60% of its resources through the Bosphorus and the English Channel. Analysts forecast that Europe will import over 70% of energy sources from outside the continent in 2020. Black Sea Region and the adjacent area dominate the entire Euro-Asian energy corridor from gas pipelines and trans-Ukrainian oil which supplies markets in northern Europe, until the pipelines Baku - Tbilisi - Ceyhan pipeline bound for the Mediterranean area. A secure and stable regional environment is favorable for Europe, assuring the access to the energetic resources of the Caspian basin and central Asia.

The Wider Black Sea Region returned to the center of cross-border activity both in a positive meaning (trade, tourism and transportation of energetic resources) and negative meaning (joint point of supply and demand for various illegal products).

From the perspective of terrorism, the states in the region have varying degrees of risk. Thus, the states on the western coast proved that they can have an efficient control of the phenomenon, in terms of prevention and combating. In contrast, the states in the Caucasus area still have a fragile political stability, which could encourage the radicalization of the social movements, can increase the number of terrorist organizations that are affiliated to international networks. The vectors of terrorism are: the enhancement of the ethnic, separatist, Islamic and fundamentalist groups' activities; the radicalization of the autonomist-separatist movements in the Caucasian region (Nagorno-Karabakh, Transnistria, the Chechen nationalist

movement against Russia); the launching of the Islamic fundamentalism that can have a big impact within the poor classes; the presence and involvement of Arab NGOs that support the terrorist groups; the interconnection between terrorist activity and organized crime.

Moreover, the Caucasus and Central Asia are key points for the ongoing operations in Afghanistan and Iraq. There are two NATO missions in Afghanistan: one mission in Kabul, ISAF (International Security Assistance Force) and Enduring Freedom in Kandahar region. The air routes to these countries use the strategic airports and the military facilities that are in Central Asia and Caucasus, as the area of transport. These aspects reflect the big importance of The Wider Black Sea Region.

Setting in more military facilities on the western shore of the Black Sea, as those placed in Romania and Bulgaria, has an important role in the war on terrorism. These facilities are operated jointly by U.S. forces and the Romanian/Bulgarian troops and are crucial in the new U.S. strategy of using small bases for shelter, both shelter and reserve troops. This proves the big role and the importance that the Black Sea has in the war against terrorism. We must regard that Romania, Bulgaria, Ukraine, Moldova and Georgia are the countries from The Wider Black Sea Region that have troops in Afghanistan and Iraq, as part of a coalition. The overflight rights apply to all countries in the region and have functioned, including for Russia.

Organized crime.

The Wider Black Sea Region is a favorable ground for crimes as: drug trafficking, human trafficking, illegal immigration, economic and financial crime, money laundering and falsification of documents. The drug trafficking routes that comes from The Golden Crescent (Pakistan, Iran, Afghanistan), Golden Triangle (Myanmar, Laos, Thailand) and some Central Asian states is passing through the region. The borders of the Caucasian states facilitate the criminal groups through Western Europe. The danger is even greater as they are not only transit countries, but even drug consumers. The increasing of the drug consuming has as an effect a considerable financial involvement of these organizations, and this power is used to corrupt the decision makers. The corruption gaps legislation are issues that not only facilitates the expansion of drug trafficking, but also extend human trafficking to western destinations.

The frozen conflicts

The Moldovan-Transnistrian conflict, the Azero-Armenian conflict, the conflict in Georgia, the conflict in Chechnya. Some authors highlight more other areas and sources of instability for The Wider Black Sea Region: Bosnia and Kosovo, where ethnic and inter-religious tensions remain a risk of conflict and instability. In the ex-Yugoslav territory there are many refugees or displaced people, which allow us to believe that in this area, still, are some elements that can be a source of instability.

Obviously, the settlement of frozen conflicts is the attribute of all states in the region, but their resolution will not be possible without the involvement of the

international community. They represent a major obstacle to the success of any regional or global initiatives that would lead to stabilize the South Caucasus. Any strategy must be preceded by the settlement of these conflicts. The Euro-Atlantic structures have an important role in this process and they must show a high interest and a more responsible involvement in resolving these conflicts.

Even if the risks, the dangers and the threats in the regional security environment exist, Black Sea Region shows a wide range of opportunities for the developing process of creating a space of peace, security and prosperity. By increasing regional military cooperation and by the recent EU step to enhance cooperation between countries bordering the Black Sea, to which Romania, as a member of both organizations, brings a more active contribution, The Wider Black Sea Region will become a pillar of stability, security and sustainable development, will become an area of confluence of economic, political and military security components, having an influence in the Middle East and Central Asian areas, in the aspect of a better management of the risks caused by the frozen conflicts in the region.

In our opinion, the international community must take an approach that includes efforts to persuade the separatist parties that their accomplishments are only temporary and will not be permanent unless they are recognized by the international community. It is also necessary for the OSCE and UN to show more attention on the humanitarian problem (refugees). For Russia is essential to understand that the stability of South Caucasus influence the stability of the North Caucasus.

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MODERN TECHNOLOGIES USED TO REDUCE COSTS IN ACCOMMODATION SPACES FROM SUSTAINABLE DEVELOPMENT PERSPECTIVE

*Andrei Ruxandra, Stan Elena Roxana**

Abstract

The size of modern tourism becomes increasingly important; a particular problem facing the tourism industry is providing for tourists higher-quality services. For a customer to return the same hotel, you need equipment and qualified personnel. This paper aims to present modern technologies with which, in hospitality industry, can provide quality services at lower costs, considering the environment protection.

Keywords: hotel industry, emerging technologies, costs, sustainable development.

JEL Classification: O12, O14, M10

1. Introduction

It is certain that the services sector has gained in the last years a great economic and social importance. The economic importance lies in the fact that providing services (in our case touristic services) is not a simple activity of one single factor involved, but is an amount of actions which converge to the same goal - customer satisfaction. Thus, the travel multiplier is found in practice, and this is more visible as in modern Europe the most developed areas in terms of variety of activities sectors are the one with touristic potential properly exploited. It is known that any excess is harmful, and this fact must be taken into account when are made the development plans of areas with tourism potential, so that the balance between man and nature do not have to suffer long term.

Social importance has two aspects: that of the host social group and that of tourists. It is clear that a community entered in touristic circuit will benefit from a certain „opening”, which will lead to development, with implications for all plans, including the social. From the tourist's point of view, it is clear that, regardless of social class, we all need a little vacation, which make us more relaxed, better prepared, better trained and mood work.

* Ruxandra Andrei is Associate Professor at the Romanian-American University, Bucharest. E-mail: ruxandrei@yahoo.com

ElenaRoxana Stan is Assistant Professor at the Romanian-American University, Bucharest.

2. Emerging technologies used in hotels to reduce costs

When we speak about a touristic product we have in mind a variety of aspects. Imagine a diamond with a hundred facets. If a single face is scratched or has imperfections, the overview is affected. The same goes with the touristic product. When a tourist buys a stay, he buys an amount of services that would provide comfort and satisfy his needs, so that the final satisfaction to even price paid. The general impression is the sum of the impressions formed on each type of service, be it the road, destinations, means of communications or entertainment. It is a real battle that goes in that regard, because the ultimate goal is customer satisfaction, and only thus can ensure the perpetuation of success in tourism.

In fact, the degree of comfort and privacy that a hotel can offer his guests represent a determining factor when it comes to make a choice. In case of Bucharest (in which practiced tourism is almost exclusively business, conference or some times transit), other factors that determine the choice are: the distance from the place where the customer operates, the prices charged by hotels or the client belonging to a hotel chain represented in the city.

Professionalism of staff working in tourism is another sensitive chord, because if something goes wrong from technical point of view, customer can understand and even overlook if is someone who would talk to him and explain. If staff don't proves professionalism, the problem becomes more serious or more acute, and long-term effects are more „painful” than the short term (the customer simply leaves), because the bad reputation is hard to straighten. Human resource is the key for all today organizations and the future organizations. The problem is much broader and does not have place here.

When it comes to facilities, we analyze two issues: ensuring a greater degree of comfort for the client and the use of cutting-edge technologies to streamline investment and operating costs. May be listed a series of examples from practice, but it is equally clear that next year about this time some of them will be considered obsolete. And this will certainly happen, because the developments and changes taking place in most areas of activity have reverberations in tourism - sensitive to news.

Emerging technologies help to reduce costs, and more than that they are designed to help protect the environment.

Saving paper is a method to reduce costs in hotels, having in mind sustainable development.

Computer is one of the most important ways that helped in organizing and developing hotel industry. Thus, he drove to reduce and save paper, that spread automatically also on the number of forests that could be saved.

Another argument for using computer and successfully replace paper is to conduct all operations in real time from hotel booking to checking availability anywhere in the world by simply accessing the system.

There are departments that use recycled paper for documents, all to reduce and saving paper.

There are paper recycling systems - specialized companies take the collected paper from each hotel and goes to recycling centers.

If we stay around this area, the hotels should implement various recycling systems for plastic and glass. Plastic and paper cups which recently replaced the old glass cups can be collected.

Another way to reduce paper is to replace it with various devices containing cotton towels, which after use by turning the towel it reaches the top of the device where it is automatically disinfected and dried for the next use.

Saving water is one of the new ways to reduce costs and implement sustainable development in hospitality. Large quantities of water are wasted in hotels due to lack of a strategy for sustainable development. Regarding this, there have been started new „Eco” strategies for water conservation in hotels and implementation of modern technologies to reduce costs. So, old valves were replaced with the ones with sensor, which enables water supply in the quantity required and thus it avoids wasting water by omitting to close the traditional valve, reducing inefficient water use.

Another way to reduce water consumption in hospitality is made by various brochures which inform the hotel guests that the towels would be washed only if they are used and left in bathroom in a certain place.

The use of eco-friendly detergents and of concentrated detergents in housekeeping department reduces pollution and costs. Detergents used in maintenance and sanitation of a hotel have a particular importance. Usually these operations require impressive amounts of substances. In recent years, however, appeared specific solutions, professional, super concentrates, with great cleaning power, so that the quantities used to be reduced drastically. Environmental pollution affects us directly, so we should take care to maintain an environment as clean as should be.

Substances used in cleaning in recent years have also high biodegradability degree, over 98%, so that the resulted residues are as few and as less harmful. Of course, is not enough only to have the substance, it should be used properly with appropriate equipment. If for detergents and disinfectants used for daily maintenance are special cups (as drip 4-5ml) and professional spray which spread optimal the solution on the surface to clean, for heavy areas were already invented machines to ensure, polishes, crystallize, washes everything being controlled, dosed, without unnecessary waste. Simple cleaning of carpets with dry foam helps protect the environment, because the resulted residues do not go into the sewerage system, but in the vacuum cleaner dust bag.

Unnecessary consumption can be avoided also in laundry, (which is known to use the most important quantity of detergent) by installing extremely economical dosing systems, which operates based on dispensed by professionals with experience in this field (leaves from 2 ml/kg of dry laundry) and by using liquid detergents, which do not produce waste and have a high degree of biodegradability (95-98% in

the initial phase and completely degraded within 1-2 months). The same dosing systems are used also for dishwashers, which use detergent and rinsing agent. Glassware gets out of the dishwasher clean and dry, very important in terms of clients health.

Refreshing spaces is another sensitive side, which helps create a pleasant overall impression. In our days there are nontoxic fresheners, gels with high content of perfume. They are „melt” slow and the amount of residues is negligible, without having in mind that the packaging is from recycled materials.

And because this alone is a trend of increasingly large in terms of recycling and reuse. There was also in Romania this good habit of recovering certain types of materials, but the wave of change that came in 1989 did not selected what was good from what was bad and the 3R rule have lost. It is time to take this into account and to support him as much as we can. Apart from binding of traders to separate the waste resulting from their activity, there must be, as well, a real possibility to be collected separately, without imposing a weight scale. Otherwise, efforts to sort waste becomes useless and recycling impossible.

There are up to date and efficient technologies, able to reuse paper and get excellent products in terms of quality. In quantitative terms, economy can be done using recycled products, thereby avoiding unnecessary waste. There was a period of a fashionable jet of hot air dryers, but has been shown that hot air promote the development and spreading in air of microbes and in many cases has dropped them and return to the classic paper napkins, distributed individually, which do not allows a customer to reach more once, but only the one that they used. The same system can be used in the kitchen. There distributor have other advantage (is not necessary to be touched). It is equipped with photoelectric cell and is triggered by simply passing the hand in front of device. It releases a piece of paper. It is hygienic and economical.

Among the new innovations used in hospitality to reduce costs is distinguish the solar panels, which reduce energy consumption and through them water can be heated.

Also windmills (eolian) are mint to produce energy, thereby helping to reduce costs while keeping an unpolluted environment.

In regions where hotels are built close to thermal waters, this water may be used to ensure the necessary heat especially when it is cold.

Hot water for hotels may be given by some tanks located on the hotel roof, especially in regions which experience high temperatures.

Lamps which operate on solar energy are loaded during the day and at night they give light.

Innovative technologies used to reduce energy consumption of a hotel refer to the artificial light produced from natural light through optical cables. A series of fiber optic cables carries natural light from external environment inside, this process reducing electricity costs by up to 30%.

Another way to reduce energy and also to reduce costs is by interconnecting electrical and appliances equipment in a hotel. This can be put into use when the

tourist is in the hotel room by using magnetic card that takes place of the key in a device that controls the energy.

Modern technologies make their presence felt in facilities less observable but which contributed to the overall impression - curtains, carpet, mattresses are made of fireproof materials, to enhance the safety of tourists.

Wall-covered have resistance to soiling and scratches, and over time creates significant savings.

LED spots, although are more expensive to purchase, have multiple advantages by significantly higher during running, with extremely low consumption and not generating heat, not create on the ceiling around them that ring dirty-looking (as heat attracts dust and fix it), so it rarely arise the need to paint ceilings.

Benches and chairs have removable covers that make them easy to maintain.

Pillows are filled with silicone balls, some small lumps of silicon wires, which have a long life (decrease of 2% by volume in a year of operation), does not cause allergies, are comfortable and can be washed and clean however, which increases the security given by the ordinary cleanliness of the room.

It gives up more and more for traditional cotton underwear, for mixed fabrics, more light and silky and easier to clean, not to mention the fact that not requires dressing, and this it is known as a global trend.

It is obvious that modern technology that would assist in customer satisfaction and reduce costs must be present in public space segment. Meeting Segment is sufficiently profitable that will be well considered. In rooms, facilities consist of ultra modern equipment, video projectors, sound equipment, wireless, direct international line for videoconferencing, so that communication will be done in minimum time, even simultaneously.

A pleasant environment in all public places can be assured with a sound installation, which spread 24 of 24 relaxing music, able to induce a good mood state so essential to success.

Locating a plasma in a bar or in on open space will certainly gather guests whenever are news or is playing an important football game. There are opportunities for hotels to increase revenue and for customers to socialize. All are designed to form a whole.

The hotel is a machine in which all wheels must work perfectly. The idea is that, as in any business, is desirable to obtain higher incomes with low cost, without compromising the quality, but simply avoiding waste.

It can make significant savings in energy consumption by using motion sensors in low or increased traffic areas so that the light stay switched on only as long as is needed.

The centralized hotel management system has not only the mean to ease the accounting of entries and exits, but also to save customers time. The use of access cards saves time and increases the guest's safety. And because we are talking about guests safety there are in certain critical points surveillance cameras, meant to capture those situations that can create inconvenience to customers, making it possible to solve them in time.

Progress by applying modern technologies and reduce costs is felt in the building where we plan to do with divisions of gypsum board, which is any renovation work and reduce the time of intervention, which helps to play into faster an area affected: Use of central ventilation systems, although it has disadvantages that can not allow each customer to change the room temperature too long, however, uses a lower amount of fuel and thus release less noxious; Use of PVC windows with insulating glass, LOW-E filter that keeps the heat outdoors in summer and indoors in winter, again helping to achieve significant savings in terms of heating costs; A good initial impression for the client creates even elevators. After first contact with a person smile at reception desk and check-in in short time, the path to the room must be pleasant, quiet, smooth and if possible in quiet ambient music. There are already invented such lifts. Costs are quite expensive, but as well as satisfaction.

3. Conclusion

What happens in Romania in this period is somehow atypical, because investors in this sector, touristic, is to gain quick profit and more rapid depreciation of investments, and this is happening together with a poor quality of infrastructure, a poor training of staff involved in the tourism industry and the lack of effective monitoring of compliance with legislation.

But there are timid steps in the fight for quality assurance, and this is seen already in hotels in Bucharest, where competition has begun to show their teeth. Except peak of fairs (spring and autumn), when hardly find a place to stay, fight is taking on intervals considered 'poor' when demand decreases, and supply remains too high. Customer loyalty is no longer a slogan, because from them depend the business success when you own a hotel.

Investors who choose this field understands (at least in the capital, but slowly it generalizes) that a client is hard won and easily lost. For that customer to return the same hotel, you need equipment and qualified personnel.

Currently, in the hotel industry the focus is on methods to reduce costs by saving paper, water, use of detergents and electricity, taking into account also sustainable development. Thus, the latest technologies help to reduce costs and protect the environment.

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EUROPEAN TOURISM AND PRODUCT INNOVATION

Daniela Firoiu, Patricia Dodu*

Abstract

Nowadays, tourism is a dynamic industry that implies continued challenges for the companies in the field. As the tourist experience evolves, technology develops, and the quality of life rises, tourists have more and more sophisticated and complex tastes and needs for tourism products. These new tastes are going to transform themselves in a real trend in the following years. Because of this, tourism products require deep innovation, especially since the competitive focus will be on quality, customer care, and comfort, all of these combined with the uniqueness of the tourism product. A real product innovation requires a change in the companies' policies, as well as in their corresponding strategies. This change would impact the managerial engagement in trans-national strategies, I.T. skill development and the procedures sustaining transnational operations, such as: knowledge and information transfers and awareness of national socio-economical competitiveness policies.

Keywords: innovation, changes, tourism products, product and process innovation.

JEL Classification: I28, M31, M21

The 21st century brings profound changes in the international and European tourism markets. According to WTO specialists, Europe will face a series of changes that certainly will generate a new vision and strategy regarding the future among the businesses in the tourism industry.

Among the changes expected to take place in the European market we can mention: an increase in disposable incomes, the need to overcome any potential economic crises, drought, floods, epidemics, the migration of population - with a direct impact on industry employment, the relative decrease in the flow of tourists from the Nordic countries and Eastern Europe and many others.

Regarding the short term policies, the strategy for tourism in Europe drawn up by WTO specialists for the first decade of the 21st century focuses on:

- The adjustment of tourism supply to meet the demand, by modifying the content of tourism products and adapting them to the requirements of the sustainable world policies, including the creation of products that meet even the off season demand;
- The specialization of products on different segments of demand, such as those based on age groups (15-24 years old, 25-55, and over 55). Starting from the premise that Europe's population aged 15-24 now stands at 51 million individuals,

* Daniela Firoiu is Professor of Tourism Economics at the Romanian American University in Bucharest.

Dodu Patricia is Associate Professor at the Romanian American University in Bucharest.

the suppliers of tour packages should include in their bids different types of arrangements based on young people's motivations of consumption and interests (they tend to have more leisure time available, lower-incomes, they are less demanding, and focus more on travel study programs);

- Stimulating the development of social and health tourism, still considered priorities for this period, although the tourism demand for organic and ecological products seems to grow, to the detriment of traditional demand for leisure tourism;

- Repositioning mountain tourism as a result of global warming, which generated a decrease in the layer of snow pack with an important impact on the de-seasonalisation of tourism for skiing, etc..

The changes generated by international trends, which already had an echo among the tourism industry European entrepreneurs are obvious even at the level of the regional and national programs launched, especially after a Gatwick (UK) conference raised the concept of implementation of pan European strategies and "euro tourism" products. Among these new products and concepts we can mention:

- the "eurovillages" in countries such as France, Belgium, Italy, Spain, Switzerland, Portugal, Germany;

- tourism products sold by tour operators, hotels, and airlines as „short-break FIT" (for individual tourists);

- expanding rural tourism products and "holiday club" product types, etc.

In most cases, the base for the development of new markets and new tourism products is represented by the governments of European countries, which, through specific programs, encourage new initiatives through grants, direct financial support, investment incentives, tax exemptions, and lower taxes. For example, countries such as Greece and Spain provide subsidized-interest loans, tax and duty exemptions for the small hotels segment; Switzerland provides subsidies to develop the tourism infrastructure in its under-developed regions and Sweden uses its government budget to subsidize social tourism programs.

In terms of tourist demand, it is noteworthy to recognize that, although at the European level policies of stimulating mass market tourism are still maintained, we can also witness a series of profound mutations and a shift toward segmentation, specialization and diversification of the tourism market, with the main changes being:

- a shortening, fragmentation and diversification of holidays;
- increased movements of people in a globalized world, movements that make tourism comparable to a "global village";

- more and more complex connections and possibilities, increasingly more experienced travelers, increasingly more sophisticated tourists, with new profiles difficult to understand and adapt to.

- increased disequilibrium of natural environment;

- branding in tourism, fancy destinations, online sales, "low-budget" offers, changes in the values of the modern society, lack of leisure time - all these issues are

to be considered when speaking about the performance and specific risks of nowadays European and global market;

- increasing long-haul trips and holidays, with a new motivation – discovering new cultures

From a statistical point of view, the following can be stated:

- more short-break trips (1-3 night trips are becoming more typical, particularly in Northern Europe, while in the South this tendency is less pronounced);
- the share of organized outbound tourism (by country) is as follows: 58% in Belgium, 75% in Denmark, 56% in Germany, 83% in Norway, Sweden, 88% in Finland, etc.;
- compared with Western countries, share departures on holiday in Eastern European countries is lower, falling within the range 45-62%;
- the last decade can be characterized by the fact that of the total European travel, 63% resulted from organized holidays;
- when analyzing the type of transportation used in the Western European countries, car travel is the leader (with a 45% share), followed by plane (33%), bus (19%) and train (11%).

