

ANALYSIS OF STRATEGIC DIRECTIONS ON THE COMPETITIVENESS OF THE ROMANIA ECONOMYS

Lecturer, Ph.D., Emilia IORDACHE

"Constantin Brâncoveanu" University of Pitești, Romania

Email:emi66vl@yahoo.fr

Abstract: *In recent times, the world economy is marked by a variety of fundamental transformations that reshape the interdependencies that underlie it. In a multipolar world, the European Union represents a pole of power that, through its actions, can considerably influence the balance of power. Competitiveness and productivity have been at the heart of European Union policy for decades. The various directions of evolution of the world economy affect, to varying degrees, the competitiveness of the European Union. Faced with successive recent crises, the European Union has adopted common and coordinated response measures, launching in 2023 the European Economic Security Strategy, which represents a strategic repositioning for the future. The paper aims to analyze the developments in the competitiveness of the European Union and Romania in this global and regional context, presenting the main strategic directions regarding the competitiveness of the Romanian economy. The research methodology uses the logical analysis method, the systemic method, the comparative method, the historical method, and the situation analysis used in geopolitical theory.*

Keywords: *competitiveness, international trade, European Union, strategy.*

JEL Classification: *F15, F51.*

1. Introduction

Developments in recent years, especially in the geopolitical arena, have fundamentally changed the approaches to trade, interdependencies between states and the trade-security nexus. Security concerns no longer refer only to conflicts, but cover the much broader notion of economic security. Despite the disruptions in global supply chains, trade remains a source of security, especially when it is part of a multilateral rules-based system. Beyond crises, the diversification effect of trade reduces asymmetric dependencies and the likelihood that dominant suppliers can use trade as a weapon. Empirical research often shows that the beneficial effects of trade on resilience outweigh its harmful effects. Over the past 50 years, greater openness to trade has limited macroeconomic volatility in most economies. The positive effect of trade on resilience has been demonstrated by recent crises, including the COVID-19 pandemic and the war in Ukraine. The multilateral trading system embodied by the WTO is fundamental to reaping the benefits of resilience in international trade. The war in Ukraine highlights that this allows trade flows to adapt rapidly when unforeseen shocks occur. (WTO, 2023)

Empirical work supports the idea that trade has a pacifying power, although it is certainly not capable of preventing conflict. Most empirical studies conclude that the conflict-reducing effect of trade tends to be stronger. Recent studies show that both bilateral and multilateral interdependence encourage peace-building. Greater bilateral trade independence contributes to a pacifying effect for neighboring countries, while openness to global trade promotes peace among more geographically distant economies. (WTO, 2023)

The COVID-19 pandemic and the war in Ukraine have deepened the cracks in the global economic order. Production chains and financing networks that functioned relatively well under benign global conditions have proven to be less resilient in times of COVID-19 and heightened geopolitical tensions. Rising geopolitical tensions have led to increased protectionism and the increasing use of cross-border restrictions for national security reasons. According to the World Economic Forum (2023), the main risks with the greatest potential

impact on a global scale are: "energy supply crisis"; "cost of living crisis"; "rising inflation"; "food supply crisis" and "cyberattacks on critical infrastructure".

2. Analysis of the competitiveness of the European Union

2.1 The competitiveness-economic security relationship

The European Union is one of the world's three major economic regions; trade in goods and services with the rest of the world accounts for 16.2% of world trade and the EU-27's share of world GDP is around 17%. However, a closer look shows that since the mid-1990s, average productivity growth in the EU has been weaker than in other major economies, which has widened the gap in productivity levels.

Figure 1. Determinants of the competitiveness of the European Union at the horizon of 2030



Source: (European Commission, 2023)

Europe now faces three major transformations, the first of which is the need to **accelerate innovation and find new growth engines**. The EU's competitiveness is currently being squeezed from two sides. On the one side, EU companies are facing weaker foreign demand – especially from China – and rising competitive pressures from Chinese companies. The ECB finds that the share of sectors in which China is directly competing with the euro area exporters is now close to 40%, up from 25% in 2002. The EU's share in world trade is declining, with a notable fall since the onset of the pandemic. On the other side, Europe's position in the advanced technologies that will drive future growth is declining. Only four of the world's top 50 tech companies are European and the EU's global position in tech is deteriorating: from 2013 to 2023, its share of global tech revenues dropped from 22% to 18%, while the US share rose from 30% to 38%. Europe urgently needs to accelerate its rate of innovation both to maintain its manufacturing leadership and to develop new breakthrough technologies. Faster innovation will, in turn, help raise the EU's productivity growth, leading to stronger growth in household incomes and stronger domestic demand. Europe still has an opportunity to change track. With the world now on the cusp of another digital revolution,

triggered by the spread of artificial intelligence (AI), a window has opened for Europe to redress its failings in innovation and productivity and to restore its manufacturing potential.(European Commission, 2024)

The main threats to Europe's industrial competitiveness are:

- the dynamics of the energy market for Europe.
- high energy costs and falling demand are forcing European industry to slow down its growth.
- chemicals and metallurgy will be the most affected sectors due to their high dependence on natural gas as an input, but downstream industries such as the automotive sector will suffer.

Globally, China will be the main beneficiary of these developments; regionally, we expect a shift in production from central to southern Europe, with services holding up better than goods production.

European Economic Security Strategy

The European Union launched the European Economic Security Strategy on 20 June 2023, a strategy that focuses on bilateral and plurilateral cooperation - in different formats and degrees of institutionalization, from the G-7 to high-level economic discussions, investment partnerships and raw materials clubs.

The European Union now needs a comprehensive strategic approach to economic security, so as to reduce risks and promote its technological advantage in critical sectors.

The aim is to provide a framework for a robust assessment and management of risks to economic security at EU, national and enterprise level, while maintaining and enhancing economic dynamism.

Priorities of the European Union Economic Security Strategy

- Promoting the competitiveness of the European Union by increasing the resilience of the economy and supply chains, as well as by strengthening innovation and industrial capacity, while maintaining the social market economy.
- Protecting the European Union against jointly identified economic security risks by making better use of the instruments the European Union already has at its disposal, such as those on trade defence, foreign subsidies, 5G/6G security, foreign direct investment screening and export controls, as well as the new instrument to combat economic constraints.
- Building partnerships with countries that share the European Union's economic security concerns, as well as with those that have common interests and are willing to cooperate with the European Union to achieve the transition to a more resilient and secure economy.

2.2 European Union competitiveness – projections for 2030

Compass for competitiveness

In January 2025, the European Commission presented the Competitiveness Compass, a new roadmap for restoring Europe's dynamism and stimulating economic growth.

The Competitiveness Compass is based on the analysis in the Draghi Report on the future of European competitiveness. The Draghi Report's radiography of the European Union's competitiveness problems can be adapted to each national economy, where some local particularities can represent assets in the attempt to shape a more competitive economy. Romania has several such assets, starting from the observations in the Draghi Report: the simple improvement of economic policies can double the valorization of the national

economy's potential and connect it to a set of common policies with other European Union states to improve its geo-economic position. (Grosu, Pele, 2025)

The Draghi Report initially identified three things that are needed for the EU to stimulate its competitiveness:

- ☐ eliminating the innovation gap
- ☐ decarbonizing the economy
- ☐ reducing dependencies.

The Competitiveness Compass sets out an approach to translating these needs into reality.

► **Closing the innovation gap**

The Compass sets out how the European Union will boost innovation:

- ☐ by creating a favourable environment for young businesses to start up and scale up, with a dedicated EU strategy on start-ups and scale-ups
- ☐ by helping large companies to adopt new technologies such as artificial intelligence (AI) and robotics, thanks to a strategy on AI deployment
- ☐ by making it easier for businesses to do business across the EU by simplifying rules and legislation, with a proposal for a 28th legal regime that will ensure a single set of rules across the EU
- ☐ by supporting the development of new technologies, with action plans for advanced materials, quantum technologies, biotechnology, robotics and space technologies

► **Decarbonising the economy**

The Compass sets out how we can move to clean and affordable energy by:

- ☐ promoting the Clean Industrial Pact, which will help reduce carbon emissions, in particular for energy-intensive companies, and facilitate their transition to low-carbon technologies carbon
- ☐ presenting tailored action plans for energy-intensive sectors such as chemicals, steel and metals, which are most vulnerable at this stage of the transition
- ☐ developing an affordable energy action plan to help reduce energy prices and costs

► **Reducing dependencies**

The EU's network of trade agreements, covering 76 countries, is the largest and fastest growing in the world.