These trends manifested in the European tourism market, and presented by Price Waterhouse Coopers in 2007, make changes in policies necessary, in particular for the segment of small companies, since this segment includes 80 percent of the unbranded hotels from the overall hospitality industry, an industry that is still very fragmented. These issues are pointing to the concept of innovation for the tourism products, issues presented below.

Speaking about tourism, A. Poon considered that “the industry is in metamorphosis –undergoing rapid and radical change. New technology, more experienced consumers, global economic restructuring and environmental limits to growth are only some of the challenges facing the industry.”¹

Davis & Foray suggest that “the desire to innovate is increasingly enhanced as it becomes the only way in which globalized, highly competitive economies could survive and prosper”². Baumol (2002) also underlines the fact that, in most cases, competition pushes companies to invest in innovation, for fear of risking to lose face in front of their main competitors. Moreover, this survey carried out on 46 major innovations in the field of products (relevant for all economic sectors) proves the very fact that the period of time for which a competitive advantage is secured through innovations has decreased from 33 to 3 years from late 19th century to the early 21st century.

¹ Poon, A. (1993). *Tourism, Technology, and Competitive Strategies*. Cab Intern., Wallingford, pag. 3.

² Knowles T., Diamantis D., El Mourhabi J.B., *The Globalization of Tourism & Hospitality*, Tomson, Printed in Croatia by Zrinski, 2004, pag. 78.

In practice it is actually obvious that innovations are connected to uncertainty, risk and instability. Consequently, the key to entrepreneurs' success on the market currently relies on their ability to innovate and take risks.

Consequently, tourism entrepreneurs must be aware of and anticipate changes in the global tourism market, sometimes even at the risk of losing their market position or losing capital. In order to increase market share or production, they also need innovations backed up by real strategies in order to thus secure competitive advantages.

It is therefore necessary to present the main types of innovation likely to trigger interest among tourism entrepreneurs³.

Incremental/Regular – not requiring extraordinary innovations on the market or concerning the technology employed. For instance, increasing the pace at which tourists are driven at by a vehicle in a theme park or updating fixtures in a hotel room.

Distinctive/Niche – these usually need to adapt to consumer behaviour. For instance, installing video equipment in a hotel room or setting up deregulated management structures in theme restaurants that are part of a chain. They involve combining the same products in new ways in order to create a distinctive, new and unique product.

Extraordinary/Revolutionary – these entail a new treatment, a new standpoint on consumer behaviour. As examples, it is worth noting e-commerce for airplane tickets or the first 360 degree run on a rollercoaster. Extraordinary innovations usually bring on significant profits for a business but also involve taking higher associated risks.

Architectural innovations – introduce new structures and redefine relationships to customers and existing markets (for example, black tourism)

³ adaptation après Murphy, J., Forest, E.J., Wotring, C.E., Hotel Management and Marketing on the Internet, 1996.

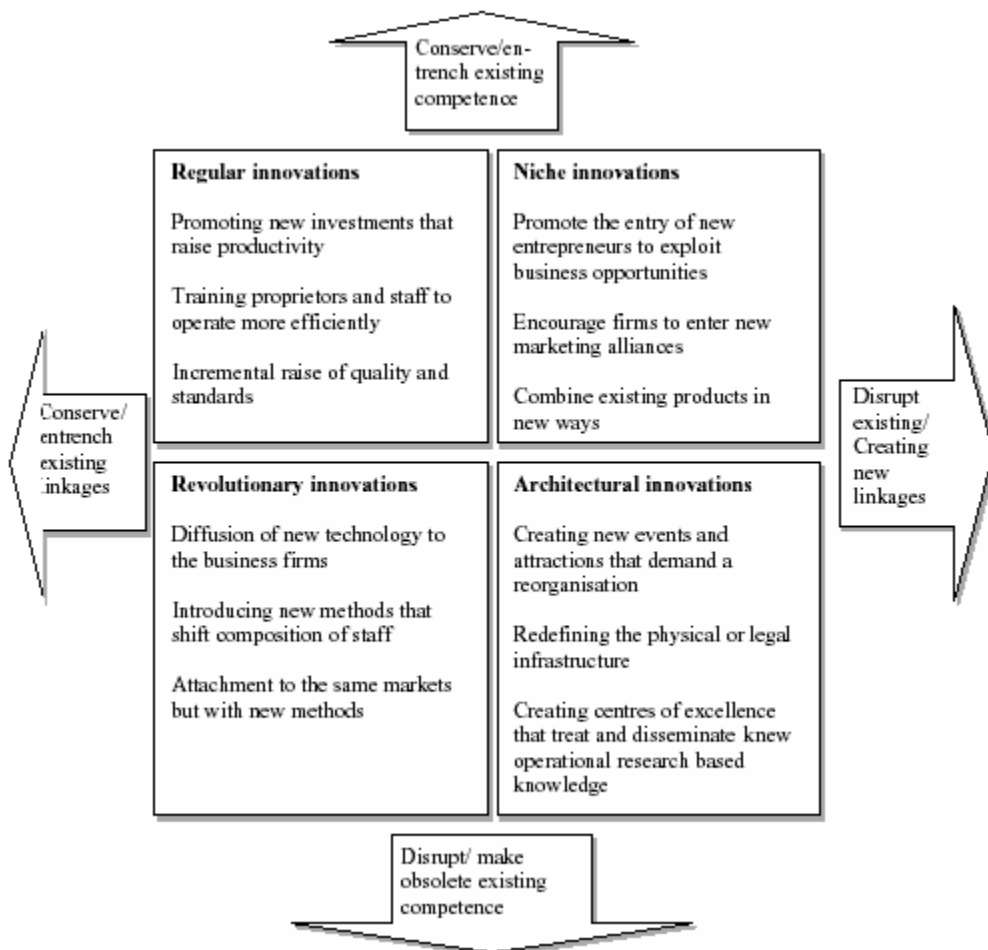


Fig. 1- Innovation types, adopted from Abernathy and Clark, source Hjalager 2002, p. 467

Product Innovation

The strategies of tourism companies, as far as their scope is concerned, resemble those in other fields of activity. In this situation, one of the following strategies can be chosen:

1. Market size expansion
2. Local market share enhancement
3. Cost cutting
4. Product mix adjustment

As we can notice, strategies are closely connected to product innovation. For instance, the first American tour operator that offered trips to Asia expanded its market share by attracting new customers who hadn't previously considered such an option. The company increased its market share, while at the same time cutting trip costs (by comparison with independent holiday-makers) and diversified its supply by adding a new tourist destination.

Product innovations actually involve the ability to make one's product stand out from those of the competition. The essence of product differentiation resides in the fact that the business supplies original variants as opposed to the competition, at a similar or slightly different price, and thus gaining by this strategy important market scope and benefits to match.

On the contrary, it is worth mentioning that opening the product market towards mass tourism has been significantly influenced by marketing and advertising playing their due parts, but also by investments in new products and technology. For instance, the development of holiday packages from Northern Europe towards the South has been heavily influenced by the technological changes to plane engines and to the expansion of air transport networks, as well as by investments in new products: hotels, holiday villages, events, developing leisure tour offers or them trips.

The above-mentioned examples underline the importance of re-discovering domestic tourist products with a view to exploiting international trends and adapting them to Romanian market specifics. Take for instance the quality crisis of Romanian seaside summer resorts; despite the strategic direction formally laid out in the master plan, they can also take into account restructuring and redefining these resorts, and specializing per market segments. More precisely, it entails setting up core-resorts, defined by a certain degree of comfort, which is likely to reinstall the balance between high quality offers, addressed to select clientele, and mass tourism, comprising average quality services and addressing a middle-income market segment, characterized by a lower comfort level (2-3 star accommodation units).

Process Innovations

As far as the manufacturing system is concerned, process innovations have been recorded with respect to the length of time. Consequently, we are currently witnessing extremely varied methods of combining work process innovations, aspects eventually leading to increased business competitiveness on the market. For example, we can choose a combination between marketing innovations (direct selling, including online retailing), work process changes (e.g.: seat assignment during boarding, increasing ergonomics during flights) and price-cutting.

Process innovations can be achieved⁴:

1. through exclusively technological changes that are for instance linked to the IT revolution or that are specific to a certain sector/field, such as the introduction of jet engines.

2. by adapting e-commerce technologies to the sales process in tourism agencies

3. through IT innovations with the highest impact on tourism.

IT services change the framework of competition and mostly have an impact on companies, regardless of field of activity, location or size. This technology has an impact especially on competitive advantages, since it sets up price levels or item

⁴ adaptation après Riley, M., *Managing People. A guide for managers in the hotel and catering industry*, Butterworth Heinemann Oxford, 2000.

differentiation. IT services provide businesses with a series of advantages on the market, among which: access barriers on the market (because of hardware/software-generated costs or limited availability of employees with IT skills), product/service differentiation, access limits to distribution channels, pricing policy, cutting down shipping prices and increasing effectiveness. IT technology can become a product in itself, as is the case with virtual tourism. Even if costs generated by this service have displayed a decreasing trend in time, innovations constantly need substantial capital investments, either capital-related or pertaining to work force training.

Therefore, we can conclude that certain risks can be associated to IT innovations, despite technological evolutions.

Information technology not only changes the volume of information transfer but it also influences the long-term relation within the distribution chain and gives rise to new forms of competition. This issue has contributed to the metamorphosis of tourism, from a standardized, rigid mass phenomenon to a more flexible, customer-oriented industry, more sensitive to the latter's needs and expectations, a sustainable and integrated industry. Thus, we can find new ways of coordinating production and of setting up new work methods as businesses are able to gain competitive advantages, following the implementation of increasingly flexible products and processes. Information technology is certainly often deemed one of the factors likely to facilitate the change. At the same time, it also triggers changes in the traditional organization of production and can decrease the level of independence of tourism agencies, since companies can directly sell their products to customers on the internet. In other words, advanced technology has contributed in some cases to the disappearance of relationships with recommendation sources.

From the point of view of information technology use, there are differentiations between tourism service providers. Thus, not necessarily all market actors enjoy equal rights with reference to GDS system access. Small businesses, for instance, are at a disadvantage, since commissions they have to pay can amount to as much as 20-30% from the overall revenues obtained from sales. Moreover, it is perfectly possible that small businesses could experience difficulties in implementing IT forms, due to lack of required technical and management skills.

The issue of relationships with intermediaries, especially with reference to their future implications for holiday planners, has made the object of countless debates. Morrell (1998)⁵ analyzed the impact of three types of technological implications: the GDS, airplane trips without ticket-issuing and the Internet. He concludes in his thesis that the trends of cutting out intermediaries will be marked by the following factors:

- customers' ignorance and lack of confidence;

⁵ Knowles T., Diamantis D., El Mourhabi J.B., *The Globalization of Tourism & Hospitality*, Tomson, Printed in Croatia by Zrinski, 2004.

- weak purchase power as compared to travel agencies and customers' immobility (reluctance to personally research the information and purchase various products/services).

Competitive capacity relies not only on the development and implementation of new technologies but also on the capacity of a business to learn and to adapt itself to changes. This problem, in its turn, entails another: competition is not limited to the way in which companies are positioned and perform on the market but also on their cooperation to increase the level of competition.

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INNOVATION – A WAY OF INCREASING SMALL AND MEDIUM-SIZED TOURISM ENTERPRISES COMPETITIVENESS

Holban (Oncioiu) Ionica¹

Abstract

The tourism phenomenon and the diversification of its forms have multiple consequences on the natural environment, the society and the economy. On the other hand, Small and medium-sized enterprises (SMEs) competitiveness affects the competitive position of the economy as a whole.

Innovation in tourism is associated with novelty of the marketing methods for obtain a favorable impact on consumers, creativity for creating a new tourism services according with the request at the market, performance for necessary in order to resist in a growing competition. Those key elements bring an improvement to the tourism services and are based on the efforts to adding value according to the consumers' perspective.

Competitive strength of a SMTEs lies in competitive advantages and distinctive competencies that we possess in relation to other competitors. The paper focuses on the questions: What could be the contribution of SMTEs to the development and competitiveness of tourism destination?

Keywords: small and medium enterprises, competitiveness, tourism.

JEL Classification: L83, L88, O31

1. Introduction

Also Small and medium-sized tourism enterprises (SMTEs) operating in a competitive environment internally and externally very strong. Facing the different markets is very tough and the competition to be seen in its real dimensions, without having a vision too optimistic, whereas only way it will take all necessary measures to ensure security and development firms, regardless of sector.

The suggests safety, efficiency, quality, high productivity, adaptability, successful, modern management, superior products, low costs. Competitive strength of a SMTEs lies in competitive advantages and distinctive competencies that we possess in relation to other competitors.

Integration into the competitive environment is one of the most difficult problems with which the SMTEs is confronted. Background management strategy is rigorous nature to facilitate and increase the effectiveness of integration in complex business and dynamic environment in which it is placed. Furthermore, management practices in EU countries show that SMTEs, which based on business strategy obtains the net economic results superior to the other.

Those key elements bring an improvement to the tourism services and are based

¹ Holban (Oncioiu) Ionica is PhD student at Alexandru Ioan Cuza University of Iasi and Academy of Economics Studies from Bucharest, Email: nelly_olncioiu@yahoo.com

on the efforts to adding value according to the consumers' perspective.

The electronic alternatives marketing aiming at offering on the market new or significantly improved services. So, the virtual tourism may be seen as a revolutionary approach to the business attainment concept. We have to deal with some modifications regarding the way in which the information is used or how the clients, the suppliers and the employees are contacted; regarding the marketing, the promotion method etc.

Currently, travel agents tend to market to local consumers, but the Internet gives travel agents the opportunity to market to non-local consumers who wish to travel to those agents' own vicinity.

Portable electronic communication devices such as cell phones, laptops, and personal digital assistants help people stay connected while away from home or office. In fact, large majorities of business travelers and pleasure travelers said that they brought cellular telephones with them on a trip taken in the past year.

2. Development of the SMTEs innovation capacity

The Small and medium enterprises bring a significant contribution in what concerns competitiveness, research, innovation, employment as well as the solution to particular problems. We should strive to develop a dynamic and competitive SME sector, which will contribute to economic growth, employment and reduction of poverty.

SME in the new Member States, example Romania, must face growing competition and must try to improve competitiveness through innovation, technology, education and training. The dynamics of globalization have serious impacts on the business environment of the enterprises and therefore on the entire economy.

Innovation, in general sense, means all those steps scientific, organizational, financial and commercial lead, intentionally or not, the implementation of new or improved products or processes. Innovation is based on the results of new technological developments, the combination of existing technologies and other knowledge acquired by a particular organization.

According to the last researches approximately 30-60% from the small and medium enterprises from the production sector from OCDE countries can be characterized as innovative. Smaller firms tend to be more and more innovative, engaging step by step in efforts for research and development and innovation in fields related to commercialization of the existing technologies, creation of products and services and the implementation of the flexible working practices. The smaller innovative firms have the agility to answer quickly to the technological changes and customers needs. However, can experience problems in acquiring the resources needed to answer to the rapid changes; some of them solved this problem by joining to the cooperation networks in order to improve their innovative capabilities.

In the case of the European Union, a special attention was conferred to the following types of small- and medium size enterprises: small- and medium size enterprises from the rush and medium technical sectors that have affinities by the nature of the businesses deployed with Internet and the new evolutions of the market; the small- and medium size enterprises that exploit the opportunities offered by the electronic commerce, especially in the services sector – sometimes named cyber-firms; the small- and medium size enterprises integrated in the chains of added value of the big companies which are forced to innovate under the pressure of the main clients.

Striking manifestation of the knowledge revolution and its many mutations produced in the world economy have led policymakers, especially in the most developed countries, to address these realities in front a prospective vision and pragmatic. A peak in this regard was the EU summit in Lisbon, where it was established as a fundamental objective for countries that make up this organization building knowledge-based economy. In this respect, one of the main areas of action is to entrepreneurship, which means small and medium sized companies more and more efficient. This choice is justified by matching the characteristics of small and medium business, and knowledge-based economy. The small number of components, small size of tangible assets, less complexity of activities and flexible structures of SMEs are much easier situation in forefront of concerns, their decisions and actions, the resource of knowledge. The activity of SMEs is central to the spirit of economic innovation, productivity growth, economic competitiveness and employment generation. Causality link SME sector and economic growth is the subject of considerable debate controversial because of the difficulties of creating a theoretical framework and to quantify, let alone explain phenomenon in the various nations.

In Handbook of economic strategy developed by Peter King, used by the University of Oxford, design and implementation of the strategy have a significantly different structure. The 11 steps recommended are: - determining strategic objectives of the organization, to be expressed in quantitative terms, indicating their associated limits; - establishing, based on strategic objectives, more specific targets for efficiency investments, sales etc.; - internal assessment of the organization, based on analysis of its current status in terms of resources and performance; - external evaluation through surveys and analysis organization's external environment - providing future performance based on information obtained in the previous two phases, by simple extrapolation past and current performance; - analysis of differences between the results of the second phase and, respectively, the five; - identified and evaluating various strategic options to reduce differences and to achieve strategic objectives; - expected to choose between strategic options; - preparing the final plan of organization, divided into two sections; - the long term and short term; - implementing the chosen strategy; - performance evaluation carried out in the provisions of the plan.

To become or to remain competitive, Romanian companies must continually develop ways of operating through more sophisticated strategy aimed at increasing research and innovation capacity and functioning in a business environment to the highest level. The competitive advantage of Romanian SMEs will depend on the state to create attractive conditions for such local or foreign companies to find ways most effective way to mobilize them. Creating a stimulating business environment for SME growth and their competitiveness is based on the national strategy and government policies to facilitate an incentive framework for foreign investment and development of commercial partnerships with small and medium firms in other countries. This should be stimulated and the concentration of domestic private capital to help boost the sector's role the Romanian economy.

The innovation infrastructure includes: incubators (infrastructure for start-ups), technological parks (experimental facilities), technical transfer centers and the system of intellectual property. Regarding the infrastructure the government consistent policy measures according to the recently launched National Plan for Developing the Infrastructure for Innovation and Technological Transfer. In this plan is mentioning the amount which is destined to co-finance centers of technological transfer, office for connection with industry, technological parks and technological incubators.

Ministry of Education and Research and the Ministry of Communications and Information Technology aim to attract to industrial parks with intention to create such parks in every Romanian city that has a university center. They estimate that around 50 business incubators have been created, but there are no monitoring mechanisms and no efficiency criteria or targets for them.

3. The contribution of SMTEs to the competitiveness of tourism destination

In the 'Digital Economy', tourism businesses should use digital distribution channels for their product (in conjunction with traditional) to come into contact with consumers, which means investment in hardware and software products as well as ability to the skilful use of new media. The SMTEs not normally have the required qualifications and financial ability to exploit the opportunities of the Digital Economy. We disseminate product information, knowing what distribution options are available to them. These companies must be able to present their products to target markets with the lowest cost distribution through access to economically tolerable electronic channels, which are known in the circles of the markets that interest them without having to become experts in computers and telecommunications. This approach requires reliable and accurate expert advice, to make the correct choice of material technology.

They need support to innovations that will be made to learn new tactics, improve the quality of services to strengthen their competitiveness. Network approaches are needed to enhance their relevance to the market, maintaining their autonomy. These approaches should take into account the different types suppliers

(hotels, restaurants, and even organizers of cultural events), and different, perhaps conflicting, interests.

The innovation provide an unprecedented opportunity to improve the competitiveness of regions SMTEs after bridge the gap with their customers, reduce the dependency and strengthen the channels using force. We also note that these benefits will last until the time and their competitors will emulate and set up systems similar to those in business.

Nevertheless it is clear that SMTEs, as well as remote areas are established, continually removed from the mainstream tourism industry, since they can not tolerate the cost. In addition, the independent and flexible nature creates serious obstacles to their integration in the rapidly evolution.

Thus, ICTs provide the means by which they can SMTEs some strategies to overcome weaknesses, including a strategic tool for local cooperation, consolidation, promotion and distribution of products. We must not forget that ICT increases the levels of competition for all types of businesses. The ignorance of SMTEs in the field of ICT and lack of infrastructure in the regions, may cause additional disadvantages, because not only are less likely than large corporations to exploit these opportunities, but also because they encounter fiercer competition from international organizations.

The recognition of small business as one of the most dynamic members of the global economy and the increasing support from governments and international delegations, the great opportunity to improve their strategic position. A variety of educational programs initiated by the EU and other organizations on the use of ICT by SMTEs. In this way, tourism can be strengthened in these areas, since they will be able to evaluate and take advantage of improvements in infrastructure, and benefit from the incentives of their competitiveness. It will thus be able to offer the SMTEs a 'cut' in measures of customer tourist product, based on individual preferences. Despite These, however, the majority fails to understand evolution, because of lack of purchasing research and understanding of ICT. Therefore, SMTEs must take action to improve their products and distributing them.

In the same time, the tourism distribution channel is arguably the most fundamental, but still on the market under investigation and management of tourism. The variety and flexibility of use shows that the investigation should be extended to several levels, looking at distribution options and agencies promote equitable agreements between two members of the tourism channel distribution.

Also, the redesign of the tourism market and distribution operations as a result of ICT revolution, formatting a wide area of research. The major technologies used by tourism may create incentives for the beginning of an investigation on future developments in the tourism industry.

The success of the innovation is largely dependent upon the accuracy and timeliness of the information it contains. This is a challenge because the tourist information is so specific and variable. Prices, plans, events are changing the days, weeks, months and seasons. Furthermore, tourist products require a complex and thought to describe illustrate the indefinite product to potential buyers. These two

important characteristics to determine the design of electronic purchasing space creates a challenge for designers of these systems. If the service chosen is part of the information availability that is now changing even more, require more frequent updates from their suppliers.

Conclusions

In conclusion, the vision is the key to the success of ICT in a highly competitive tourism industry. SMTEs are likely to use ICT to coordinate distance companies setting up branches and intra-organizational networks. Also, have a fixed degree endo-organizational electronic communication, using technology to take deductions from employees and even to promote their products and unique offers. However, the use of ICT in the tourism distribution channel is very primal in relation to the capacity of emerging technologies and opportunities for streamlining and efficiency secured.

The vast majority of small tourism businesses is hardly used the potential of ICTs and tend to use specialized applications to facilitate only some services such as accounting, payroll and deductions. So, once the business is small, often feel that ICT can not offer sufficient benefits to vindicate the required investment and should be used only by large enterprises. This is also shown by their inability to understand their future needs ICT, as opposed to big companies, which seem to have long-term plans for ICT. For this reason, a global participation so that customers can know precisely the availability and tourism businesses in turn to provide easy, cheap, efficient and reliable confirmation of booking.

The Romanian SMTEs should also find ways in which the use of ICT will make them able to achieve sustained prosperity satisfying their customers to offer them the best experience.

The use of the INTERNET, such as applications in the WWW, is another likely topic for investigation, having revolutionized the concepts of communication and introduces unique opportunities for interaction with business customers.

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THE MAIN APPLICATIONS OF THE INTERNET IN TOURISM MARKETING

*Beatrice Sion, Cezar Mihălcescu**

Abstract

The Internet as a marketing media can be of great benefit to virtual all areas of marketing, from marketing research, through market segmentation, targeting and positioning, to the effective use of the marketing mix, and marketing organisation and control. The following discussion does not attempt to provide an exhaustive list of the Net's use in tourism; rather, it simply intends to exemplify its common applications in and main implications for tourism marketing.

Keywords: Internet, tourism, web, marketing.

JEL Classification: L83, M15, M31

The Internet is widely recognised as an extremely valuable marketing tool. It is generally held that the Internet offers substantial advantages over traditional means of communication: reduced costs of information exchange; increased speed of information transfer and retrieval; increased customer involvement in and control of transactions; and greater flexibility of using the marketing mix. Its main business uses include communications (both internal and external), market research, customer services, market penetration, product development, cost savings through process reengineering, direct marketing, advertising and product delivering. The Internet has the unique quality that, through its addressibility, can transform the prominent marketing communication paradigm from one-to-many to one-to-one or from broadcasting to narrowcasting. The traditional media, such as print, radio and television, follow a passive one-to-many communication model, whereby a company reaches many current and potential customers through the broadcasting of the same message. This approach to communication has three problems: uncustomised message to every consumer, wasted exposures to uninterested audiences, and "noise" distraction from competing and conflicting messages. Another feature of the Net that distinguishes itself from traditional communication media is its ability to respond to user inputs, i.e. interactivity. The Internet is capable

* Beatrice Sion is a Ph.D. student at the Academy of Economic Studies in Bucharest and Assistant Professor of Computer Science at the Romanian American University in Bucharest. E-mail: beatrice_sion@yahoo.com

Cezar Mihălcescu is Professor of Computer Science at the Romanian American University in Bucharest. E-mail: cezar_mihalcescu@hotmail.com

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of giving feedback in response to the actions users perform on the computer, resulting in the sense of engagement with the computer. This two-way dialogue forms an important component of relationship marketing, and is an important factor in building customer loyalty. Customers effortlessly communicate with companies to find product information and conduct transactions with a few keystrokes while companies can easily contact customers to clarify their needs or inform them of new products. Moreover, in contrast to traditional communication channels like newspapers or television, on the Net the customer is an active participant and is in greater control of choosing and processing information about the firm. It is the customer - and not the marketer - who decides with whom to interact and how to interact. In other words, it is entirely in the customer's power to decide whether to surf the net, which web site to visit, which web page to browse, for how long, how often and how much information to obtain. The Web is a much more flexible marketing medium than the traditional mass media. A web page can be considered as an electronic billboard, electronic advertisement, or electronic catalogue that provides information on products or services plus contact information for interested consumers. But a virtual advertisement or catalogue is much more flexible than a physical advertisement or catalogue. It can gather fresh and updated information based on the direct feedback received from consumers. It can also keep consumers constantly informed of the company's new product offerings, latest price changes and sales promotion initiatives. As a communication medium, the area in which the Internet has overwhelming advantage over any other media is its permanent exposure and global market reach. The Net greatly improves, both spatially and temporally, the information availability and user interaction. With an effective web site, a company is on business on a global spectrum 24 hours a day, 365 days a year. Any web user in the world can access its marketing information at any time that is convenient for him. This extends greatly the place and time utility of companies which traditionally rely on distribution channel members to perform. The round the clock accessibility is extremely important especially in international trade where business is conducted across different time zones. The global exposure is particularly desirable for tourism destinations which up until the mid-1990s had to depend entirely on promotion agencies in tourist generating regions to market its products. The Web has enabled tourism destinations to market themselves with well constructed and well promoted web sites. Furthermore, the Web facilitates doing business overseas by avoiding regulations and restrictions that companies must follow when they are physically present in other countries, for instance in many countries, foreign travel companies are forbidden from organising or selling tours. Finally, compared with the traditional media, the Web not only provides virtually unlimited access for hundreds of million users but also delivers unlimited amount of information on the Web as there is practically no restrictions in terms of the "space of advertisement" - the number of pages a web site can accommodate or the "bytes" of data a online database can hold. For example, the global distribution system

(GDS) Sabre's data centre has a capacity of 60 terabytes of electronic storage - equivalent to over 15 billion pages of information.

In tourism the web-based distribution systems can satisfy consumer needs for easy access to transparent and easy to compare information on a wide variety of choices of destinations, holiday packages, flights, lodging and leisure services. They also provide immediate confirmation and speedy documentation of reservations providing a greater degree of flexibility and enabling prospective travellers to book at the "last minute". Increasingly, tourists' satisfaction depends on the accuracy and relevance of tourism information as well as the promptness of responding to consumers' requests. As a Delta Airlines executive said: "Most people will tolerate misconnects and changes when they occur in the airline industry what they won't tolerate is not getting timely and accurate information. The airline business today is much more than a transportation business - it's an information business, prefaced with an 'e'". Many airlines are using the Internet, especially through mobile phones, to provide aggregate information in real-time to business partners, employees as well as customers. Across the tourism industry, the improved access to information covering all aspects of tourist activities has provided marketers with the opportunity to offer personalised services at price levels comparable to those of standard packages.

The cost saving effect of the Internet derives mainly from five areas. First, the streamlining and electronic processing of booking and payments cuts down sales cost. Second, automation and the deskilling of tasks reduce the labour intensity and staff training cost. For example, the web-based travel reservation systems (using windows and is menu-driven) are much easier to use than the traditional viewdata systems (using DOS and was command driven where a sales clerk has to remember all the commands and the airport codes). Third, by offering direct links between the producer and the consumer, the Net helps the producer to save huge distribution costs through the disintermediation process. Fourth, the ability of the Net in narrowcasting and electronic communication leads substantial savings on promotion in both "above and below the line" costs. Finally, cost savings in the form of reduced office and sales space, furniture and decoration outlay, and administration overheads. The cost of setting up a promotional web site (i.e., without the booking facilities) is relatively low. An average computer user, given a proper software package, such as Microsoft FrontPage can build a basic company web site in days. The marginal cost of adding an extra web-page to the site is negligible. The more comprehensive and powerful web-sites, such as a destination site offers complete information, a tour operator site with a virtual multimedia brochure to include thousands of product offerings, and a site which integrates information, reservation and transactions, will cost more and take longer to develop. However, compared with the tens of millions of dollars spent by airlines, tour operators and hotel chains on TV and magazine ads, the Web is a low cost medium for promotion. The simple web-presence, by providing information on the Net, and allow customers to find answers to their inquiries themselves can also help to reduce telephone charges based on toll-free

numbers. Travel and tourism products are ideal for marketing on the Internet. This is because tourism is an information-intensive industry and the Internet is the most effective and efficient means in information exchange worldwide. The Net can greatly facilitate the promotion and distribution of tourist products and potentially enable tourism destinations and enterprises to compete on a level playing field. The perishability of tourism products and the often erratic tourist demand make the task of balancing tourism supply and demand far more significant than any other sector. That is probably why tourism became one of the first industries to widely apply IT and conduct electronic commerce from the 1960s in the form of computer(ised) reservation systems (CRSs) and then global distribution Systems (GDSs). As a service industry, most tourist products are intangible services, they are experienced and cannot be touched, tasted, smelt or seen and therefore difficult for tourists to grasp and evaluate. Furthermore, the spatial fixity of tourist attractions and amenities means that a tourist cannot really assess their quality until he arrives at the destination. Tourists have, for a long time, relied on limited information from holiday brochures and other literature to evaluate tours and destinations. Comprehensive, relevant, timely and accurate information is essential in tourists' holiday decision making process. But they were not readily available to tourists until the emergence of the Internet, especially the wide use of the Web. With the Internet, virtually unlimited amount of information can be stored at a web site and an unlimited number of users can retrieve it at any time from anywhere in the world. The Web can not only provide more information but also provide it from a much wider range of sources; while in the past, tourists are almost exclusively dependent upon representations and descriptions by the travel trade. The Web can also deliver the information in a greater variety of formats, from text to photos, graphs, audio and video clips, whereas in the past, tourists primarily relied on the printed brochures as the limited copies of videos of a limited number of tourism destinations or holidays were only available to the major travel agents. The web-based electronic brochure can also facilitate the complex process of choosing among the hundreds of holidays using browser-generated selections from back-end databases linked to web servers whereas the printed brochures are usually arranged and indexed by one way, often by destination. Through Internet video telephony, tourists can also "test drive" a prospective holiday by viewing real-time scenes through cameras placed in hotels, clubs, restaurants, scenic spots and other sites in the destination and transmitted via the Internet. Video clips can also show episodes and scenes of festivals, art performances and service delivery to facilitate tourists in the comparison and evaluation of intangible services, the quality of which is otherwise difficult to assess in advance. Since in tourism, it is the tourists who travel to the destination, rather than the tourist product be transported to the market. When a tourist books an airline seat, a hotel room, or a package holiday, he acquires the right to use that seat, room or holiday in the specified time period. After the tourist completed his journey or holiday, he takes nothing home but experiences (though often together with some photos and souvenirs). In the whole process, from the booking, through the out journey to the

return journey, the only things being transported are travel tickets and the tourist himself. This unique characteristic offers tourism a great advantage in Internet marketing as the only cost of online sale will be the transaction processing expense plus a little postage cost; in contrast, for manufactured goods, the delivery cost is often substantial. As a place product, tourism includes all the elements a destination has to offer to tourists, including the social, cultural and physical environments as well the "touristic" components of tourism supply such as attractions, transport and lodging facilities, and other travel related services. First, tourism is fragmented in that while the tourist looks at a holiday as a complete "experience", it is sold in the market place "in bits" as beds, meals, tours, seats, etc. by a plethora of independent suppliers that operate independently of one another. Second, no one agency controls or can deliver content about a destination's tourism product as the marketing of a tourism destination is shared by another plethora of organisations such as tourist information centres, regional tourism boards, national tourism organisations and national tourist offices overseas located in main generating markets.

The Internet provides the effective means for a destination to develop a sustainable electronic "infrastructure" that is capable of establishing a comprehensive and multi-lingual destination web site. This site can present existing and potential tourists with up to date information, from a variety of sources, about the destination in all aspects of tourism - tourist attractions, transportation, accommodation, tour operators, travel agencies, shopping and leisure facilities - as well as the background of its people, culture, history, economy, climate. The master destination database can be integrated through hyperlinks with individual tourism companies as well as with suite of applications which enable tourists to pick and mix to make their own holiday "packages". As such a mega-site could be the "portal" or the "home page" of the web sites of all tourism enterprises in a destinations, it is a great deal easier for the destination to establish itself in the already crowded web-space. From this first stop-of-call, an visitor can search for all the information he needs to make a decision as to whether to visit the destination, what facilities to use and to arrange for reservations and transactions online. In comparison, with the traditional media, in order to get the relevant information of a destination a tourist often needs to go to a travel agency to get a brochure, to a bookshop to get a guide book, and may also contact the destination's national tourist office to get some promotional literature. Furthermore, the printed literature the tourists get is often outdated while a properly constructed and maintained web site can provide right-to-the-minute information. The fragmented tourism industry is also polarised in that on the one hand, there are a few large multinational airlines, tour operators, hotel chains and theme parks; on the other, there are millions of small and often family owned businesses, especially in the travel retailing, tour guiding, hotel and catering sectors. For the small tourism enterprises, the Web is probably the first effective and feasible medium for them to carry out professional marketing function beyond the basic sales and operating activities. The Internet has opened the door for small businesses with little capital to reach a worldwide market. Open access results in lower entry barriers so that virtually

anyone can both access and provide content to the Internet. Travel retailing is one of the sectors in the economy that requires very little initial capital investment. The Net also re-defines economies of scale, allowing small firms to achieve low unit costs for products and services in markets (such as tour operating) dominated by large companies. In the hospitality sector, small firms could also have more cost-effective marketing through the destination's web-site than the printed tourist directory. The Internet as a marketing media can be of great benefit to virtual all areas of marketing, from marketing research, through market segmentation, targeting and positioning, to the effective use of the marketing mix, and marketing organisation and control. The following discussion does not attempt to provide an exhaustive list of the Net's use in tourism; rather, it simply intends to exemplify its common applications in and main implications for tourism marketing. An important feature of the Web as a medium is that it is the consumer who is actively searching for information about products or brands in which they are interested. In effect the consumer is "pre-screened" and shows both interest and involvement in visiting the web site. While on the Web, the consumer can also provide instantaneous feedback to the marketer. All the feedback, and indeed, every "click" or "hit" the user makes can be memorised by the web server. Through the application of the IT data mining technique, companies can find patterns within their internal customer data and make sense of data or turn data into meaningful marketing information. For instance, the visitation record of an online brochure may show the total number of hits, the distribution of the hits among the pages and across time, the order of the pages been accessed. The user's visitation data can be easily combined with user profile information from user registrations through online visit cards or questionnaires and used to uncover the consumers' interest and the patterns of demand and buying behaviour. This in turn leads to identification of likely target segments, often niches based on specific benefit sought. Armed with such information, organisations can refine their targets and develop specific means to achieve true one - to- one marketing. The appropriate use of user profile and surfing behaviour data can improve the effectiveness and efficiency of market segmentation and targeting. This is because the traditional approach to market segmentation is often based simplistically on geographical, demographic and economic variables while the psycho, behavioural or lifestyle data is costly to collect and difficult to measure and compare. In Internet marketing, it is easier to collect these data from potentially each and every user of the company web site, though tangible rewards such as free prize draws and free membership, are often needed to attract users to fill in web forms. It is even a great deal simpler and more effective in market targeting as the email messages and even tailor-made web-pages can reach the intended receiver with little cost. It is possible to set up "virtual" or cyber - communities for each target market niche in the form of news-groups through which consumers with similar interest and behaviour patterns can be sent with relevant product offering and other information from the marketer. Members of such Internet communities can regularly exchange information between them and strengthen a sense of belonging.

One of the major advantages of the Internet in marketing is that the tourist can here be a value creator for tourism companies through redefining the labour division between the marketer and the tourist in providing tourist experiences. This is because, on the one hand, tourists can provide individual preferences for or specifications of holiday packages through feedback in the forms of web forms, email messages or simply the 'clicking' patterns, which the tourism marketer can use to develop new products or tailor-make existing products to suit the needs of particular consumer(s). In this sense, the Internet has accelerated a shift in the nature of products from mass produced and tangible to customised and information based. On the other hand, the self-servicing tourist can not only conduct transactions online and reduce costs of sales for the supplier but also actively participate in the production process itself. Provided with choices, a tourist can now assemble his own product according to the specifications desired. This is especially useful in the production and marketing of package holidays. Tour operators, for example, can offer modular products or services, such as flights, rooms, tours, car hire and performances on their web sites, and allow the user to participate in the development of the specific holiday packages using a menu of options, i.e., 'pick and mix' his own package. As tour operators negotiate with the providers of these separate holiday items and buy in bulk, the economies of scale will enable the operators to offer lower "parts" prices to individual consumers than they buy directly from the different producers of the travel products. At the meantime, since the booking engine is integrated with the product inventory, it is easy for the operator to adjust in real-time the prices of different holiday components in response to their relative popularity and demand patterns. In this way, tour operators can effectively provide the market with low cost and flexible (rather than the conventional rigid) package tours. This is what both marketers and consumers have long dreamed for - high quality products made individually at a unit cost level of mass production - all enabled by the power of the Internet. The role of the Internet in pricing is based on its ability in processing and exchanging large amount of data instantaneously with a great number of people. This information processing capacity enables a company to analyze relevant pricing data effectively and quickly. The information exchange capacity enables firms to set and change prices in real time and also facilitates online bidding and flexible pricing. Both of these qualities of the Net are extremely useful in tourism marketing. In Internet marketing, the potential for price discrimination is diminished given the enhanced capability of consumers to identify the least expensive source, regardless of supplier or location. The skilled consumer could have the "perfect knowledge" of market prices, which could facilitate the realization, to certain extent, of 'perfection competition' at the national and global markets. This will lead to the increasing standardisation of prices across companies or even borders, especially for the undifferentiated products such as airline seats, beach holidays and city breaks. Other applications of pricing on the Web including bidding and flexible pricing - many web-based businesses allow customers to bid for products on their sites. Customers commit to the sale if the price is agreed upon. The bidding locks in customers to the

sale and the committed price. Tour operators may use online bidding in a different manner to market special holidays the demand for which may be extremely difficult to estimate in advance. For example, a tour operator can put on its web site the details of a package holiday to the moon and the total cost (including profit margins) for a group, say 50 travellers, the more people bid the lower the price for each traveller. This way of pricing could well enhance the operator's image and profitability, as it is both an innovative marketing and sound financial approach. The uniqueness of the Internet as a means of distribution is based on the fact that it exists in "cyberspace" thus physical phenomena such as location and distance are less significant or even irrelevant. For the producer, the Web enables it to have direct links with consumers at a low cost therefore provides it with the opportunity of "disintermediation". For the retailer, the Web threatens its livelihood and changes its critical success factor from location, location, location to access, access, access. For the wholesaler, web-based business means it can bypass retailers while at the same time risk being bypassed by the producers.

The biggest change to tourism distribution brought by the Web could, in the next 5 to 10 years, be the noticeable shrinking of the travel agent sector. Agents are squeezed by both a decreasing market as more and more consumers go online and book directly from airlines and operators and by airlines' declining commission levels. The Association of British Travel Agents (ABTA) believes that the Internet will not cut out the middleman, but it will certainly put their added value under scrutiny. It warns that High Street travel agents that do not excel in what they do may not survive the competition. Nevertheless, the travel agent sector will not be doomed to extinction. How far and how soon the role of travel agent will diminish in the future is dependent upon how flexible and innovative the travel agents can be and how fast the Web can dominate both business and everyday life (Liu and Jones 1995). The Travel agency will have to reinvent itself to suit the new Internet era by transforming from a travel ticket seller to a travel information manager. For tour operators, the potential disintermediation has a dual effect. On the one hand, they can be bypassed by the producer as airlines and hotels that directly sell their products to the travel agencies and consumers; on the other, tour operators could benefit from its own direct sell operation by eliminating the travel retailers. It is hard to estimate the full impacts of the two. But one thing is sure to say that the tour operators, more than travel agencies, have a future in the Internet era. This is based on the understanding that tour operators are not purely intermediaries as they do perform some production function in assembling the various parts of tourism products into a marketable package. Through this value-creating activities, tour operators can provide convenience and better value for consumers, by passing on to them some cost savings gained through bulk buying the separate components of the package, than they would otherwise get from the individual tourist product providers. The major tour operators (in the UK) are also "backward" integrated and have their own charter airlines thus major schedule airlines' direct selling is not much as a threat to them as to travel agents. Arguably, the component of the marketing mix being most

quickly transformed as a result of Internet usage is promotion. The Internet provides a labour-efficient and cost-effective way of distributing information almost instantaneously to millions of potential clients in the global markets. Internet promotion combines mass media's reach with the personalization inherent in two-way dialogue -previously only possible in personal selling. It can be used for corporate visibility, brand name recognition, advertising, public relations, corporate sponsorship, direct sales, sales promotion, customer support and technical assistance. There are three main issues in the application of the Internet to tourism promotion. First, present the promotional information on the company's web site. The Web enables more information to be transmitted to (potentially) more people cheaply, instantly and with multimedia effect. The key to achieve these benefits is a well-designed and maintained web site which is attractive, informative and interactive. Through its multimedia capability, a good web site can and should incorporate information as accurate and detailed as brochures or timetables, photos and graphs as glossy as magazine ads, and videos as entertaining as TV commercials. The site can and supply as much promotional information as possible as there is virtually no capacity constraints or advertising space limits on the Web. By hyper-linking pages together in an appropriate fashion, the Web marketer can create an ultra-comprehensive brochure to include everything a user wishes to know. For instance, a tourism destination web site may become a 'information mall' which provides the users with all the basic information about it such as the exchange rates, local traditions, weather, what to buy, etc. and, through the hyperlinks to the sites of tourism firms, details of flight schedules, tour prices, park opening times, late offers, and so on. A company web site with email links or even telephone numbers and address will enable users to contact it for further and often more personalised information. Second, promote the web site itself to increase its exposure and visitation since a company's web site has to compete in the clutter of thousands of other web sites selling similar products and services. This can be achieved through a number of ways. A memorable Internet address to help user locate it on the Web, usually the company or brand name or a catchy word or phrase. Links "from" other web sites, by registering with search engines and online directories and paying relevant sites for click-through links or banners ads, are particularly important if the company's site is not well known. Links "to" other sites, such as those offer news or entertainment services and those offer complementary products can also make the site more interesting as well as providing more relevant and up-to-date information for the users. Third, use the company's web site as a platform for advertising sites or products of other businesses. Through "banners" and banner linked web pages, a company's web site can also generate revenues by becoming an advertising medium for other organisations. Indeed, the effectiveness of the Web as a medium for advertising has already made online advertising a boom business itself.