The compass identifies how we can further diversify and strengthen our supply chains, by:

- ☐ developing a new set of clean trade and investment partnerships to secure the supply of raw materials, clean energy, sustainable transport fuels and clean technologies from around the world
- ☐ revising public procurement rules to allow for the introduction of a European preference in public procurement for critical sectors and technologies.

Five additional ways to increase competitiveness

To complement these three pillars, the Competitiveness Compass introduces five horizontal drivers for boosting competitiveness across all sectors:

1. Cutting red tape

The Omnibus proposals will simplify EU sustainability reporting obligations to create a favourable business environment in which European companies can thrive.

2. Removing barriers in the Single Market

The new horizontal Single Market Strategy will modernise Single Market rules, removing barriers and preventing the creation of new ones.

3. Facilitating more efficient financing

The Savings and Investment Union will create new savings and investment products, provide incentives for venture capital and ensure the uninterrupted flow of investment across the EU.

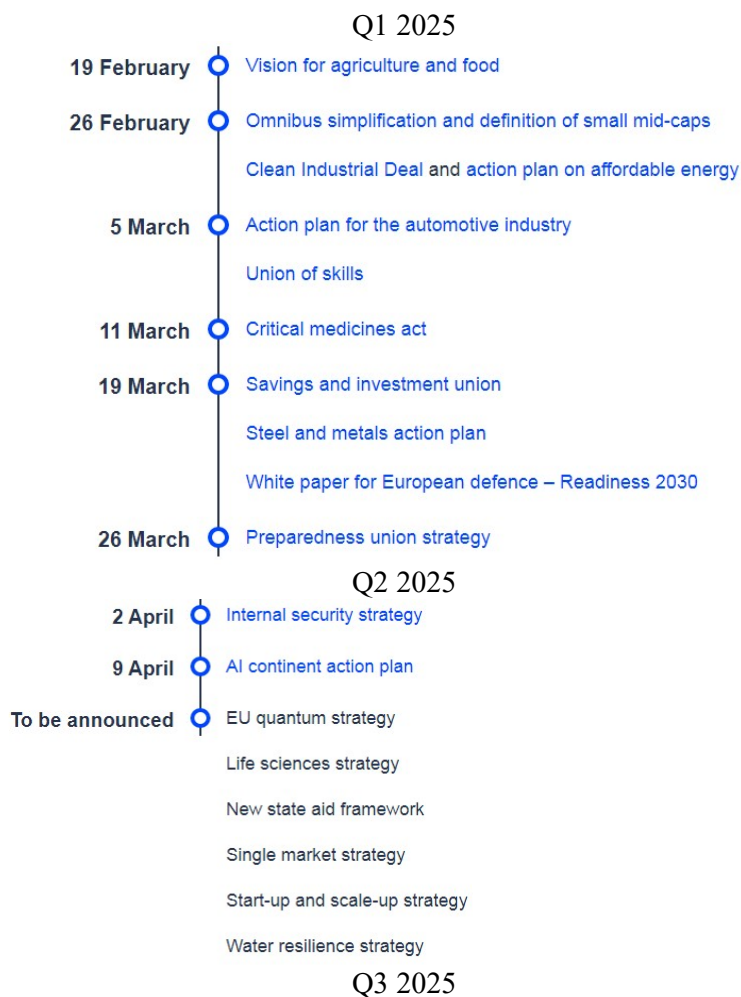
4. Promoting quality skills and jobs

The Skills Union will ensure high-quality education, training and lifelong learning to bridge skills and workforce gaps.

5. Ensuring better coordination

The Competitiveness Coordination Instrument will ensure the implementation at EU and national level of common EU policy objectives. It will be supported by the Competitiveness Fund, which replaces several existing EU financial instruments with similar objectives. (European Commission, 2025)

Figure 2 Competitiveness compass: timeline of actions



To be announced  Apply AI strategy
Data union strategy
European strategy for research and technology infrastructures
Joint purchasing platform for critical raw minerals
Space act
Sustainable transport investment plan

Q4 2025

To be announced  Chemicals industry package
Digital networks act
Electrification action plan
European biotech act and bioeconomy strategy
Industrial decarbonisation accelerator act
Quality jobs roadmap
Quantum act

To be announced  Clean trade and investment partnerships
European business wallet
European port strategy
High speed rail plan
MFF, including competitiveness fund and a competitiveness coordination tool

2026

To be announced  28th regime
Advanced materials act
European climate adaptation plan
European innovation act
European research area act
Revision of directives on public procurement
Revision of the standardisation regulation
Skills portability initiative
Circular economy act

Source: (European Commission, 2025)

2.3 Strategic directions regarding Romania's competitiveness provided for in the National Strategy for Romania's Competitiveness for the period 2021-2027

The National Competitiveness Strategy (NCS) 2021-2027 of Romania aims to redefine the national policy in the field of economic competitiveness through an inclusive approach, based on a synthesis of public documents and policies, especially in the economic, research and development, education, labor market, public institutions and regulation fields.