Conclusions

This paper has so far examined some of the key issues related to the marketing of tourism on the Internet. In particular, it has highlighted the main features of the Internet as an effective and efficient communication medium, including its addressability, interactivity, flexibility and accessibility, and its role in improving customer service and reducing costs. It has also analysed the unique characteristics of tourism which make it perfect to be marketed on the Internet and further explored the main areas in tourism marketing where the Internet could play a significant role and provide substantial benefits for both the marketer and the consumer. In an investigation of the key forces which drive Internet commerce, it has found that a wide variety of factors, grouped conveniently in four broad categories – demand, organisational, technological and governmental – could both enable and restrict the application of the Internet in tourism marketing. With regard to the future of Internet tourism marketing, there appears to be little question that the Internet will permeate into every aspect of tourism business and every area of marketing activities. Indeed, the Net could become the dominant platform and instrument for tourism promotion and distribution in five years' time. This is based on the author's belief that Internet marketing has now survived its infancy and is ready to accelerate the transition from the introduction to the growth stage as more and more people and organisations are recognising its unique and great potential for marketing. The increasing power of computers, decreasing surfing cost, and higher level of computer literary and web skills will make web surfing as a necessity in everyday life to an increasingly large population, especially in the developed world. Many of the current technological constraints could also be overcome (though new problems will inevitably emerge) in the next few years with the high quality broadband access via optical fiber or satellites to improve speed; the wide application of constantly improving firewalls, encryption and digital signature software to enhance security; the development of more sophisticated search engines and "intelligent agents" to simplify web search task; and the Wireless Application Protocol (WAP) technology linking mobiles to the Internet to extend the range of services available to the public. At the same time, governments are increasingly involved in the expanding e-commerce through providing incentives to small businesses, facilitating infrastructure development and establishing the regulatory framework which supports and protects all those concerned. It is obvious to the current writer that the key to the future growth and improvement in Internet tourism marketing lies in tourism organisations. The market conditions and web technologies are improving steadily and a conducive legal and social environment is starting to take shape, it is now up to tourism organisations to seize and exploit the opportunities created by such changes to its full potential. Therefore, the crucial question for academic researchers and practitioners in future research is how tourism organisations can take advantage of the changes and opportunities brought about by the Internet. To offer a prescriptive list of policy recommendations is neither feasible, because it requires a thorough understanding of all relevant issues including expertise in technology, tourism, marketing and a keen

awareness of all new developments in both IT and tourism, nor necessary since different tourism businesses have different resources and operate in different settings. Instead, an attempt is made here to discuss issues that are both important and with wide applicability. Three interwoven cognitive issues are highlighted below to emphasise the significance of changing the mentality of tourism organisations to preparing for the new virtual business environment. In order to market tourism products successfully on the Internet, a tourism organisation must first of all have a strategic vision whereby it can fully comprehend the changing market space, from physical to both physical and virtual, and the underlying forces shaping this new marketing space. The Internet has altered forever the tourism marketing system and its environment, no tourism business can escape its impacts but companies willing to become engaged in Internet and embrace Net commerce should find more opportunities while those still pretend that the internet is a bad dream, such as some travel agencies, will be left with all the threats. Whether a organisation likes it or not, the Internet is here to stay and is going to dominate tourism marketing. Andy Grove, the Chairman of Intel, has been widely quoted as saying that in five years' time all companies will be Internet companies or they won't be companies at all. Second, the Internet must not be treated as just a promotion aid or distribution device, but be seen as a major force in itself that profoundly changes the way tourist business is conducted. 'Marketers will need to rethink fundamentally the processes by which they identify, communicate, and deliver customer value.' Third, as the Internet alters the critical success factors in many businesses, tourism organisations must use it effectively to create new competitive advantages. For example, tour operators (in the UK) were obsessed with gaining control of distribution through vertical integration with travel agencies in the last decade, but with the emerging web-based online sales companies, control of how they let the product be distributed now supersedes control of actual distribution. In responding to the threats from airlines direct sale, the major GDSs have been using the Internet to develop web-based GDSs and to diversify their product base to include hotels, car rental, cruise lines, tour operators, etc. Clearly, tourism organisations have to adopt a technology management policy that will assist their competitive strategy and usefully leverage the technology innovations to their advantage. Strategic Internet partnerships or alliances, especially those between tourism companies, and between tourism and IT companies, are also a major source of competitive advantage.

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LOCAL TOURISM COMPETENCE CENTRES – THE ALTERNATIVE FOR THE IMPROVEMENT OF TOURISM PERSONNEL IN ROMANIA

*Carmen Chasovschi, Heike Baehre, Carmen Nastase**

Abstract

Since years, Romania is trying to find its way in achieving the development of tourism. Since years, the quality of human resources working in tourism was stressed as a major weakness. The present paper is the result of a common effort of researchers and professionals in tourism from Romania and Germany, who tried to imagine and to plan a local training and competence tourism centre in Suceava – as a pilot structure that could assure an increase the quality of tourism, through courses and hands-on programs delivered to the new or existing employees.

The conclusions presented hereby are only the beginning of a common effort keen to identify additional causes and solutions.

Keywords: local tourism, vocational tourism, human resources, training in tourism.

JEL Classification: M12, L83, L84

1. General context and methodology

First input in the identification of the need for such project was given by studies realized by GTZ¹ project in Romania: “Romania among the Eyes of German Tourism Operators”² and additional, by other sources.³ In this research of GTZ, done yearly between 2004 – 2008, while the behavior of local people has been highly appreciated (hospitality, openness, ready to help a.o.), the quality of people working in tourism services (hotels, F&B a.o) was qualified as “weak” and “asking for improvement” / “need for improvement”.

This need was argued by all programmatic documents that were developed by different structures. The Masterplan for Tourism in Romania, developed in 2007 by W.T.O. – World Tourism Organization by the request of ANT – National Tourism

* Carmen Chasovschi is Assistant Professor, Faculty of Economic Sciences, “Stefan cel Mare” University of Suceava.

Heike Baehre is Professor at the Baltic College, Integron Institut Berlin.

Carmen Nastase is Assistant Professor, Faculty of Economic Sciences, “Stefan cel Mare” University of Suceava.

¹ GTZ – German Technical Cooperation Agency www.gtz.ro, is a program of German Government in Romania, financed by German Ministry for Cooperation, that had since 1997 through different activities, offered financial and technical support to tourism in Romania

² The extended version can be found on www.forum-turism.com, presentation held by Carmen Chasovschi

³ “Romania – Education policy note”, The World Bank 2007, <http://siteresources.worldbank.org>

Organization (actual tourism ministry). For this purpose, we try to /*We try for this reason* to analyze the quality of training in tourism field and to identify some alternatives in order to improve the existing situation.

The sequence of steps that we followed in developing a concept for improvement of vocational training in tourism was: identification of a tourism destination, relevant for Romania; in depth/thorough analysis of existing offer in tourism training – formal and informal; identification of strengths and weaknesses; formulation of action proposals; development of a theoretical framework for a tourism competence center – as infrastructure for tourism vocational training. We will briefly present in the following pages the result of this work. In the analysis, we had a comparative approach of the situation in Germany with respect to occupations and skills in tourism, and the list of core qualification in tourism and curricula recognized at EU level.⁴

2. Current situation of the formal and vocational tourism training in Suceava County

As basis for the analyze of current situation of formal and vocational tourism education in tourism we used two approaches: one – based on the documents referring to the national situation (especially Chapter 8, Masterplan for Tourism in Romania) and the second, the analysis of the locally situation / situation al local level, /in Suceava County.

The second one, more concrete, offered a much closer perspective, and was mainly based on interviews with representatives of County Council, municipality Suceava, Chamber of Commerce and Industry Suceava, Economic High-Schools in Suceava and Tourism Specialisation of Faculty of Economics and Public Administration from Suceava. We are presenting bellow the structured results of the accomplished research:

Graduates,

of Secondary Schools (age 14/15)

1. get professional training at a 2-years-professional school (S.A.M.)
2. after 1 additional year at a High School they can enter the Diploma (A-level) classes for further 2 years
3. or 14/15-aged pupils go to High Schools (“Liceu”):
 - a) Economic High Schools
 - b) Tourism Classes
 - c) Other kinds of High Schools (“Licee”)
 - low or little/barrel real workingexperience
 - theoretical knowledge

⁴ www.eu-eqt.de

„Fresh“ University and Business College Graduates:

- often speak fluently foreign languages
- international experience
- theoretical marketing and management knowledge
- high mobility to leave their (public) employers, DMOs ... or Romania
- low or little working experience

People working in the field of tourism, but without a formal degree in tourism can visit:

1. CNFPA adult education courses at a High School or a private training company (e.g. a 6-month-course for cooking, 720 h)
 2. seminars offered by private seminar providers/academies
 3. seminars financed by EU(EFS), but offered by providers without tourism experience
 4. seminars offered by tourism branch associations (like the Romanian Hotel and Restaurant Association, ANAT or others)
- Speak no, 1 or more foreign language(s)
 - No / with international experience
 - No/poor mobility

People with a formal diploma or degree in tourism, but with working experience:

- need of special tourism knowledge and service abilities

People without a formal diploma or degree in tourism and without working experience in the fields of tourism / should be enabled to work in tourism (Re-Trainees)

Figure 1: Educational and professional training system in Romania

The current situation in education and further education in tourism can be described as follows:

- High density and variety of tourism faculties in Romania: at least 27 listed tourism faculties;

- Good performance graduates use internships and work & travel programs abroad to leave Romania and go working abroad;
- Only (or mainly) theoretically based first professional education;
- Lack of practical experience orientation in first professional education (High Schools, College, Professional schools/SAM and University);
 - Teachers, professors and trainers do not have (enough) practical and up-to-date experience and knowledge;
 - Content and curricula don't fit requirements of the tourism labour market;
 - Mediated tourism knowledge is not up-to-date;
 - A lot of training facilities at professional schools were developed and modernized in the last 5 years, but even today there are not enough places/is not enough space in learning stations and practical training facilities;
 - Lack of intercultural behaviour and green-thinking (environment protection);
 - Lack of multi-language tourist guides and knowledge about Romania and the region.

Problems of jobholders and small businesses in tourism, concerning the personnel:

- Lack of service orientation of employees and managers;
- Lack of business and management skills of the middle and top management;
- Family businesses do not have (enough) tourism knowledge, customer orientation, management and marketing skills;
 - Lack of active selling and internet marketing skills;
 - House-keeping and room-services should be improved;
 - Accommodation design, furnishing and interior equipment are not up-to-date and not convenient;
 - Problem of part-time labour / seasonality / high rate of labour migration to Western Europe.

3. Tourism Competence Centre – is an alternative for a better “on going” education of the staff working in tourism?

Starting from the identified points mentioned in the previous part, we assume that at local level, where the offer of the private training structures in vocational training in tourism is almost inexistent, an alternative can be to create a **Tourism Competence Centre**. The Vision of such structure should be **focused firstly on education and training (lifelong learning)**, then – step by step – after a while, it should also become **responsible for audits and the development of service quality and quality management systems in the branch sectors of Romanian tourism**.

As objectives we can also mention:

- Evaluation of first and further education programs in Romania, fitting European standards [*European Credit Transfer and Accumulation System (ECTS) for these*

qualifications and professions (modularization of educational and training offers from first education up to graduation by an university [according to EQAR (European Quality Assurance Register for Higher Education)]]

- Development of lifelong-learning-concepts
- Development and realization of intensive training programs for starters in tourism.

Target groups (participants in education programs) are specialists, skilled employees, managers, job starters in tourism, re-trainees in tourism administrative officers and clerks, starting their career in tourism administration.

Such institution should be:

- (politically) independent,
- but basically financed by a fix base amount by Suceava County Administration (from tourism taxes) and / or the Romanian government
- financed further by project funds of Bucovina DMO (including EU and government project funds),
 - funds from the tourism branch organizations,
 - and fees of the participants (seminar visitors),
 - donors and sponsors.

We are presenting in the next table the general framework for such a structure, on the concrete example of Suceava Region / Bucovina Destination.

Idea framework / draft of a tourism competence centre

Table 1

Partners	Co-operation and function of the other professional education institutions	Graduation Institutions	Codified Rules - System of Permanent Training and Further Education	QIT® as a registered trade mark and the foundation for the further implementation of a Total Quality Management (TQM) System
County Council Suceava And its CIT/TIC Economic High School “Dimitrie Cantemir” University Suceava DMO/APT Bucovina Chamber of trade and commerce Supported by Tourism Ministry of Romania	- Creating a network for a better quality in tourism education - Develop and get news-letters - Send trainers (for money) - Can co-operate in best-practice exchange and train-the-trainer-projects	- get more well-prepared applicants - can send trainers (for money) - can provide seminar facilities - improve their teaching qualifications - improve	• part and first step of a future total quality management system • declared by a special brand (word-picture brand) and • declared by an official	➤ First implemented as a model in Bucovina region it can be transferred to other <i>FAPT</i> Members through a Memorandum that describes the conditions ➤ Other institutions that want to implement or join the concept should pay a franchise fee

<p>Board of member/branch organisations:</p> <ul style="list-style-type: none"> - ANAT - FAPT / Federation of regional DMOs - FIHR - OPTBR - Romanian Convention Bureau - FPTR (private owners) - ADR Nord-Est 	<ul style="list-style-type: none"> - Can provide training facilities (for rent) - Improve their practice-orientation and their reputation 	<p>their learning material</p> <ul style="list-style-type: none"> - can get first-hand information about labour market and tourist projects (research funds) - students get better internships and jobs - better job-orientation of the graduates 	<p>certificate (which can hang in the restaurant and reception area)</p> <ul style="list-style-type: none"> • vision: if the tourism is well-developed with a strong competition among the providers every employee / hotel owner/director has to visit a QIT@-seminar every 3rd year • it has to be assured that basic seminars and higher education seminars fit in a modular ECTS graduation system 	<p>➤ See for more information the introduction and implementation of Switzerland TQM by German state DMOs: www.servicequalitaet-deutschland.de , but used in the field of professional education.</p> <p>➤ Later the QIT® can also be the “TQM-service and implementation organization” for the potential “Romanian tourism quality brand”.</p>
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The institution needs furthermore a Charta and a decision about the placement and seat of the headquarters, a sustainable management organization, consisting of a scientific director, a chief of operations, a marketing organization (the 4 Ps of the marketing process): definition of the seminar and congress program, the certificates and courses, curricula, recognition of the courses and seminars according EU-credit point systems (**ECTS** and **EQAR**), placement /distribution, distance learning, pricing, communications.

Conclusions. Further tasks for a sustainable conception for the institution.

According to the developed matrix of the educational content of the 18 most needed and CNFPA-certified qualifications, the Tourism Competence Centre should develop a curricula and a certification system which would make it possible, that someone can start with a first professional training and can later obtain a first or higher academic degree (through visiting/attending of other courses offered by the partners or by the Tourism Competence Centre of itself).

These different options should be further educed, discussed, and evaluated among specialists of the Romanian tourism administration and the Romanian industry.

Such a structure can increase the chances of tourism sector for real tourism professionals, and not only for people working in tourism without having proper qualifications, proper skills or proper behaviour. It is true that these kinds of problems are not specific only for Romania. For example, in Mexico, at the opposite side of the world, tourism educational and training institutions vary in quality too, is “mediocre, if not poor, programs are manned by people who have minimal educational qualification and little, if any, industry experience” (Jones, Tang; 2005).

The improvement of tourism education in Romania is a “must”, and the first step is to admit the existing problems and then to find ways of improvement.

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CROSS POINTS BETWEEN ACCOUNTANT AND MANAGER

*Emilia Gabroveanu, Nicoleta Radneantu, Lucia Jardan Botnaru**

Abstract

This paper has the purpose of analyzing the existent departmental relationship respective accountant and manager position by assessing first the general frame of those two activity areas and then the main leading part which them have to accomplish in a certain company.

Then, we shall reduce the debate towards the cross points of these two areas and we shall tackle the connection between companies' accountant and manager which act in tourism from the interchanged information, legal and human appearance of this connection and we shall analyze the interdependence degree between them taking into account the competences and common interests of both areas. Finally we shall conclude over this connection.

Keywords: accountant, manager, financial information.

JEL Classification: M10, M21, M40

Definition of key concepts and location of the intersection points**1) Accounting**

Defined as a discipline about five centuries ago, by Luke Paciolo, in the founding father ideology, the accounting concept is “everything that trader has in the world, as motion and motionless wealthy and as debts as well as all its businesses large and small, in order in which they occurred.” Later, as the subject of accounting is becoming increasingly more necessary and legible the definitions of this discipline began to seek a more concise and more technical direction, without, however, vary in size beside Paciolo's radical approach. Evidence in this regard stood J.Fr. Schar, who saw, in 1920, accounting as being ” the impartial judge of the past, necessary guide of the present and indispensable counselor of this essential need of every enterprise of the future” and, especially, the law of accountancy¹ which regulates the subject of accounting: measurement, assessment, knowledge, management and control of assets, liabilities and equity, and the results obtained from the work of individuals and enterprises [...] should ensure chronological and systemic registration, processing, publication and preservation of information with respect to financial position, financial performance and cash flows , both for their internal requirements, and in

* Emilia Gabroveanu is Associate Professor at the Romanian American University in Bucharest.
Nicoleta Radneantu is Assistant Professor at the Romanian American University in Bucharest.
Lucia Jardan Botnaru is Economist in Chisinev, Republic of Moldova.

¹ Law no. 82/1991, updated 30/07/2007.

relationships with current and potential investors, financial and commercial creditors, customers, public institutions and other users.

2) Management

Although time management expression² comes from Latin, the corresponding science is a young one, most recently defined than accounting. In fact, its beginning was in early twentieth century, by definition of Mary Parker Follet: “the art of fulfillment something together with other people”³. Ever since the discipline and career management were discussed by various theorists, including William Newman, in the opinion of him the management is an “important social engineering as targeting, management and control efforts of a group of individuals in order to achieve a common goal”⁴.

Another definition is that of Jean Gerbier, which says that “the management means organize, captaincy, manage”⁵. Today we say, not very different from several decades ago, that the management is “a set of concepts, methods and means of solving management problems in all fields of society, also including all of its organizational levels”⁶.

A typical manager in the early twentieth century acted as formal leadership staff through the imposition in front of its employees, by threats and intimidation. At the mid-century, the style of leadership had been already changed: manager focused more on supporting over the subordinates development, in order to create a base of influence.

3) Points of intersection Accounting - Management (respective accountant - manager)

Although the evolution of the two disciplines is different especially in terms of time, elements of accounting, and management elements existed long before being collected in these two names, because both addresses to some activities inherent in human society and the individual: economic activity and desire, respective the ability to lead. Today, accounting and management intersect at technical and disciplinary level, especially in business. Here, the relationship between accountant and manager gets valences which are started from the team work in the purpose of proper functioning of the company and reach the strategic partnerships whose aim is to propel the company into the business environment in which it exists. From this perspective, the accounting - manager team has to solve a series of common points, and to establish the resources that enterprise needs, the place and manner of

² manum agere = „a conduce cu mana”.

³ <http://ro.wikipedia.org/wiki/Management>.

⁴ W.H.Newman, Administrative Action, Prentice Hall Englewood Hills, New York,1964, p.1.

⁵ J. Gerbier, Organisation-Gestion, Dunod, Paris, 1965, p. 9.

⁶ V. Cornescu, Management – Teorie si practica, Actami, Bucuresti, 1994, p.8.

obtaining them, and to establish long-term resource flows. Also due to compatibility between the accounting function to realize situations with predictive power in financial terms and the strategic management function, the partnership accounting - manager can make a secure economic strategy, which not involves threatening risks, and establish milestones and evaluation points of these strategies, in order to check if the purposes they provided have been met.

Anchors of the Accountant - Manager Relationship from the information, legal and ethical point of view

1) Financial information

Relationship Accountant - Manager, like any other relationship, moreover, can be viewed from perspective of several aspects. First, it can be evaluated relative to information exchange between the two departments, and respective functions. This information is most often of a financial nature. Whether it relates to accounting operations - as, for example, payment to the supplier - which must be monitored and approved by management, whether they refer to financial management operations - as a new contract to be validated by the accounting operations - supervised, in turn, accounting, the financial information determines the parameters of the relationship accounting - manager, which are based on precision, accuracy and legality.

Although the communication channel accountant - manager is largely covered by financial information designed to ensure clarity of data and strategies for external factors such as investors, employees, trade creditors, the government together with its related institutions or customers there, there is more and more visible, a public who requests its decoding in non-financial information, this phenomenon having social roots. Thus, partnership accounting - Manager, shall, through information that it holds, have to explain more and more often the increasingly common issues like the impact of enterprise activity over the environment, ethics and its values, and quality of the products and services towards a sustainable development.

2) The relationship accountant - manager from the legal frame of work view

More than anything, the relationship between those two departments and functions is a contractual relationship. In exactly the same parameters, accuracy and legality, the relationship accounting - manager involved, signed by both contracting parties, on their own obligation and responsibility of each person to design and transmit data and documents that are in line with reality and the laws in force. From this point of view, both the manager, who, by his signature, is responsible for all documents and enterprise, and the accountant, which must represent the manager and the enterprise in the relation with certain institutions must recognize their mutual duties and areas of competence.

3) The relationship accountant - manager from the ethical point of view

Before specific financial information and contractual obligations, the relationship between accounting and the manager is of a human nature, although this aspect can not be legalized by a labor contract. At the level of values, speaking about company values and personal system of values of each, the two persons, accounting person and the manager person must form a team based on professionalism, integrity, proactive, team spirit, ability to effectively communicate and, perhaps the most difficult to put into play, the trust. Although the nature of the impalpable and apparently improper communication style of the first two functions whose common goal is playing with numbers that lead to profit the human aspects of the relationship between accountant and manager are increasingly present, starting from the gentlemen's agreement towards the job description requirements, those being truly beneficial to the prosperity of the company, in terms of human resources.

Conclusions

In conclusion, although the functions of accounting and manager may seem, to the surface, completely different in terms of objectives, areas of activity and interest in a closer look, we ascertain that they have common points of work and analysis, they share a communication financial channel which they need to effectively manage, so that its users, no matter how many and as different, to perceive it correctly, and that their functions are connected by contractual and ethical ties.

This interdependence is therefore based on competence, needs and common interests, and especially the desire of enterprise sustainable economic success. In his book, *Fundamentals of Accounting* ", Professor Chiriță Caraiani resembles accounts with cartography. In this sense, the analogy can be continued if the accounting means mapping, then management means navigation.

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THE "TOURIST IN ROMANIA" CAMPAIGN - METHODS OF CALCULATION AND ALLOCATION OF ADVERTISING BUDGETS

Mihai Papuc*

Abstract

The present study proposes the submission of two techniques in promoting Romanian tourism destinations: tourism advertising via television and outdoor tourism advertising, as well as the procedures for the calculation and allotment of advertising budgets.

Keywords: tourism advertising, out-door advertising, target, rating, Target Rating Points.

JEL Classification: L83, M31, M 37

1. Introduction

Promoting tourism in Romania is about presenting techniques and actions of communication used by tour operators and other service providers in the field to inform potential customers on the offer, to convince them to buy and carefully maintain their interest. While the creation and marketing of tourism products is made especially at local level, promotional activity may take place at national or international levels.

All promotional activities follow (at least in theory) a series of steps or stages meant to lead the tourist in making the purchase decision. Chaining these steps forms what is called a model of communication. One such model, used primarily in tourism, is called AIETA (Awareness, Interest, Evaluation, Trial, Adoption), or in Romanian CIETA (Conscientization, Interest, Evaluation, Testing, Adoption). The significance of this model would be: the potential tourist must first learn (become aware) of the existence of a travel product or service, his interest in it be aroused, to be given an opportunity to assess it in advance (based on information provided by promotional literature) and then to make a first acquisition in order to test (try) the offer. If in this latter round the tourist is satisfied there is a good chance for him to repeat the purchase (to return to a destination, to prefer the same hotel, to go on a trip organized by the same tour operator, etc.).

It is well known that one of the main features of Romanian tourism industry is the relatively low share of promotion through mass media (TV, radio, press), in contrast, printed promotional materials (brochures, flyers, catalogs, posters, etc..) are of very high importance. Therefore, two of the forms with two of the largest impact on potential customers are presented, for offers of interest in Romania: television tourism advertising and tourism out-door advertising.

* Mihai Papuc is Professor of Marketing at the Romanian American University in Bucharest.

2. Television advertising in tourism

Advertising is a paid form of impersonal communication and market, which aims to create and keep customers by informing, encouraging and convincing them on the opportunity to purchase the tourism products that support the company's interest.

Some of the possible objectives of an advertising campaign could be the following:

- Inform potential customers about the existence of a tourism product market (a two-week trip to Greece, for example);
- Information on a cultural event, sports, etc.. generator of tourism - for example, festivities at Mount Ceahlau of Durau;
- Positioning of a country or a tourist destination (eg, the Discover Romania campaign, launched on the website of the Ministry of Culture and Religious Affairs);
- Highlighting the benefits offered by a travel program (eg a holiday on the Cote d'Azur);
- Creating a brand image for a provider, product or destination.

Determining the advertising budget is closely related to the proposed objectives. In establishing the advertising budget size, two methods can be used.

A first method is allocating a percentage of turnover for advertising (eg, 5 or 10 percent). This percentage will be influenced by the cost of advertising in previous years, advertising costs of competitors, the stage of product life cycle or how the company can afford to allocate the time for advertising.

The second method requires a first phase where the advertising actions to be undertaken are established, and the second phase where the costs generated by each action are calculated separately. The advertising budget will be the sum of all these costs.

For this we show 3 examples of calculation and allocation of advertising budgets to the "Tourist in Romania" campaign.

2.1. The "Tourist in Romania" campaign, proposed to run from August to December 2009 on three television channels is aimed at increasing the number of Romanians who choose to spend their holiday in the country.

The offer of the association of Best Advertising & Consult Ltd. and Optimedia Ltd. was declared the winner in case in the auction organized on July 20, by the Ministry of Tourism for acquisition of the service of organising the national campaign "Tourist in Romania".

The offer proposes the dissemination of some 30 second spots on the first generalist television station and on the first two TV news channels, selected according to the audience.

The selected items for international promotion of tourism destinations are Romanian Pro TV - the first national general television station, reality TV and

Antena 3 - the first two news stations, as measured by GFK audience between 01-31 May 2009.

The rating of bidders was prepared by applying the calculation algorithm provided in the specifications for the acquisition. The winner submitted the most advantageous offer economically, in terms of cost per point of audience (CPC), with a weighted value of 435.05 lei (compared to other bids, which were at 789 lei 809.8 lei and 726.4 respectively 676.6 billion). The total value of the winning bid amounted to 3,617,102 lei, the equivalent of 866,891 euro, without VAT and without the cinema tax.

Below, we illustrate the comparison of prices offered by agents. Worth mentioning that Media One participated in association with Diadikasia Business Consultants and only made offers in lei:

Table nr.1.comparison of prices offered by agents

Agency	Budget (euros)	Cost per point	Total points purchased
Ars Advertising	338.000	258 euro = 1076 lei	1.310
Media Today	388.000	274 euro = 1141 lei	1.419
Media One	1.439.410 lei	1.208 lei	1.200
Media Investment	415.300	310 euro=1296 lei	1.337
Best – Optimedia	304.000	72 euro = 301 lei	4.209
Media One	1.136.193 lei	344 lei	2.800
Ars Advertising	263.000	86 euro = 360 lei	3.000
Media Today	304.000	106 euro = 441 lei	2.880
Media Investment	323.000	89,6 euro = 374 lei	3.611
Media One	659.000 lei	312 lei	1.600
Ars Advertising	150.000	79 euro = 330 lei	1.896
Best - Optimedia	177.000	83 euro = 348 lei	2.100
Media Today	175.000	109 euro = 455 lei	1.600
Media Investment	185.000	114,6 euro = 478 lei	1.600

Source : www.paginademedias.ro

We state that the price for a rating point is the amount a customer pays for a commercial advertising which has a 1% rating. The level of audience (rating) is given by the number of people or households following,

in a timeframe, a TV or radio program.

Finally, the auction won by the two companies two companies was canceled

following a reauction to be resumed, as it was considered that the winning agencies provided a dumping price.

2.2. *The Ministry of Tourism launched a new auction* for a campaign within the "Tourist in Romania" program, which has an estimated budget of 400,000 euros.

According to specifications, the campaign, which will have two TV commercials will begin on December 2nd, will have a duration of 20 days and is meant to promote Romania's tourism offer - winter and Christmas in Maramures.

The commercials will run on the first two general TV channels with the largest audiences in September and on news channels with the largest audience. According to September ratings, Pro TV and Antena 1 are the stations with the largest audience for general viewing, and Reality TV has the largest audience in the news television segment. The budget will be divided as follows: 45% - Pro TV, 35% - Antena 1 and 20% Reality TV.

The target audience consists of people aged 18 to 65, urban and rural, middle-income and at least secondary education.

Calculations and allocations proposed in the specifications are:

Pro TV - more than 400 TRP (Target Rating Points)

Price of the specification: around 450 Euro / item

Prevailing market price: 400-500 Euro

Antena 1 - more than 370 TRP's

Price of the specification: approximately 320 Euros / point

Prevailing market price: 300-350 Euro

Reality TV - 580TRP minimum Links

Price of the specification: approximately 115 Euros / point

Prevailing market price: 100-200 Euro

2.3. *The "Tourist in Romania" campaign in out-door advertising* Campaign funded by the Ministry, will have a budget estimated at 100,000 euro, will take place between November 10th and December 20th and will have to cover a display area of approximately 5,000 sqm.

Division of the panels will be made as follows:

- 20% of the area will cover Bucharest;

- 80% will go to the rest of the country's national roads, highways, and cities.

This summer, the Minister of Tourism, called for billboard companies to disseminate free billboards for the "Tourist in Romania" campaign posters. Some companies have accepted. Euromed and Betacons, both part of Epa Media Group, have offered the Ministry 100 faces for free, 50 for the seaside and 50 in Bucharest.

Conclusions

The "Tourist in Romania" campaign, promoted via two media channels with strong impact on the population - television and outdoor - revealed methods of making offers and determining promotional budgets practiced by major players on

the Romanian market. Furthermore, the modern system for contracting promotion programs was underlined, based on rating points (TRP - Target Rating Points) or display surfaces for outdoor promotion.

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MOBILITY OF THE TRADING COMPANIES OPERATING IN THE TOURISM INDUSTRY

*Luminița Tuleașcă**

Abstract

The trading companies operating in the tourism field, established on the territory of a European Union member state, benefit from the possibility of establishing, transferring their registered office on the territory of any other European Union member state. This aspect of the establishment right representing the base of the mobility principle of these legal entities – mobility imposed by the current necessities of the European economy - it is recently recognized by the practice of the Court of Justice of the European Communities.

Keywords: mobility, trading company, registered office, tourism.

JEL Classification: K23, L80, L83

I. INTRODUCTION

As in any other activity field, in the tourism industry as well, the trading companies represent the main players of this economic activity.

As regards their mobility, in this matter too, there is still the traditional conception according to which the connection between these legal entities and the states wherein they were established is so important that, in the absence hereof, the trading companies terminate their existence, cease to exist as a legal entity, even if they intended to establish another specific connection to another member state.

The conception is legally obsolete and inappropriate to the mobility necessities of those involved in the tourism market.

On the other hand, the legal frame in which the enterprises, including the ones in the tourism field, have to perform their activities within the Community, based essentially on the internal legislation, does not comply either with the requirements imposed by the creation of the Sole Market.

Certainly the tourism market is a market in which the trading companies should have the possibility of performing their specific activity on the territory of another state but that of the state wherein it was established, based on the establishment right and without national formalities that could excessively restrict or prevent the actual exercise of the establishment right.

The preoccupations with the adjustment of the European and national legal framework to the principles and objectives of the Sole Market were revealed particularly in the action Plan initiated in 2003 by the European Commission in the

* Luminița Tuleașcă is Assistant Professor of Law at the Romanian American University in Bucharest.
E-mail: luminita.tuleasca@profesor.rau.ro

field of trading company law: *“Modernization of the trading company law and consolidation of the government of the enterprises in the European Union. A plan to advance”*, document wherein the mobility of the companies represents one of the six main preoccupations.

However, for a long period of time, in the absence of an express European regulation, the European Union and European economic area member states were either retained as to the interpretation mode of the establishment right recognized by art. 43 in the European Communities Institution Treaty (hereinafter referred to as the EC Treaty) or imposed restrictions intended to render the establishment right innocuous.

The basic principle of the mobility of the trading companies may not be restricted only to the possibility of extension of their activity on the territory of other European Union member states by the establishment of branches, subsidiaries, representative offices or agencies.

It also includes, by its nature, the right of the company to shift its registered office from a member state to another, as required by the business opportunities.

This aspect of the mobility principle of the companies is contemplated by this study, analyzed from the perspective of the European legislation, taking into account its importance, the new practice of the Court of Justice of the European Communities (hereinafter referred to as CEJ) and the current stage of the Romanian legislation.

II. Current base of the mobility of the trading companies existing in the tourism field

a). Creation of the communitarian law, the European Company (*Societas Europaea*) introduced by the (CEE) Regulation no. 2157/2001² and the European Group of Economic Interest (hereinafter referred to as GEIE) constituted within the meaning of Regulations no. 2137/85 and 2157/2001, benefit from the right – in principle, unrestricted – of transferring their registered office to another member state social, without their prior dissolution and liquidation being required.

These communitarian entities, to be automatically found in the Romanian law as well, meet, to a large extent, the requirements of the mobility principle.

¹ For details, see: Communication of the European Commission to the Council and the Parliament as of May 21st, 2003, entitled: *“Modernization of the trading company law and consolidation of the government of the enterprises in the European Union. A plan to advance”*, www.eur-lex.europa.eu.

² Council Regulation no. 2157/2001 as of October 8th, 2001 enforced in 2004, Published in the Official Journal L 294/1 as of October 10th, 2001, Regulation supplemented by Directive no. 2001/86/CE and of the Council as of October 8th, 2001, supplementing the SE Statute as regards the involvement of the workers, published in the Official Journal L 294/22 as of October 10th, 2001; with the subsequent amendments, latest amendment performed by Regulation no. 1791/2006 (adopted following Romania’s and Bulgaria’s accession to the EU in January 1st, 2007), published in the Official Journal L 363/December 20th, 2006.

In this respect, we exemplify herein below with one of the two entities: the European Company, regulated in our country by the Emergency Governmental Ordinance no. 52/April 21st, 2008³ and by the European Regulation no. 2157/2001 on the European Company Statute.

The big advantage of the establishment of such a European company is represented by the simplification of the structure of enterprises performing their activity throughout Europe, without constituting countless subsidiaries subject to different national regulations⁴.

According to the (CEE) Regulation no. 2157/2001, the communitarian enterprise form, regulated thereby may transfer its registered office to another member state without its prior liquidation, having thus access to all the manifestation forms of the mobility principle of the companies.

Nevertheless, the amendments of the European and national legal frameworks introduced by the European Company Statute, do not result and cannot result, at his moment, in a revolution in the field of the mobility of the trading companies existing in the European area, considering the fact that the European Company *does not benefit from the advantage of the European nationality⁵ and the principle of its mobility is affected by the opposition right available to the public authorities in the host member state, opposition based on public interest grounds⁶, in case of intention of shifting the registered office to another member state.*

b). The access to all the manifestation forms of the trading companies, related in the case of the European Company, is not to be found in the case of the “classical” and majority trading company too, regulated by the national and European laws so that their only legal grounds their registered office to another member state is set out by art.43 and art.48 in the EC Treaty.

According to the provisions of art. 43 in the EC Treaty, the restrictions concerning the establishment freedom of the nationals of a member state on the territory of another member state. This interdiction envisages as well the restrictions concerning the establishment of agencies, branches or subsidiaries by the national of a member state on the territory of another member state.

³ Emergency Governmental Ordinance no. 52/21.04.2008 amending and supplementing Law no. 31/1990 on trading companies and supplementing Law no. 26/1990 on the Trade Register, published in the Official Journal Part I no.33 as of April 30th, 2008.

⁴ F.Blanquet, “*Pourquoi creer une societe europeenne?*”, in: La societe europeenne, Dalloz, Paris, 2003, p.5; Jacques Beguin, Michel Menjucq – G.Bourdeaux, A.Couret, B.Le Bars, D.Mainguy, H.Ruiz Fabri, J.-M.Sorel, C.Seraglini, Droit du commerce international, Litec, LexisNexis, Paris, 2005, p.200-p.214.

⁵ V.J.Beguin, “*Le rattachement de la societe europeenne*”, in: La societe europeenne, Dalloz, Paris, 2003, p.31 and the following.

⁶ The grounds of the opposition right was criticized being considered much to general and generator of legal insecurity; in this respect; Report: “*Societas Europaea pour une citoyennete europeenne de l'entreprise*” as of March 19th,2007, presented by Noelle Lenoir and collectively elaborated by Ronan Guerlot, Mirko Hayat, Erwan le Meur, Mari-Laure Combet, Marc Guillaume, Reinhard Dammann, Nichel Menjucq, published on the website of the Ministry of Justice in France: www.justice.gouv.fr.

On the other hand, the freedom of establishment supposes the access to independent activities and to their exercise, as well as the establishment and the management of the enterprises, in general and in particular of the companies within the meaning of article 48 in the EC Treaty⁷, within the terms defined for its own nationals by the legislation of the country of establishment.

In the current stage of the communitarian law, there is not uniform definition given to the trading company law that may benefit from the establishment right in reference to the criterion of a sole connection determining the national law applicable to a trading company.

But, in the majority of the European Union and European Economic Area member states, the registered office of a trading company is the connection point sufficiently characteristic to determine affiliation thereof to a certain state, its nationality.

In this issue, the EC Treaty placed on the same position, as a specific connection, the registered office, central administration and the main place of performance of the activity of a company.

c). As a manifestation form of the principle of mobility of the trading companies, the possibility of transfer of the registered office of a company to a member state different from the state wherein it was established, within the meaning of the establishment right, was contemplated by a recent Resolution of the European Court of Justice: Resolution of CEJ as of December 16th, 2008, Case C-210/06, OJC -165/July 15thm 2006 –Cartesio case.

The resolution of CEJ was passed following the petition of issuance of a preliminary resolution concerning the interpretation of art. 43 and art. 48 in the EC Treaty, petition formulated within an action /appeal filed by Cartesio Oktati es Szolgaltato bt trading company (hereinafter referred to as “Cartesio”), company seated in Baja (Hungary) against the resolution of rejection of its application of recording in the company register of the note concerning the transfer of its registered office in Italy.

The petition formulated by Cartesio before the relevant District Court in Hungary had two distinct requests: registration of the transfer of the registered office to Italy and the maintenance of the Hungarian nationality of the company also after the transfer of the registered office to Italy.

This petition was rejected by the Hungarian Lower Court, on the grounds that the Hungarian law does not allow to a company established in Hungary to transfer its registered office abroad, continuing at the same time to be subject to the Hungarian

⁷ “The companies established in compliance with the legislation of a member state and having their registered office, central administration or main place of activity performance within the Community are assimilated, in the application of this subsection, to the natural persons that are nationals of the member states. Companies mean the companies established in compliance with the provisions of the civil or commercial legislation, including the cooperative companies and other public or private law legal entities, except for the non-profit ones.” – art. 48 EC Treaty.

legislation in terms of personal law, regulating the organic statute of the company (company establishment, operation, amendment, dissolution and liquidation).

Cartesio submitted an appeal against this resolution, invoking the breach of the provisions of art.43 and art.48 in the EC Treaty, requesting the formulation and sending to CEJ of a preliminary question on this aspect.

And this whereas CEJ has previously passed the Resolution as of September 27th, 1988, *Daily Mail and General Trust* (81/87, Rec., p.5483) whereby it had been decided that the freedom of establishment set out in articles 43 and 48 in the EC Treaty does not suppose that a company established within the meaning of the legislation of a member state and registered in that state should be entitled to transfer its central administration and, consequently, the main place of activity performance to another member state, maintaining at the same time the legal status and origin nationality, when the relevant authorities fail to recognize this right.

In other words, according to this resolution of CEJ, a company established within the terms of a national legal order exists only within the terms of the national legislation determining the establishment and operation thereof.

In the *Cartesio* case, CEJ established the imperative of the distinction between the issue of transfer of the registered office of the company to another member state without the amendment of the law governing its organic statute and the issue of the transfer of the registered office of the company established within the meaning of the law of a member state to another member state with the amendment of the law governing its organic statute.

Consistent with its practice, CEJ reiterated the fact that, each member state is entitled not to allow to a company governed by its law to maintain this stature in the case in which the company intends to transfer its registered office to another member state, as the specific connection based on which the company has been governed by its legislation disappears.

On the other hand, the European Court of Justice establishes that, to the extent to which a member state to which a company wishes to transfer its registered office allows it, the forbiddance of its turning into a company subject to the national law of another member state and the imposition of the dissolution and liquidation of the company by the member state wherein the company was established, represents a restriction on the freedom of establishment of a company, restriction forbidden within the meaning of art.43 in the EC Treaty.

Additionally, the European Court of Justice reckoned that, the principles and provisions applicable to GEIE and to the European Company may be applicable, *mutatis mutandis*, also to the trans-frontier transfer of the registered office of the trading companies as constituted within the meaning of the national law of a member state.

Thus, the resolution of the European Court of Justice in the *Cartesio* case, awaited with high interest by the European business community, depends on the jurisprudential grounds, the interpretative argument binding to the national Courts of Law, provided

under art.43 and art.48 in the EC Treaty, in support of the non-restricted mobility of the trading companies within European Community.

III. Conclusions

We may say that, I the current stage of the evolution of the European jurisprudential doctrine, even in the absence of express legal regulations, any trading companies established within the meaning of the legation of a member state, including the companies operating in the tourism field, may transfer its registered office to another member state, without its actual dissolution and liquidation being required, without loss of its legal status, if the legislation of the state to which the company intends to transfer its registered office allows it to turn into a national company.

Consequently, the company loses the nationality of the member state wherein it was established and will receive the nationality of the member state to which it transfers its registered office, state whose legislation becomes the law applicable to the organic statute of the trading company.

And this because, by means of the Resolution passed by CEJ in *Cartesio Case*, the jurisprudential recognition of the most important form the materialization of the mobility of the trading companies is obtained, namely the possibility of transfer of their registered office from a member state to another, right consecrated by art.43 in the EC Treaty.

Consequently, the trading companies operating in the tourism field having their registered office in Romania, will be able to transfer their registered office (without dissolution and liquidation) in any member state wherein its turning into a form of company regulated by the law of the member state to which the company is going to transfer its registered office.

THE IMPORTANCE OF PLAY BEHAVIOR IN THE LEISURE INDUSTRY

*Catrinel Dridea, Stefania Murgoci**

Abstract

The leisure industry encompasses a large variety of segments and has a large addressability to the general audience. Talking about sports, entertainment, crafts, hobbies, etc. the leisure services are widely spread and more and more appealing to the masses, influencing the character of leisure in a positive way.