The concept of economic competitiveness to which the NCS 2021-2027 refers refers to the capacity of a nation to offer its citizens a constant and sustainable increase in the standard of living with jobs available to those willing to work, while providing a favorable climate for the development of economic activities that would strengthen the country's economic position on international markets through increased investment and innovation.

The development of strategic directions was limited to the identification of problematic elements followed by the selection of interventions that can bring about the expected change. The strategic priorities resulted from a correlation and backward-mapping approach, starting from effects to causes and were built on three levels also pursued in the diagnosis of the problem and which they address: the substantial component (macroeconomic), the strategic component (industry 4.0) and the institutional component, suitable for increased effectiveness of action.

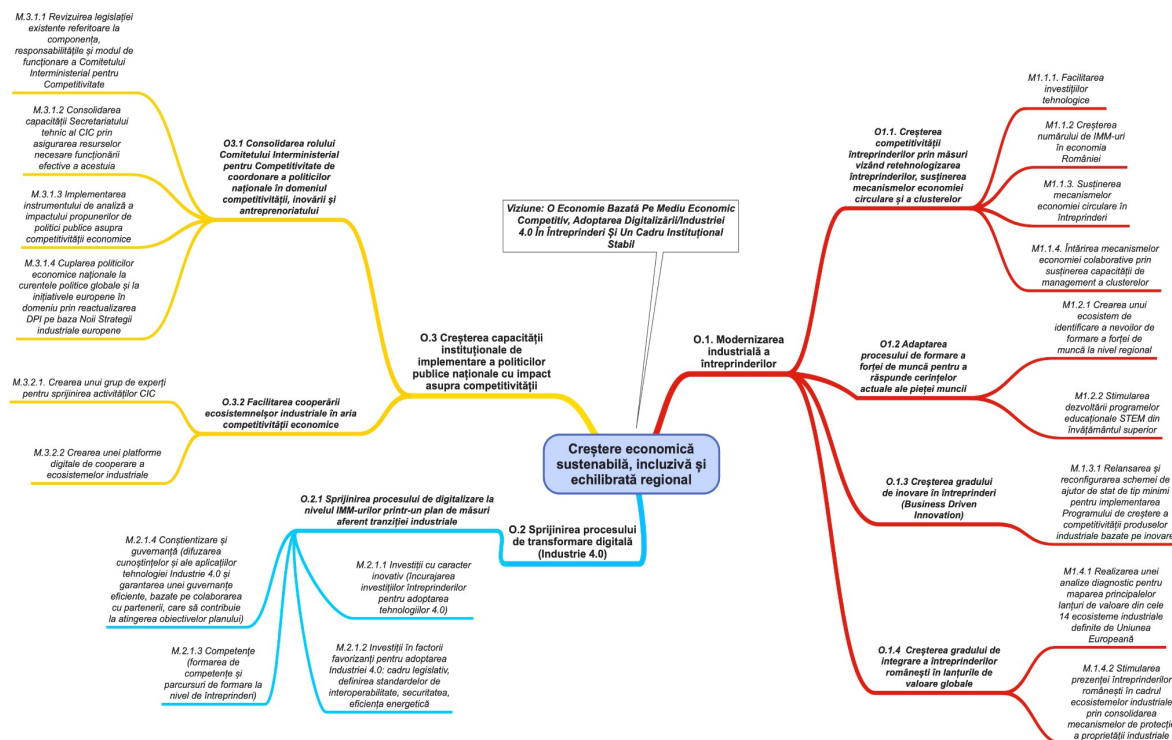
NCS Vision 2021-2027: Sustainable, inclusive and balanced economic growth from a regional point of view.

NCS Strategic Objective 2021-2027: An economy based on a competitive economic environment, the adoption of digitalization/Industry 4.0 in enterprises and a stable institutional framework.