The play is an essential part of any leisure activity and knowing the motivation for play determines multiple opportunities to enhance the leisure services world wide. Further more not only the play theories are important, but also the play concepts and its involvement in the leisure activities.

Keywords: leisure, play, theories, trends.

JEL Classification: A12, L83, Z19

1. Introduction

The play has represented over the years one of the most important parts in growing up. As a component of education playing has taught children to develop different abilities, capacities, understand and apply strategies, team work, the notion of success and failure, and much more. As an adult, the meaning of play hasn't changed and furthermore has determined the play to become a major part in every day life.

The major component of play represents the benefits obtained, the satisfaction, the entertainment, and therefore the leisure.

Studying the play theories and play implication in leisure behavior can influence the leisure services searched and chosen and more important the development of leisure industry.

2. The play theories in leisure industry

Playing is referring to the actions that are voluntary, intrinsic and generate a level of pleasure and entertainment. Contrary to the fact that the play is usually considered to be a non-serious activity, it offers a perspective on social relations, level of communication, abilities to concentrate, types of personalities, types of

* Catrinel Dridea is Assistant Professor at the Romanian American University in Bucharest. E-mail: stanescu_catrinel@yahoo.com

Stefania Murgoci is Ph.D student at the Academy of Economic Studies in Bucharest. E-mail: cristianastefania@yahoo.com

strategies used, relaxation and therapeutically aspects and so on. In playing activities has been seen the source of culture, the pylon of education, the key to enhancing the creativity, all under one important aspect: the leisure.

The specialists concluded a number of theories regarding the play and it's significant. More specifically, the leisure literature presents the principals motivation for play and therefore it underlines the main criteria in selecting and targeting the segment of leisure consumers.

The general motivations and play theories are been seen as [Leitner, 2004]: *play as a surplus energy, play as recreation, play as instinct, play as learning, play as catharsis, play as the expression of self, play as relaxation, play as compensation or generalization, play as an escape from social reality, play as optimal arousal.*

Play as an energy surplus

This theory describes the playing patterns as a necessity to release the surplus energy, after a period of sedentary. Also it is obvious that people play regardless of the level of energy they poses, for instance been tired. This is clearly, the motive to enjoy the play in order to eliminate the extra energy that accumulates over the day and it explains a number of leisure activities used by both children and grownups.

Play as recreation

The recreation theory is presented in contrary to the energy surplus suggesting that after a long period of sedentary, the motivation for play doesn't constitute the consume of extra energy, but the need to restore the energy lost in leisure activities such as sports. This idea targets a different type of activities encompassed by the leisure sector.

Play as instinct

The earliest theory regarding play situates it as an inherent characteristic hereditary based only on the instinct as motivation of play behavior

Play as learning

The learning theory brings out the idea of play as the result of the desire to learn, usually associated with children, for example learning social skills from practicing sports. Regarding the children, we can say that the desire to learn is most likely on a subconscious level, rather than just the pleasure of the play. Nevertheless the concept of learning by playing is attributed to all adult by practicing leisure activities like lecturing, watching TV, shows, theatre, hobbies, etc.

Though, not all the playful activities determine learning abilities, it can be resumed that most of them are determining the assimilation of proper information. But, sometimes the information determines negative conduct as a result of play, such as war games, extreme competition, etc.

Play as catharsis

This idea presents the play as an opportunity to release negative emotions, stress, pressure, avoiding to build up inside and explode later in a harmful way. Sports that imply contact like boxing, wrestling are typical examples, but we can also include other activities like football, tennis that have the same effect. Unfortunately the theory has a downside, because in losing a competition, the play can increase stress or pressure and inhibit the person instead of releasing it.

Play as an expression of self

According to this theory play is considered to be motivated by the needs and wants of the self expression. The expression of self embodies a series of characteristics like [Torkildsen, 2005] *anatomical structure, psychological structure, state of mind, the physical environment, the social environment, habits, the needs and desires.*

The physical characteristics of a person influence him to elect a proper play, for example a tall person prefers playing basketball, rather than a short one. The state of mind determines the moods of a person and therefore the type of activity selected – individual, collective, adventurous, melancholic, etc. The psychological types play an important role in selecting a leisure activity to play. The physical environment affects leisure behavior referring to whether conditions, location, altitude, relief, etc. The social environment explained by attitudes and behavior of the family, friends, colleges, etc. exerts more influences than the previous one, sometimes in the detriments of personal needs and wants. The leisure habits remain usually the same if practices for a long period of time. The needs and wants are the general determinants of leisure activities, regardless of the amount of them or the importance they have.

According to the physiological need, specialists have identified a series of correspondent leisure activities, as presented in the table below:

Table1. Psychological categorization of leisure activities

Psychological needs	Leisure activities
1. Tension release	1. Creative activities such as craft, sculpture, etc.
2. Creating feeling of security	2. Collective activities such as coins, stamps, etc.
3. Mental stimulation	3. Knowledge and skill acquisition such as reading travel, etc.
4. Release of aggressive impulses	4. Competitive games such as football, wrestling, etc.
5. Eliminating feelings of inferiority and superiority	5. Noncompetitive sports and games such as dance, skiing, etc
6. Emotional involvement	6. Spectator activities such as movies, theatre, etc
7. Social involvement	7. Group participation activities such as volunteer work, etc.

Source: Leitner M., Leitner S., *Leisure enhancement*, Haworth Press Inc, New York, 2004

Play as relaxation

The relaxation theory proposed that the play activities are caused directly by the need to find compensation outlets to allow relaxation and restore after stressful work.

Play as generalization or compensation

These concepts regard the belief that people's choice of play are based on the nature of their work. According to the first, people tend to behave in leisure the same as at work, transferring their work skills to leisure and the second suggests that people tend to compensate for the negative or unfulfilling part of their work, or to recreate needs not met at work.

Play as competence –effectance

This theory studies the effect of situational and environmental stimuli on the motivation to engage in leisure activities. The basic motivation for play represents the desire to manipulate the environment and produce the desired effect, by analyzing the feedback obtained. This only applies for sports and seldom, or never to the spectator leisure such as spectacle, movies, etc.

Play as an escape from reality

Escaping from reality usually covers a large area of leisure activities depending on the person in cause. The main characteristic of persons and the general environment influences greatly the choice in leisure and play, for example a teenager escapes from stress, reality by consuming alcohol, but an adult feels escaping from reality by taking a trip.

Play as optimal arousal

The theory explains the leisure behavior by attaining an optimal level of arousal, and by arousal meaning both the psychical and psychological stimulation. Every person reacts differently and has an optimal arousal that can be lower or higher for others. Finding the optimal one would determine a repetition of that leisure activity that determined his satisfaction and entertainment.

These theories show different types of leisure activities influenced by different components of the play. As it has been underlined before, each theory focuses on a segment, a part of leisure services needed or desired by the consumers. The question here presents itself as the necessity to understand what is the implication of play behavior in leisure services. The answer not only determines why people play but, more important how people's behavior influences the leisure services and therefore the whole industry.

3. The influence and implication of play in leisure services

The play behavior brings out an important segment for study for all companies and organizations in the leisure industry. Offering a large base for behavior analyze, the play unfortunate has been overlooked over the years, excepting the children area of play.

The leisure services are developing in a higher rate that influenced in a higher measure the choice of the final consumer. The large number of leisure opportunities has increased the election criteria and therefore the consumers' perspective.

The awareness of its importance should arise in all leisure activities as the leisure services have become the key of market competitiveness. More so, if play enriches people' life in physically, intellectually and spiritually then it must be a permanent part of it determining a well being for individual and society. As a result, the leisure specialists should create proper opportunities for influencing factors of play and diminish those that are against it. These ideas raise the question of putting it into practice. Regardless of the specialists point of view, the main issues remains finding the method to transform the ideas into programs, initiatives, results.

For using the play characteristics in determining the leisure segments of consumers, there must be taken into account the duality of the play. The concept of duality explains intrinsic and extrinsic dimensions with important implication for leisure, presented in a model (Callois) that contains the relationship between them, realized on four steps.

Table2. The duality of play

Play			
Extrinsic outcomes(obligation)		Intrinsic motivation(free)	level
—————→	Stimuli seeking behavior	←————	
Learning behavior		Leisure behavior	1
Utilitarian		Non utilitarian	
Intentional	Developmental	Indirect	2
	Educational		
Unintentional	Socialization	Direct	3
	Compensation		
	Sublimation		
Economic		Uneconomic	
Work like form	Games with rules	Recreational form	4

Source: Lashley C., Lee-Ross D., *Organization behavior for leisure services*, Batterworth.Heinemann, 2003;

At the first level, the motivation for play is presented as an intrinsic quality that changes from children to adults. For children the stimuli seeking behavior determines no differences in play or other activities, extending the area gradually and therefore making the difference between working/learning activities and fun activities.

The second level takes into consideration the fact that games or game like activities, under the influence of education/development theories determines the lack of playfulness by searching the results as the main objective, been more inclined for the extrinsic part.

The third level is rather based on the intrinsic, as it acknowledges the importance of the apparently free chosen nature of play activities, as far as the participants are concerned, which are performing social functions.

The four level presents play as a direct connection between intrinsic and extrinsic characteristics, the games with rules theories been able to compress the meaning of a game a profession, or as fun in the same context.

The relation of play to leisure can be explained as: *the increased level of freedom of choosing activities determines an increased potential of leisure, the increase in extrinsic orientation influences the decrease of leisure potential, the increase in play as learning device determines a decrease of leisure potential, the increases in structured play determines a decrease of leisure potential*

In conclusion, playing represents an important activity in the general development of mankind. Analyzing the animal regnum we can definitely noticed the importance of play activities regarding all aspect of their life. Similarly to them, people engage in playful situation that can influence their work skills, their learning abilities, their capacities and abilities, their behavior and attitude. The relation play and leisure has grown significantly due to the increasing needs and wants for leisure and therefore the necessity to learn the future of leisure behavior.

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COMPANY DEVELOPING IN INTERNATIONAL BUSINESS: CASE STUDY

*Stela Georgiana Ciuchete**

Abstract

In the present world having connections across borders becomes a competitive advantage. The easy access to a constant stream of information is making the opportunities countless, adding to the equation that the Internet and supplementary techniques such as different types of software are still very young, the opportunities will keep on emerge. There are still great gaps in terms of technology between countries, which enables fast growing companies to fill a niche and gain new market shares due to their technological lead and managerial practices. This research has put the emphasis on creating a guiding discussion on how an international expansion strategy could be formulated.

Keywords: tour operator, risk, globalization, strategy.

JEL Classification: L83, D81, O32

1. Introduction

In a world where the Internet and good communications accelerates the globalization, having connections across borders becomes a competitive advantage. The easy access to a constant stream of information is making the opportunities countless, adding to the equation that the Internet and supplementary techniques such as different types of software are still very young, the opportunities will keep on emerge. Now there are still great gaps in terms of technology between countries, which enables fast growing companies such as the European tour operator Tez Tour to fill a niche and gain new market shares due to their technological lead and managerial practices. Nevertheless, how should they enter the new markets and reach the new costumers? This research has put the emphasis on creating a guiding discussion on how an international expansion strategy could be formulated.

2.1. Globalization

A fundamental shift is occurring in the world economy. We are moving away from a world in which national economies were relatively self-contained entities, isolated from each other by barriers to cross-border trade and investment, by distance, time zones, language, or by national differences in government regulation, culture and business systems. And we are moving towards a world in which barriers to cross-border trade and investment are tumbling; perceived distance is shrinking due to advantages in transportation and telecommunications technology; material

* Stela Georgiana Ciuchete is a Ph.D student at the Academy of Economic Studies in Bucharest.

culture is starting to look similar the world over and national economies are merging into an interdependent global economical system. The process by which this is occurring is commonly referred to as globalization.

The tension evident in the opening case between the economic opportunities associated with going global and the challenges associated with doing business across borders is important in international business. To begin with, however, a closer attention must be paid at the process of globalization.

For businesses, this is in many ways the best of times. Globalization has increased the opportunities for a firm to expand its revenues by selling around the world and reduce its costs by producing in nations where key inputs are cheap. Since the collapse of communism at the end of the 1980s, the pendulum of public policy in nation after nation has swung toward the free market end of the economic spectrum. Regulatory and administrative barriers to doing business in foreign nations have come down, while those nations have often transformed their economies, privatizing state-owned enterprises, deregulating markets, increasing competition, and welcoming investment for foreign businesses. This has allowed businesses both large and small, from both advanced nations and developing nations, to expand internationally.

As transportation costs associated with the globalization of production declined, dispersal of production to geographically separate locations became more economical. Because of the technological innovations discussed above, the real costs of information processing and communication have fallen dramatically in the past two decades. These developments make it possible for a firm to create and then manage a globally dispersed production system, further facilitating the globalization of production.

In addition to the globalization of production, technological innovations have also facilitated the globalization of markets. As noted above, low cost transportation has made it more economical to ship products around the world, thereby helping to create global markets. Low-cost global communication networks such as World Wide Web are helping to create electronic global marketplaces. In addition, low-cost jet travel has resulted in the mass movement of people between countries. This has reduced the cultural distance between countries and is bringing about some convergence of consumer tastes and preferences. At the same time, global communication networks and global media are creating a worldwide culture. In any society, the media are primary conveyors of culture, as global media develop, we must expect the evolution of something akin to a global culture. A logical result of this evolution is the emergence of global markets for consumer products.

Despite this trend, we must be careful not to overemphasize their importance. While modern communication and transportation technologies are ushering in the “global village”, very significant national differences remain in culture, consumer preferences and business practices. A firm that ignores differences between countries does so at its peril.

2.2. Internationalization

Companies often choose to try out physical close foreign market at the beginning of internationalization and then gradually going further away from the home market. This is the case for Tez Tour also. The company has a total focus on their neighboring countries in order to avoid setbacks due to poor market knowledge.

Tez Tour was established in 1994 in Russia and since then has earned a reputation of reliable, innovative and customer focused tour operator in Russia, former Soviet republics and Eastern Europe, in countries such as Belorussia, Ukraine, Armenia, Kazakhstan, Lithuania, Latvia, Estonia, Bulgaria and Romania.

The objectives for an international expansion may differ concerning the company and the industry it is operating in.

Tez Tour mainly wanted to expand the company's geographical reach, achieve economies of scale and gain access to new distribution channels.

Expansion vs. Risk

Establishing operations in a new market is not straightforward. A company that has gaps in its knowledge and which fails to anticipate and prepare for the risks associated with entry into a new market will likely quickly find itself with an operation that adds nothing to the bottom line.

There are different risk levels depending on what sort of expansion strategy chosen. There are some general challenges with companies that are adapting an international strategy: one of the most common as the challenge of information sharing. Other challenges could be that it is hard to adapt to another national identity that could be devastating since we need to know the market in which we operate. Another common challenge is that international expansion could lead to rigidity in operations and an increased amount of bureaucracy.

2.3. Planning for international expansion

Corporate objectives represent a statement as to what the company will achieve will achieve over a known time in terms of asset-management, return on investment, market positions and development of key business sectors in all countries of operation.

If the corporate objectives prescribe building market share(s) the marketing department must plan how to achieve this within the strategy. In all market oriented companies, marketing management will be involved in, and will influence the setting up of, strategy at both corporate and functional levels. This sequence can be described as follows:

- Develop long-term strategy

- Determine objectives and timing
- Design and develop plans to meet these objectives
- Allocate resources for plans, and agree costs
- Implement plans
- Control, review progress and amend (within agreed limits)
- Evaluate the effectiveness of plans in implementing strategy

These are key factors that management must take into account in setting and developing marketing strategy in the company's international operations. These include:

1. Demand – elasticity of demand; developments in taste, usage patterns and consumption; movement of economic indicators; demand stimulation and forecasting as an integral part of the marketing program.

2. Demographic factors – changes in profile by age, socioeconomic status, population density and geographical locations of new business/industrial zones.

3. Technology – impact of microcomputers on purchasing and production methods; reformulation of products and the impact on life-cycles of products of new manufacturing processes.

4. Competition – new forms of direct and indirect competition; competitive strength and weaknesses in product development; creativity in promotion and service provision.

5. Distribution – changes in channels and uses of logistics, and changes in customer uses of channels; purchasing and bargaining powers of key sectors of the distribution system.

6. Finance – profit implications of alternative marketing strategies; profit improvement projects; high turnover/ low profit versus low turnover/high business profit, and the movement of margins; key financial ratios in alternative pricing decisions; control of direct marketing costs.

7. Environment – legal, cultural and political codes; standards and the effect of regulatory laws and inspectorates.

Long term plans, also known as corporate or strategic planning, endeavour to assess future developments in the international environment and the marketing policies required to exploit them.

2.4. Motivations to go abroad

Profits are the major proactive motivation for international business. Management may perceive international sales as a potential source of higher profit margins or of more added-on profits. Of course, the profitability expected when planning to go international is often quite different from the profitability actually obtained. Profitability is often linked with international growth – yet many corporate

international entry decisions are based made on expectations of market growth rather than on actual market growth. Particularly in start-up operations, initial profitability may be quite low due to the cost of getting ready for going international, and the losses resulting from early mistakes.

Unique products or a technological advantage can be another major stimulus. A firm may produce goods or services that are not widely available from international competitors. Again, real and perceived advantages must be differentiated. Many firms believe that they offer unique products or services, even though this might not be the case internationally. If products or technologies are unique, however, they certainly can provide a competitive edge. What needs to be considered is how long such an advantage will last. The length of time is a function of the product, its technology, and the creativity of competitors.

Special knowledge about foreign customers or market situations may be another proactive stimulus. Such knowledge may result from particular insights by a firm, special contact an individual may have, in-depth research, or simply from being in the right place at the right time.

Going international presents the firm with new environments, entirely new ways of doing business, and a host of new problems. The problems have a wide range. They can consist of strategic considerations, such as service delivery and compliance with government regulations. In addition, the firm has to focus on start-up issues, such as how to find and effectively communicate with customers and operational matters, such as informational flows and the mechanics of carrying out an international business transaction.

The company needs to determine its preparedness for internationalization by assessing its internal strengths and weaknesses. This preparedness has to be evaluated in the context of the globalization of the tourism industry, since the context will affect the competitive position and strategic options available.

In the course of international expansion, the firm now encounters new and unfamiliar factors, exposing it to increased risk. In the long term, increasing familiarity with international markets and the diversification benefits of serving multiple markets will decrease the firm's risk below the previous level and increase profitability as well.

Understanding the changes in risk and profitability can help management overcome the prohibitive cost of going international, since the negative developments may only be short-term. Yet, success does require the firm to be a risk taker. Satisfactory performance can be achieved in three ways: effectiveness, efficiency, and competitive strengths.

2.5. Entry strategies

International business holds out the promise of large new market areas, yet firms cannot simply jump into the international marketplace and expect to be successful. They must adjust to needs and opportunities abroad, have quality

products, understand their customers, and do their homework to understand the vagaries of international markets. The rapid globalization of markets, however, reduces the time available to adjust to new market realities.

This chapter is concerned with firms preparing to enter international markets and companies expanding their current international activities. Initial emphasis is placed on export activities with a focus on the role of management in starting up international operations and a description of the basis stimuli for international activities. Entry modes for the international arena are highlighted, and the problems and benefits of each mode are discussed.

3.1. The role of management

Management dynamism and commitment are crucial to a firm's first steps toward international operations. Managers of firms with a strong international performance typically are active, aggressive and display a high degree on international orientation. Such an orientation is indicated by substantial global awareness and cultural sensitivity. Conversely, the managers of firms that are unsuccessful or inactive internationally usually exhibit a lack of determination or devotion to international business. The issue of managerial commitment is a critical one because foreign market penetration requires a vast amount of market development activity, sensitivity toward foreign environments, research, and innovation. Regardless of what the firm produces or where it does business internationally, managerial commitment is crucial for enduring stagnation and sometimes even setbacks and failure. After all, it is top management that determines the willingness to take risks, to introduce new products, to seek new solutions to problems, and to continuously strive to succeed abroad. To achieve such a commitment, it is important to all levels of management early on in the international planning process and to impress on all players that the effort will only succeed with a commitment that is companywide.

Initiating international business activities takes the firm in an entirely new direction, quite different from adding a product line or hiring a few more people. Going international means that a fundamental strategic change is taking place. Companies that initiate international expansion efforts and succeed with them, typically begin to enjoy operational improvements-such as positioning strengths in competition- long before financial improvements appear.

Firms that opt to export or import directly have more opportunities ahead of them. They learn more quickly the competitive advantages of their products and can therefore expand more rapidly. They also have the ability to control their international activities better and can forge relationships with their trading partners, which can lead to further international growth and success.

However, firms face obstacles also. These hurdles include identifying and targeting foreign suppliers and/or customers and finding retail space, all of which are processes that can be very costly and time-consuming. Some firms are overcoming such barriers with mail-order catalogs or electronic commerce ("storeless"

distribution) networks. In Japan, for example, high-cost rents, crowded shelves, and an intricate distribution system have made launching new products via conventional methods an increasingly difficult and expensive proposition. Direct marketing via e-commerce eliminates the need for high-priced shop space. In addition, particularly in industry sectors characterized by very thin profit margins, survival is determined by sales volume. Under such conditions, a large market size is essential for success—pointing many firms in the direction of international markets reached through electronic business.

As a firm and its managers gather experience with exporting, they move through different levels of commitment, ranging from awareness, interest, trial, evaluation and finally, adaptation of an international outlook as part of corporate strategy. Of course, not all firms will progress with equal speed through all these levels. Some will do so very rapidly, perhaps encouraged by success with an electronic commerce approach, and move on to other forms of international involvement such as foreign direct investment. Others may withdraw from exporting, due to disappointing experiences or as part of a strategic resource allocation decision.

Increasingly, many new firms either start out with an international orientation or develop one shortly after their establishment. Such born global firms emerge particularly in industries that require large numbers of customers, and in countries that only offer small internal markets. They tend to be small and young and often make heavy use of electronic commerce in reaching out to the world. In some countries more than one third of new companies have been reported to export within two years. Firms, managers and governments therefore will need to be much quicker than they have been in the past, when it comes to introducing firms to and preparing them for the international market.

3.2. Selecting an entry mode

Inevitably, all the entry modes on an international market have advantages and disadvantages, as summarized in the following table. Thus, trade-offs are inevitable when selecting an entry mode. For example, when considering entry into an unfamiliar country with a track record for nationalizing foreign-owned enterprises, a firm might favor a joint venture with a local enterprise. Its rationale might be that the local partner will help it establish operations in an unfamiliar environment and will speak out against nationalization should the possibility arise. However, if the firm's core competence are based on proprietary technology, entering a joint venture might risk losing control of that technology to the joint venture partner, in which case the strategy may seem unattractive. Despite the existence of such trade-offs, it is possible to make some generalizations about the optimal choice of entry mode.

3.3. Wholly owned subsidiaries

In a wholly owned subsidiary, the firm owns 100 percent of the stock. Establishing a wholly owned subsidiary in a foreign market can be done in two ways. The firm either can set up a new operation in that country, often referred to as a green-field venture, or it can acquire an established firm in the host nation and use that firm to promote its products.

Tez Tour strategy for entering the Romanian market was to build the Romanian branch from ground floor.

❖ *Advantages of opening the Romanian Tez Tour subsidiary:*

First, as our company advantage is based on technological competence, a wholly owned subsidiary is the proffered entry mode, because it reduces the risk of losing control over the competence.

Secondly, it gives a firm tight control over operations. This is necessary for engaging in global strategic coordination (using profits from one country to support competitive attacks in another).

❖ *Disadvantages of opening Romanian Tez Tour subsidiary:*

Establishing a wholly owned subsidiary is generally the most costly method of serving a foreign market from a capital investment standpoint. Firms doing this must bear the full capital costs and risks of setting up overseas operations. There are also the risks associated with learning to do business in a new culture.

It is not new to us that firms often expand internationally to earn greater returns from their core competencies, transferring the skills and products derived from their core competencies to foreign markets where indigenous competitors lack those skills. We say that such firms are pursuing an international strategy. The optimal entry mode for these firms depends to some degree on the nature of their core competencies. A distinction can be drawn between firms whose core competency is a technological know-how and those whose core competency is a management know-how.

3.4. Technological know-how

If a firm's competitive advantage (its core competence) is based on control over proprietary technological know-how, licensing and joint venture arrangements should be avoided if possible to minimize the risk of losing control over that technology. Thus, if a high tech firm sets up operations in a foreign country to profit from a core competency in technological know-how, it will probably do so through a wholly owned subsidiary. This rule should not be viewed as hard and fast, however. Sometimes a licensing or joint venture arrangement can be structured to reduce the risk of licensees or joint venture partners expropriating technological know-how. Another exception exists when a firm perceives its technological advantage to be only transitory, when it expects rapid imitation of its core technology before the imitation occurs. Such a strategy has some advantages. By licensing its technology to

competitors, the firm may deter them from developing their own, possibly superior technology. Further, by licensing its technology, the firm may establish its technology as the dominant design in the industry. This may ensure a steady stream of royalty payments. However, the attractions of licensing are frequently outweighed by the risks of losing control over technology and if this is a risk, licensing should be avoided.

3.5. Management know-how

The competitive advantage of many service firms is based on management know-how. For such firms, the risk of losing control over the management skills to franchisees or joint ventures partners is not that great. These firm's valuable asset is their brand name, and brand names are generally well protected by international laws pertaining to trademarks. Given the facts, many of the issues arising in the case of technological know-how are of less concern here. As a result, many service firms favor a combination of franchising and subsidiaries to control the franchise within particular countries or regions.

The subsidiaries may be wholly owned or joint ventures, but most service firms have found that joint ventures with local partners work best for the controlling subsidiaries. A joint venture is often politically more acceptable and brings a degree of local knowledge to the subsidiary.

The greater the pressures for cost reductions are, the more likely a firm will want to pursue some combination of exporting and wholly owned subsidiaries. By manufacturing in those locations where factor conditions are optimal and then exporting to the rest of the world, a firm may be able to realize substantial location and experience curve economies. The firm might then want to export the finished product to marketing subsidiaries based in various countries. These subsidiaries will typically be wholly owned and have the responsibility for overseeing distribution in their particular countries. Setting up the wholly owned marketing subsidiaries is preferable to joint venture arrangements and to using foreign marketing agents because it gives the firm tight control over marketing that might be required for coordinating a globally dispersed value chain. It also gives the firm the ability to use the profits generated in one market to improve its competitive position in another market. In other words, firms pursuing global or transnational strategies tend to prefer establishing wholly owned subsidiaries.

4. Study case

4.1. Tez Tour – motivations for entering the Romanian market

Tez Tour Romania started operating on May 2007, after the early-booking period was over (this being the most active period of the year in terms of selling tourism packages). In spite of this, in the summer of 2007 Tez Tour Romania sold approx. 15.000 holiday packages, operating seven charter flights per week to Turkey

from Bucharest and Timisoara. In its first year, Tez Tour gained 20% of the Romanian market share for Turkey.

On the Romanian market there were some specialized tour operators on selling packages to Turkey as Alibaba Tour, Mr. Peter or Kusadasi, but also tour operators to whom Turkey was an important stake as J'Info Tours, Prestige Tours and Prompt Services. How did Tez Tour manage to sell so much when the clients seemed to be divided between Romanian tour operators?

Unlike other companies, Tez Tour offers services that take the process of booking a reservation to a higher level. The classic way to make a reservation is a complex method that has numerous steps and requires an overwhelming period. After the tourist makes a decision regarding the destination, he has to express his wish in writing by filling in a reservation form, for which he receives an order ticket. The following step of the process consists of a call made by the agency to the tour operator to check if the client's solicitation can be satisfied. It usually takes three days for the tour operator to give an answer, which can be both positive and negative. The reservation will be validated only if the tour operator has given an affirmative reply. Had the answer been NO the tourist is called to express another option and the algorithm starts from the beginning.

Tez Tour manages to avoid this long and frustrating process by using an online reservation system. Nevertheless, Tez Tour is the first and yet the only company in Romania that has put to use such a system. The main advantage of the online reservation system is that the time coordinate has been reduced to only ten minutes. After this incredibly short time, the tourist leaves the closest Tez Tour partner agency having the confirmed reservation, the voucher and the plane ticket, if the payment for the stay has been made.

When approaching a new market this company pays close attention to details. This is another thing that has helped Tez Tour to enter and survive the Romanian market which seemed divided among the grand tour operator companies. The newness this company brought consisted of a focused attention on the client. Therefore, Tez Tour has signed contracts with the market leaders in airline transportation, which offer services of the highest quality and at the same time have a maximum degree of safety. Moreover, tourists benefit of impeccable services once they have reached their destination. After the check-out the tourists will be guided and provided with information by Tez Tour representatives, who unlike guides from other companies speak Romanian regardless of the destination.

The popularity of the company increased among the Romanian tourists due to the consistent interest of the company in assuring the most comfortable and trouble less stay for its clients. In addition, in every hotel with which the company collaborates there is a Tez Tour bureau, where the representatives speak Romanian and are willing to assist the tourist in any problems that may occur during their stay.

4.2. Competitive advantages and strengths

Our strategy is to achieve long-term growth by continuously creating value for all stakeholders and the society. The basis of our strategy:

- ❖ Well-known brand name
- ❖ Custom oriented business model
- ❖ High quality business resources
- ❖ Strong financial structure
- ❖ Flat and flexible organization
- ❖ Unique sophisticated DBMS and IT structure

Customer Focus

- Excellent service quality and innovation
- Unmatched competency, experience and skill
- Distinction throughout the service process
- Commitment to customer satisfaction

Sound Business Model

- Concentrate on profitable business segments and markets
- Proactive business and risk control
- Continuously reducing funding costs
- Greater and more effective use of the service network

Continuous Technological Innovation

- Technology that is the best, the fastest, continuously improving, and fully integrated with all business processes.
- State-at-the art IT structure

The best Human Resources in Tourism Sector

- To create a positive culture where people feel proud to work for
- Continuous development of HR competencies and productivity

4.3. Tez Tour Travel System

Beginning with the year 2007, Tez Tour radically improved its IT structure. An integrated information network has been established between travel agents, Tez Tour incoming-outgoing offices and hotels.

The traditional fax method has been replaced with an efficient online web structure that enables fast and error free information exchange between involving parties. **Customer relationship management (CRM)** consists of the processes our company uses to track and organize its contacts with its current and prospective travel agencies. CRM software are used to support these processes; the software system can be accessed, and information about customers and customer interactions can be entered, stored and accessed by employees of all company's departments. Typical CRM goals are to improve services provided to customers, and to use customer contact information for targeted marketing.

ERP stands for **Enterprise Resource Planning**. ERP is a way to integrate the data and processes of an organization into one single system. Usually ERP systems will have many components including hardware and software, in order to achieve integration, most ERP systems use a unified database to store data for various functions found throughout the organization.

5. Conclusion

We have found that organizations can lower the risk and increase their profit potential by combining several strategies, that they start by expanding with a low-risk strategy and then increase the investments on the market to enable higher profitability. The benefits with this approach is that a tourism company can take advantage from the simplicity and low needs for capital and then gradually increase the investment as they get market knowledge and a solid customer base. They need to work around challenges such as cultural differences by allowing the due diligence to take time and the targeted company to become familiar with the intentions of the collaboration. It is important that the organization prepares itself for the internationalization; this is possible by the creation of slack resources. The strategy chosen has to be incorporated in the overall business strategy.

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RECENT EVOLUTIONS IN THE INTERNATIONAL TOURISM OF ROMANIA

Constantin Secăreanu*

Abstract

With all inevitable limits, the arrival of foreign visitors at borders can be considered one of the most sensitive indicators to the modifications of the internal and external environment, being the result of the correlated actions of several factors:

- *objective factors, essential and systematic, that reflect tendency;*
- *seasonal and repeatable factors, that reflect fluctuations revolving around trend;*
- *particular factors, specific to the respective period, of a conjunctural nature (short term), or of a structural nature (long term).*

The arrival of foreigners is one of the first indicators that signaled the inevitability of crisis. The systematic influential factors such as the size of the demand and the touristic potential, the geographical distance and the accessibility of the infrastructure, the prestige and opportunities of the touristic zones, have not managed to contract the negative effects of foreign visitors anticipations, especially about the reduction of future incomes.

Keywords: tourism statistics, international touristic flows, the arrival of foreign visitors.

JEL Classification: C46, F10, L83

1. Preliminary considerations

To characterise international touristic flows in methodological comparability conditions, two indicators are usually used: the arrival of foreign tourists and income from international tourism.

In the case of tourist arrivals, by existent data sources and the analysis's target, one can calculate: the arrival of foreign tourists at the border (excluding one day visitors), the arrival of foreign tourists at the border (including one day visitors) and the arrival of foreign tourists in housing structures (hotels and alike, units for collective accommodations). Presently, only the last two indicators are available for Romania.

In the case of income from international tourism, the information is found – in an aggregated and incomplete form – in the balance of external payments. For the purpose of obtaining reliable information, the National Institute of Statistics prepare presently a statistics research overlooking the touristic expenses of non-residents.

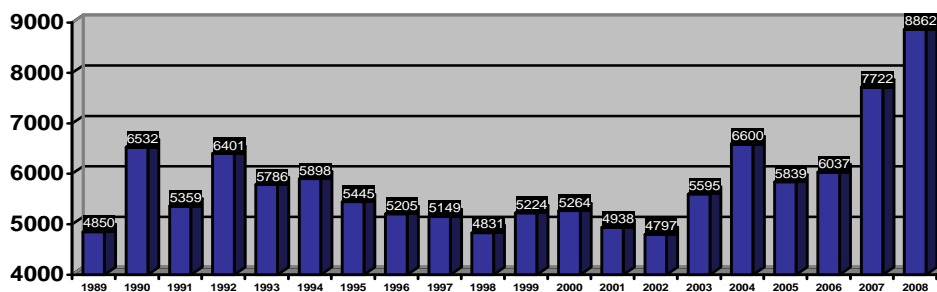
* Constantin Secăreanu is Professor of Statistics at the Romanian American University in Bucharest. E-mail: constantin.secareanu@yahoo.com

These are the reasons why the touristic international circulation in Romania will be analysed in this study, only based on the indicator “arrival of foreign visitors” (AFV).

2. The evolution of the arrival of foreign visitors between 1989 and 2008

In the last 20 years, the number of foreign visitors’ arrivals in Romania has recorded a sinuous path, being influenced by a series of elements that are tied to the internal environment, as well as the external environment.

Chart no. 1 The arrivals of foreign visitors in Romania during the 1989-2008 period thou. of arrivals



Source: Made based on the data in the *Romanian Statistical Yearbook*, editions 1995, 2000, 2005, 2008, National Institute of Statistics.

Thus, three stages can be identified:

- The 1989-1994 period is marked by an oscillating evolution from year to year, maybe as a reaction of internal problems, economic, social and political of the period.

- The 1995-2002 period, when a declining trend is recorded (which was accompanied by the hardest transition period), until the AFV minimum of 4.8 million in 2002 (a level even more reduced than in 1989). The declining trend was interrupted by the growths in 1999 and 2000. There’s a possibility that the positive trend of the period started in 1999, but this was interrupted by “the fall” in 2001 and 2002 which reflects a phenomenon generally recorded worldwide, after the events of 11 September 2001.

- The 2003-2008 period is characterised by an impressive growth of the AFV, because of an obvious political stability and a partial fructification of opportunities (not only of touristic nature) that Romania had to offer. The 2003-2008 period is marked by two events:

- The first event, the integration in the European Union of the first 10 states’ group in 2004; the spectacular growth of the AFV in this year is owed to the flow of

visitors from Hungary (from 1.5 million in 2003 to 2.6 million in 2004), surely as a result of the impact of economical problems (for example, the price growths in the visitors' home country);

- The second and most important event, the integration in the European Union of Romania (and Bulgaria), on the 1st of January, 2007, was followed by an unprecedented growth of the AFV, from 6 million in 2006, to about 8.9 million in 2008.

3. The primary tendencies after the accession of Romania to the EU

- During the 2006-2008 period, the touristic flows from states in the EU to Romania grew with no exceptions. Consequently, these states' share in the total number of arrivals of foreign visitors grew from 53% in 2006, to 62.8% in 2008 (annex no. 1). The biggest absolute growths were recorded from these visitors' home countries: Bulgaria (+715 thousand arrivals), Hungary (+583), Poland (+202), Germany (+179), Italy (+155), Slovakia (+107), The Czech Republic (+83), Austria (+59), France (+54), Greece (+54).

- In other states' cases (European, but not members of the EU, as well as from other continents), three different situations stand out:

- Absolute growths of the AFV: Ukraine (+297 thousand arrivals), Turkey (+84), Israel (+34);

- Modest absolute growths of the AFV: Serbia and Montenegro (+17 thousand arrivals), the Russian Federation (+9), the United States of America (+7);

- Absolute declines of the AFV have been recorded only in two situations: the Republic of Moldova (-61 thousand arrivals) and Belarus (-6), possibly as a consequence and of borders' formalities imposed by the new conditions.

- These different evolutions affected the top 10 list of visitors' home countries.

In 2008, Hungary was at the top of the list, taking the Republic of Moldova's place, and Bulgaria surpassed Ukraine. Countries such as Germany, Italy, Turkey and Austria, of whose flows depend on a much smaller scale on conjunctural factors, maintained their positions. The progress of Poland in the list is to be remarked, but so is the decline of Serbia. The latter is the only adjacent country, that in 2008, isn't in the top 10 countries list.

Table no. 1 The hierarchy of visitors' home countries in Romania

Position	Country	2006	Position	Country	2008
1.	Rep. of Moldova	1.490	1.	Hungary	1.950
2.	Hungary	1.367	2.	Rep. of Moldova	1.429
3.	Ukraine	433	3.	Bulgaria	1.114
4.	Bulgaria	399	4.	Ukraine	730

5.	Germany	343	5.	Germany	522
6.	Italy	278	6.	Italy	433
7.	Turkey	219	7.	Turkey	303
8.	Serbia & Montenegro	167	8.	Poland	277
9.	Austria	151	9.	Austria	210
10.	United States of America	130	10.	France	183

Source: *The Romanian Statistical Yearbook* – 2008, National Institute of Statistics.

4. Influential factors

- Without a doubt, the first influential factor of the evolution and level of foreign visitors' arrivals in Romania is the geographical position, the distance between the home country and Romania.

Thus, the adjacent countries held 61% of the total number of arrivals in 2008, being an maintaining to be – the primary emitter, even if their share is in decline (in 2006 it held a value of 63.9%). For the touristic flow from these countries, the analysis should be continued through the study of the purpose of the journey: transit; one-day trips for different reasons; visits to friends and relatives etc. This information is not found, however, in current statistics. The scale of the phenomenon can be estimated with the help of two elements:

- The arrival of foreign visitors at the border is found only as 20-24% of tourist arrivals in accomodation structures;

- The home countries of accomodated tourists, organized after their number, are different than the adjacent countries (Germany, Italy, France, the United Kingdom, the United States of America, Austria, Israel, etc.).

In addition, the countries near Romania - geographically speaking – have registered significant rises. Poland, the Czech Republic and Slovakia reached a cumulated share of 6.3% of the total number of arrivals in 2008 (as opposed to 2.8% in 2006).

- The second influential factor is represented by the strong and developed economic relations between Romania and the respective countries. Thus, in the list of top countries partner in the international trade of goods (import and export of goods), as well as in the list of direct foreign investments in Romania, we find - mostly – countries with a rising significant touristic flow: Germany, Italy, Austria, France, Turkey, Netherlands, etc.

Table no. 2 Main partner countries in the international goods trade

Position	Country	Weight in total	Weight in total exports	Weight in total imports
1.	Germany	17.1	17.0	17.2
2.	Italy	14.3	17.0	12.7
3.	France	6.8	7.7	6.4
4.	Hungary	6.5	5.7	6.9
5.	Turkey	6.0	7.0	5.4
6.	Russian Federation	4.5	1.4	6.3
7.	Austria	4.0	2.6	4.8
8.	Netherlands	3.1	2.1	3.6
9.	Poland	2.9	2.2	3.4
10.	United Kingdom	2.7	4.1	1.9

Source: The *International Trade Yearbook of Romania*, 2008, National Institute of Statistics.

Table no. 3 Direct foreign institutes in Romania on the 31st of December 2007 -allocation based on home countries-

Position	Country	Millions of euro	% in total ISD
1.	Austria	9.161	21.4
2.	Netherlands	6.988	16.3
3.	Germany	5.020	11.7
4.	France	3.759	8.8
5.	Greece	3.192	7.5
6.	Italy	2.617	6.1
7.	Switzerland	2.191	5.1
8.	Cyprus	2.015	4.7
9.	Turkey	822	1.9
10.	Hungary	738	1.7
Total		42.770	100.0

Source: *Direct foreign investments in Romania on the 31st of December 2007*, National Bank of Romania.

At the same time, countries with economic relations similar to Romania are relatively modest and – in addition – the geographical distance which separates us is considerably large, record reduced levels of AFV (Denmark, Finland, Ireland, Portugal, Sweden, etc.)

- Another influential factor results from the existence of relationships of a traditional, cultural, historic nature. This is the case, primarily with Israel, but also with Turkey, Hungary, Germany and Greece.

• The touristic flows must also be analyzed by the population number in the emitting countries. Thus, absolute flows aren't significant in countries with reduced population. Given this situation, for a correct interpretation, the dynamic of the flows must be considered. For example, the flows from Slovenia and Estonia have risen in the 2006-2008 period three times (from 12 thousand to 37 thousand, respectively from 2 thousand to 6 thousand)

5. Recent Evolutions

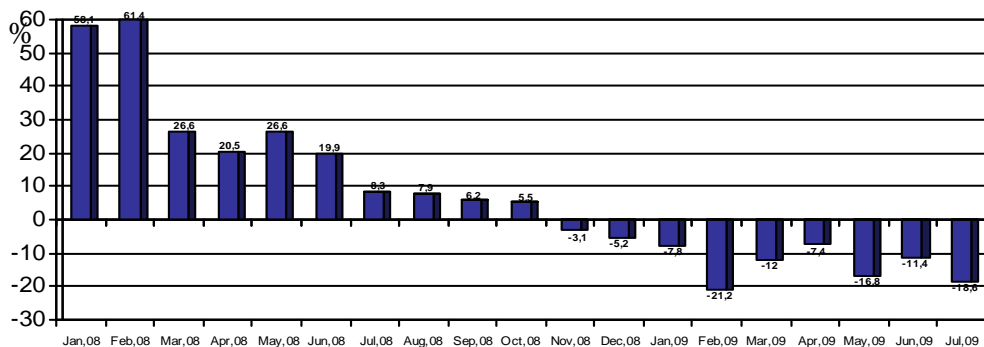
With all the inevitable limits, the arrival of foreign visitors at borders can be considered one of the most sensitive indicators to the modifications of the internal and external environment, being the result of the correlated actions of several factors:

- objective factors, essential and systematic, that reflect tendencies.
- seasonal and repeatable factors, that reflect fluctuations revolving around trend;
- particular factors, specific to the respective period, of a conjunctural nature (short term), or of a structural nature (long term).

The year 2008 – as presented – was the peak year regarding international touristic flows to Romania, registering a rise of aprox. 47%, respectively 2.8 million more arrivals than the year 2006. A monthly detailed analysis, reveals, however, an expected phenomenon when looked upon retroactively. Thus, the growth rhythm of the AFV, calculated against the corresponding month of year 2007 (to eliminate the influence of the seasonary factor), reflects an unexpected but perfectly explainable path, when the impact of the economic and financial crisis was felt.