General objectives of NCS 2021-2027:

- GO1. Industrial modernization of enterprises
- GO2. Supporting the digital transformation process (Industry 4.0) to increase the competitiveness of enterprises
- GO3. Increasing institutional capacity for the implementation of national public policies with an impact on competitiveness.

Figure 3 Logic diagram of the NCS 2021-2027



Source: (Ministry of Economy, Digitalization, Entrepreneurship and Tourism, 2022)

The main mission of competitiveness policies is to stimulate the process of structural change towards activities with higher productivity. The starting point for analyzing the level of competitiveness of the Romanian economy was the dynamics of structural change which may be relevant for establishing the evolutionary profile of the sectoral composition. (Ministry of Digitalization, Entrepreneurship and Tourism, 2022)

Mario Draghi's report has the merit of synthesizing the structural competitiveness problems of the European Union, and the solutions proposed by the former head of the ECB represent a mechanism for adapting the community economy to the changing geoeconomic realities. Regarding Romania, it must look, economically, in two directions, in order to be able to follow the trajectory outlined by the two reports:

1) Domestically:

Starting a program to troubleshoot the critical points signaled by the Draghi Report, even if only in the sense of the 6 presented in this analysis, in the most concrete way possible: with plans, precise objectives, deadlines, responsibilities and monitoring of implementation. The gap with the European Union states and even with those in the region also configures a huge development potential: in the medium term, meticulous troubleshooting of the critical points listed above could lead to spectacular results.

2) Externally:

Developing as direct relations as possible with the economic and commercial structures of the European Commission, in order to be an active part of the discussions on common plans and to be able to be part, as an economy, of the concrete joint projects that the Commission initiates to increase competitiveness.

Romania can put on the table for discussion a list of assets, a list of companies with great competitive potential, a list of proposals for simplifying European legislation from the perspective of experience and the particularities of the national economy.

At the same time, the development of an economic diplomacy oriented towards concrete objectives – a deeply deficient chapter in the approach to the economy and international trade. Both the diversification of markets and the expansion of relations with European economies depend on the performance of a team of diplomats who understand the context and who have the necessary competence. (Grosu, Pele, 2025)

3. Conclusions

The issue of competitiveness is being reconsidered at the level of European states, being approached less in terms of relative costs and, increasingly, in terms of the capacity to generate innovation by ensuring a combination of the most favorable factors for sustained, inclusive economic growth, based on intangible assets. At the same time, the approach to economic growth has shifted its focus from international trade, as the main engine of economic growth, to innovation systems viewed also from the perspective of social, institutional and cultural factors. Moreover, the growth of the knowledge-based economy implies new types of changes in production structures and in the nature of work, the role of knowledge in the economy being of crucial importance. The most recent trends are towards social competitiveness within a sustainable development, among the elements of which the human factor represents the most important determinant of economic growth and well-being, but also the element from the perspective of which the performances and economic policies of a state can be evaluated. National

competitiveness is influenced by institutional and microeconomic policies, by the framework in which firms can be created, merged, and closed or taken over, by a stable, secure, and predictable environment for businesses, with an effect on their prosperity.

References

1. European Commission, 2025. *Busola pentru competitivitate: calendarul acțiunilor*. [online] Available at: <https://commission.europa.eu/topics/eu-competitiveness/competitiveness-compass/timeline_ro> [Accessed 15 March 2025].
2. European Commission, 2024. *The Draghi report: A competitiveness strategy for Europe*. [online] Available at: <https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en?prefLang=ro#paragraph_47059> [Accessed 15 March 2025].
3. European Commission, 2024. *The Draghi report: In-depth analysis and recommendations*. [online] Available at: <https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en?prefLang=ro#paragraph_47059> [Accessed 15 March 2025].
4. European Commission, 2023. *European economic security strategy*. [online] Available at: <<https://eurlex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX%3A52023JC0020>> [Accessed 15 March 2025].
5. Grosu, C., Pele, A., 2025. *Economia României prin prisma Raportului Draghi*,
6. Ministry of Economy, Digitalization, Entrepreneurship and Tourism, 2022. *National Competitiveness Strategy (NCS) 2021-2027*.
7. World Trade Organisation, 2023. *World Trade Report 2023 — Re-globalization for a secure, inclusive and sustainable future*. [online] Available at: <https://www.wto.org/english/res_e/publications_e/wtr23_e.htm> [Accessed 15 March 2025].