Chart no. 2 The evolution of the arrival of foreign visitors in Romania in 2008 and 2009

The percentual variation (+/-) compared to the corresponding month from the previous year



Source: Created based on the Monthly Statistical Bulletin no. 1-9 / 2009, National Institute of Statistics.

• During the first two months of the year, the percentage rises were spectacular (58-60%), although January and February are – usually – the months when the AFV is reduced.

• Next is a period of eight months (March - October), in which – even if the AFV rose comparatively to the same month of 2007 – the rhythms were much less alert, situating on a declining trend (from 26% in March and May, to 5-6% in September and October).

• From November, the AFV started to decline: –3.1% in November, –5.2% in December and further, –7.8% in January 2009.

In conclusion, the AFV is one of the first indicators that signaled the inevitability of the crisis. The systematic influential factors such as the size of the demand and the touristic potential, the geographical distance and the accessibility of the infrastructure, the prestige and the opportunities of the touristic zones, haven't managed to contract the negative effects of foreign visitors' anticipations, especially about the reduction of future income.

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Annex no. 1 The structure of arrivals of foreign visitors in Romania by home country

percent of total -

	2006	2008
Total	100.00	100.00
European Union	53.03	62.81
Hungary	22.64	22.01
Bulgaria	6.61	12.57
Germany	5.68	5.89
Italy	4.60	4.89
Poland	1.24	3.12
Austria	2.50	2.37

France	2.14	2.07
Slovakia	0.68	1.68
Czech Republic	0.86	1.53
United Kingdom	1.49	1.45
Greece	1.06	1.33
Netherlands	0.83	0.90
Spain	0.71	0.80
Belgium	0.45	0.50
Slovenia	0.20	0.41
Sweden	0.30	0.28
Denmark	0.28	0.19
Portugal	0.15	0.18
Ireland	0.18	0.16
Cyprus	0.15	0.13
Finland	0.11	0.11
Lithuania	0.07	0.11
Estonia	0.03	0.07
Latvia	0.03	0.05
Luxemburg	0.02	0.02
Malta	0.02	0.01
Other states, of which:	46.97	37.19
Republic of Moldova	24.68	16.12
Ukraine	7.17	8.23
Turkey	3.63	3.41
Serbia and Montenegro	2.77	2.07
United States of America	2.15	1.55
Israel	1.03	1.08
Russian Federation	0.89	0.71

Source: Calculated based on the information in the *Statistical Yearbook of Romania*, 2008, National Institute of Statistics.

TOURISM SALON – SPRINGBOARD OF THE ROMANIAN TOURISM

*Anca Gabriela Turtureanu and Cornelia Elena Tureac **

Abstract

The authors are highlighting in this paper the fact that the exhibition was and remains the ideal place for the contact with customers, because this is the main objective of participating in a fair/exhibition/salon. The exhibition is not only the environment where the players from a market choose to see each other the promoted offers, but the more important thing for exhibitors is that during a fair, the active buyers and other persons with decision making power on the market are used to be present. To become more effective, the participation in fairs/salons and international exhibitions of tourism exceeds the function of information.

Keywords: promotion, fairs, shows, travel, opportunity.

JEL Classification: M39, M51, L83

1. Introduction

VERT is the holiday's state room in the francophone Belgium. After its first edition in 1971, VERT has evolved significantly. State room destined for hobby and gardening at first, VERT has developed progressively its poles of tourism, of holidays and free time.

Since 2004 is proposed a new formula. Two nocturnes instead of one, allowing the of the four corners of the world until 22 pm.. Dedicating only for the holidays and tourism, the state room is developing its activity during the 6 days under its new name Salon Vert, Bleu, Soleil.

The salon attracts almost 70.000 visitors "actives" at which can be added the press, the participants in conferences and colloquialisms salon, as and the children less than 12 years. He receives every year almost 300 of exhibitors come from around the world and is being proud with its prestigious guests of honor: Louisiane, Valais Suisse, Portugal, Tunisia, the region of Cotes d'Amor, etc. He also hosts events like: launching of professional brochures, press conferences of the professional associations, meetings between official organisms of tourism (Attractions and Tourism, The Tourism Promotion Office, etc.) [Ioan and Turtureanu, (2005)]

*Anca Gabriela Turtureanu is Associate Professor at the "Danubius" University Galati, Romania, 3 Galati Boulevard, 800654 Romania. E-mail: ancaturtureanu@univ-danubius.ro, Cornelia Elena Tureac is Associate Professor at the "Danubius" University Galati, Romania, 3 Galati Boulevard, 800654 Romania. E-mail: tureaccornelia@univ-danubius.ro

2. Guest of honor of the international fair liege

Studies can be included in promotional materials, which can bring practical information to possible visitors. That is why it is very important to make sure that the material is precise, well drawn-up (without too many superlatives) and fixed at the adequate level for making them attractive for the audience [Kotler, (2002)]. This will assure us that people will not arrive with expectations that cannot be met, and will most probably be disappointed by the experience. [Ladkin, and Spiller, J (2003)] The best reputation is that built by being orally transmitted, recommended by marketing managers. We have also remember that a reputation is not built over night, five years may pass until the marketing strategy begins to bring profit. Consequently, the strategy has to be seen as a long term activity in order to be revised and updated constantly in compliance with the changing needs of the visitors' feedback market. [Tureac, (2008)] This also means that a considerable merit belongs also to the establishment of a tourism strategy that would aim for the tourists, even after they left the place. This helps to accumulate faithful clients and encourage repeated visits.

The tourism salon Vert, Bleu, Soleil is dividing the spaces and its touristic presentations in thematic way:

- ◆ Cultural tourism
- ◆ Natural tourism
- ◆ Resorts tourism

For 6 days, the Salon Bert, Bleu, Soleil receives visitors from the francophone Belgium, Lombourg Province, Province of Luxembourg and from the border regions: Germany, Netherlands

Category of visitors in 2008 was:

- youth - 26%
- family - 54%
- seniors - 30%

The salons and fairs organized by the International Fair Liege are emphasized through a promotional action entitled “Guest of honor”. The guest of honor is a country or a region of a country which proposes to the International Fair Liege its file of application to be accepted as a guest of honor at the Salon Vert, Bleu, Soleil. Once accepted, he must attend to the salon for two consecutive yeas with a small stand, stand which will have as role the initiation of the visitor in the new touristic product. Only after these two years he can participate as a guest of honor. The coordinator of this project can be the Ministry of Tourism or another institutional organization. [Cristureanu, (2004)]

In 23 years, with a presence of quality, 54 countries and regions came to Liege to promote their touristic potential, and in the last years the guest of honor was:

2004 : Inland of Madagascar

2005 : Aix-Les-Bains Et le Lac du Bourget

2006 : China – La province de Fujian

2007 : In Tunisia – Governorat de Sousse

2008 : France- Le morbidan

2009 : Belgium – The Meuse

The topics presented by the guest of honor are :

- the resort tourism;
- cultural tourism (tours, guided tours, artwork, etc);
- Gourmet tourism (places of tasting and presentation of the regional products)
- Natural tourism (national parks, itineraries for promenade);
- Activities and products specific to the country

In the view of a remarkable presence, the guest of honor must have:

- a presentation of the tourism institutions (tourisms offices)
- an overview of the tourism resources (hotels, restaurants, organized trips, various infrastructures, museums, exhibitions, etc)
- a presentation and sale of the regional products (fabrics, common objects, decorative objects, etc)
- a space of animation (arranging a animated with musicians, dancers, games, decorations, flowers, facades of houses typical to the region/country
- a presentation of theater, literature, cinema (conferences, publications, various animations)
- a presentation of operas and classical artists and/or contemporary

To present its application, the guest of honor must send to the International Fair Liee a file which must include:

- a booklet presenting the touristic topics what are making the object of the promotion action
- a scheme of the arrangement plan of the stands;
- a list with all the conscriptions that will be present at the saloon (hotels, tourism operators, etc)
- a program with the animation that will be taking place throughout the salon.

3. Guest of honor – the oportunityt to promote the romanian tourism in the western europe

The Vert, Bleu, Soleil in Liege may be a real opportunity for Romania to make known in the Western Europe trough tourism. Often wrongly perceived by the most foreigners, Romania remains a country unknown to its true value. Those who have visited were yet impressed by its natural beauty, by its Latin charm almost forgotten in this corner of Europe.

To change this perception, it can be proposed three regions from Romania, Maramures, Moldova and Dobrogea – as guest of honor at the Salon Vert, Bleu, Soleil from Liege. In this case the target market will be just the Wallome region from Belgium.

After a survey carried out by the Observer of tourism Wallon on the Belgians travels in the country and abroad, it can be observed that the Belgian tourist likes to travel. The total of the population and the percentage of the departures on holiday:

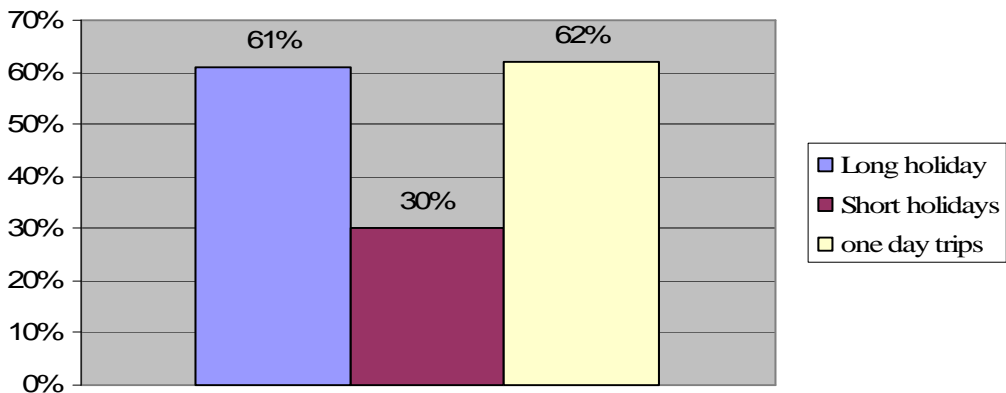
Table no. 1 The Belgians departures in country and abroad

POPULATION (millions)	10,1
NET RATE OF DEPARTURE IN	
• Long holidays (%)	61
• Short holidays (%)	30
• One day trips (%)	62

Source: *Observatoire du Tourisme Wallon* -, „Le plan stratégique de développement touristique de la Province de Liège”

Long vacations mean a holiday away from home of at least 4 consecutive nights. Short vacancies mean a holiday away from home between one and three nights. Trips for a day means to a distance from his home at least 20 km; are excluded the visits to friends and family. The rate of departure in long holidays is of 61%, in short vacancies 30% in trips for a day 62%.

The Belgian departures



Depending on the region of origin:

Table no. 2 The belgian movements by the region of origin

Share of departure in	Origin region		
	FLANDRE	BRUXELLES	WALLONIE
• Long vacations (%)	65,6	76,4	55
• Short vacations (%)	33,6	24,5	18,2
• One day trips (%)	71,4	52,9	44,6

Source: *Observatoire du Tourisme Wallon* -, „Le plan stratégique de développement touristique de la Province de Liège”

For the Liege province, are remarked:

- Long Vacations : 49,2%
- Short Vacations: 19%
- One day trips: 46,1%

The departures of the Belgians from the Liege province

Province Liege

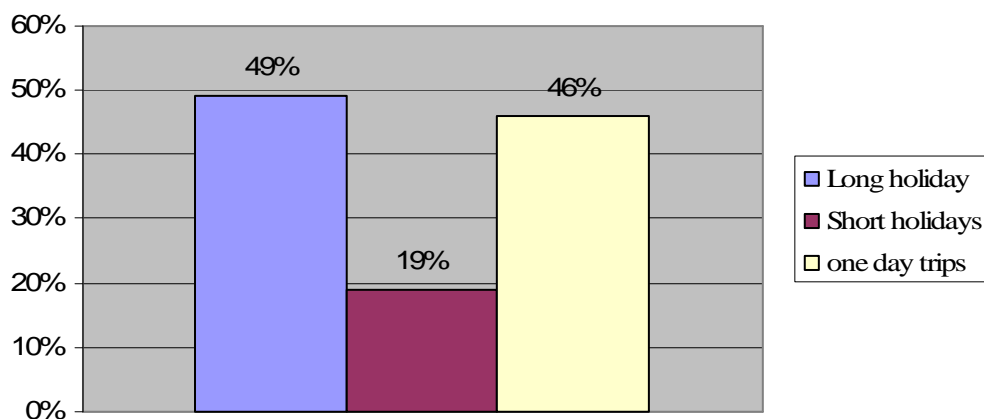


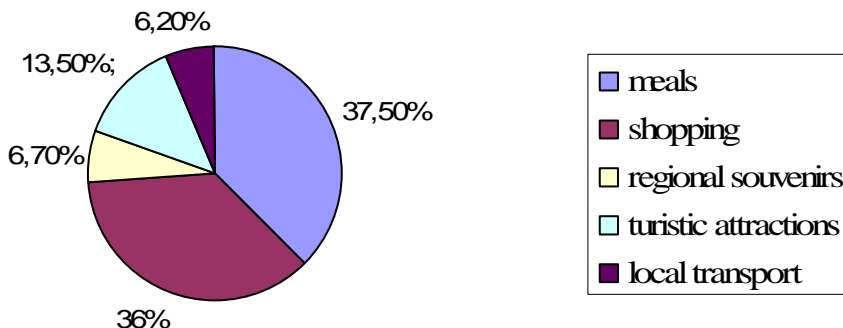
Table no.3 The destinations according to the type of destination

DESTINATIONS	Tips of holidays		
	LONG HOLIDAYS	SHORT HOLIDAYS	ONE DAY TRIPS
In Belgium	28,7%	59,7%	89%
ABROAD	71,3%	40,3%	11%
Of which	France 22,5% Spain 13,2% Italy 5,8% Austria 4,6% Switzerland 3,1%	France 17,4% Germany 6,2% Netherlands 6,1% England 4,5% Luxemburg 3,5% Others 2,6%	Netherlands 5,9% France 2% Germany 1,5% Luxemburg 1% England 0,6%

Source: *Observatoire du Tourisme Wallon* -, „Le plan stratégique de développement touristique de la Province de Liège”

- Belgium don't occupies a very important place on the long holiday's market: 31%
- Belgium occupies a place relatively important on the touristic market of the short holidays: 60%
- Belgium holds 90% of the tourism for a day
- For the holidays abroad the rapport is reversed: 71% long holidays, short holidays 40% and trips 11%. So we can see that the Belgian tourist prefers the long holidays for the trips abroad, favorable situation for Romania, taking into account the great distance between Romania and Belgium.

The distribution of the touristic expenditure in Belgium by the type of activities



For the holidays to sea, the wallon tourist spends more; it goes often and stays a while longer than the tourist from Brussels or from the Finland region.

Table no. 4 Long holidays to sea

Long holidays to sea	2006	2008
Flamands	68,2%	66%
Bruxellois	9,5%	6%
Wallons	22,3%	28%

Source: *Observatoire du Tourisme Wallon - „Le plan stratégique de développement touristique de la Province de Liège*

Table no. 5 Short holidays to sea

Vacanțe scurte la mare	2006	2008
Flamands	71,6%	71,8%
Bruxellois	4,8%	3,9%
Wallon	23,6%	24,3%

Source: *Observatoire du Tourisme Wallon - „Le plan stratégique de développement touristique de la Province de Liège”*

Analyzing all these statistic data we can observe that the Belgian tourist prefer both the long holidays (61%) and both the trips (62%).

If we refer only to the Wallonie region, because here we want to make the touristic promotion of Romania, the wallon tourist prefers the long holidays (55%) and especially the holidays to the North Sea (28%). The same thing is available and for the tourist from Liege which prefers the long holidays in a proportion of 49.2%.

As for the stays abroad the most searched are the neighboring countries (France, Spain, Italy) but also the more distant countries such as Switzerland, Austria..

In what concerns the expenses made during the holidays, the belgian tourist prefers the sector of restoration (37.50%) and that of shopping (36%)

But in the same time is noted, that compared with the region Flandre and Brussels, Wallonie is located in the third place for the departures in holidays. However the region chosen to promote the three Romanian provinces is Wallonie.

As is known in Belgium is the capital of the European Union. So it is a good time to begin to make our acquaintances here, especially because the people don't know much about Romania. And the tourism is the ideal domain.

Wallonie, because it is a French-speaking region, contrary to Flanders, and so there will not be any problems at the communication level. In addition, Liege is only at 100 km away from Brussels and it has an important road, rail and fluvial network due to the river Meuse, which crosses the city. Liege can be considered as a „entrance

gate” or as a test market towards Brussels and this due to the Office of Tourism Promotion which promotes both the region Wallonie and Brussels.

In conclusion, Liege and more precisely the Salon Vert, Bleu, Soleil is the ideal place to make the touristic promotion of Romania – the provinces, Maramures, Moldavia and Dobrogea.

4. SWOT analysis – the liege pronvince/ provinces : Maramures, Moldavia and Doborgea

Province of Liege

Strengths

- Liege has a great potential to set for value as city of art along with other resources: shopping, animations and events.
- A rich natural potential (forests, valleys, lakes, rivers...) in Ourthe, Ambleve and Hautes Fagnes.
- Some small towns and typical villages as a quality rural heritage.
- A great variety of regional products of quality and gastronomic references (pays d’Herve)
- An interesting heritage of castles and farms in Hesbave and Condroz

Weaknesses:

- Unstable climate.
- A hotel offer of “haute gamme” (luxury) and “moyenne gamme” (average) insufficient in the Liege city to organize congresses, exhibitions.
- Natural parks aren’t sufficiently populated by forest trees
- The landscape isn’t presenting characteristics for ski and there isn’t no opening to the sea.
- Closing the commercial centers Sunday in certain important towns in terms of tourism
- Few complexes covered susceptible to attract the tourists throughout the year, indifferently of the season.

Opportunities

- An interest becoming bigger for the green tourism, discovering the nature and sport in nature
- European funding for assessing certain museums of Liege
- Large potential of reserves and natural sites
- European credits for different projects of development of the tourism

Threats

- A strong competition manifested by the neighboring regions (Nsamur, Luxembourg, Ardennes Francaises...)

- A strong competition for all the sunny destinations are taking into account and by the lowering the plains tariffs
- The promises made to the tourists in the brochures of promoting the museums and the touristic attractions is often superior to reality, leading to negative recommendations.

The Provincials Maramures, Moldavia and Dobrogea

Strengths

- A rich and varied natural and cultural potential in the three provinces and an important heritage
- A favorable climate for practicing almost all the types of sport (skiing, kayaking, riding, swimming, fishing...)
- A diverse landscape and particularly charming
- Numerous villages and towns that are holding an important rural heritage of high quality
- Gastronomy specific and large vineyards (Moldavia and Dobrogea) of a national and international reputation
- Tradition, handicraft and wood carving in Maramures

Many opportunities for shopping, animations and cultural and artistic events

Weaknesses:

- A insufficient hotel offer in Maramures and Moldavia close by the touristic objectives (Monasteries, museums,)
- Tourism heritage unexploited
- There isn't a good touristic promotion, few promotional material (brochures, leaflets,...)
- The road infrastructure still undeveloped at the European standards
- Lack of a touristic coordination at level of region
- Lack of a synergy between the public operators and private operators.

Opportunities:

- Integration of Romania in the European Union
- A great touristic unexploited potential
- Facilities for access with all means of transport
- EU funding (PHARE)

Threats:

- Insufficient known potential touristic in the world or a wrong impression about Romania because of the old regime
- A strong competition from the neighboring countries (Turkey, Bulgaria, Hungary,...)

5. Conclusions

The key of relaunching the Romanian tourism is found in identifying some possible partnerships of ideas and of funding. It is true that in Romania were built in recent years some hundred motels, hotels, pensions, most of them imposing itself through elegance and quality service. But to this industry lacks the connection of information, of communication of services to make them attractive and rapid known. [Cristureanu, (2006)]. The owners of hotels must realize that the touristic product isn't sold alone, but it must be assessed or in a framework of a touristic circuit, or within some integrated offers.

The communicating process can be defined as an exchange of information and news. Such a process is carried out mostly by participating at the salon although, initially, the exhibitor is primarily in the position of supplier of information concerning the stand, products and the goods displayed. The visitor at the salon is, initially in the position of receiver of information, later becoming an active participant at the exchange of information. It becomes, for the exhibitor, value supplier of information concerning its preferences, of the buyers and users, the characteristics of the market demand which is organized in the salon, the ways of selling these products on the market.

In fact, the salon, exhibition stand are becoming catalysts, promoters of the relations between the interested exhibitor and the visitors as potential buyers. Therefore, communication can be considered as one of the main functions of the salon.

The benefits can be of several types: an increase in the turnover or an increase of the reputation. In addition, the salon reunites, according to its specific, a good part of the actors of the economical life that are having the same/almost the same object of activity with that of the exhibitioner. As example of title: the direct or indirect competitors, partners, potential clients and politicians.

This it is and advantage that mustn't be ignored, because in the case of prospecting a new market, allows to identify what offers the competition and at the same time to make knows to the potential clients. In the case of participating to a salon, this presence will allow to confront its image.

The salons are becoming increasingly competitive. Their organizers hire and are using tactics more and more diverse and more pervasive in attracting the exhibitors and the professional visitors, including: tactics of pressure through diplomatic channels of its own country, the representatives in various financial organization, chambers of trade, organisms of promotion of the exports and imports from the origin countries of the groups of potential exhibitors and professional aimed visitors, publicity, logistic support in accessing, maintaining and strengthening the position on a certain market of interest which usually is the market of the host country, of the salon, etc.

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