

Getting out of the Crisis by Reindustrialization and a New Strategy of Romania's Economic Development

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Abstract

The paper contains the analysis of deindustrialization process undergone by Romania after 1990, the causes of the deep economic texture restructuring, the possible strategies to be followed, as well as the coordinates of a recommended reindustrialization strategy in accordance with a model compatible with the trends manifested in developed countries and the requirements of the knowledge-based economy.

Key words: *deindustrialization, reindustrialization, financial and economic crisis, strategy, economic development, knowledge-based economy*

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Introduction

The Romanian economy began transition towards the market model in the context of more difficult conditions than the other Central and Eastern European countries. After 1990, the economy's evolution followed the "stop and go" model, and it has achieved, up to now, outcomes much below the expectations. The explanations of both objective and, especially, subjective nature, are multiple, whose identification made up the object of many surveys worked out after 1990. The conclusions drawn up from these surveys, even though they sometimes differ from one another, converge towards the essential idea that the actual state of the Romanian economy and industry is, first of all, the result of the lack of a clear, coherent and judicious strategy of economic and social development, and suitable policies devoted to different sides of the development. In absence for a long period of such a strategy and policies set up on a consensual basis and consistently implemented, the way in which the reform was conducted proved to be scanty, oscillating, and purposeless.

The industry was the economy's sector which was deeply subjected to the errors regarding the mapping out of the economic reform guiding lines and implementation policies. This reality has been mirrored by significant contraction of industrial activity, loss of some traditional markets with appreciable absorption capacity of the Romanian industrial goods, lack of capacity of certain industrial sectors to adapt their supply to the demand of domestic and international markets, bankruptcy or poor state of many acknowledged enterprises, etc.

The sharp decrease of industrial production during the first years of the economic reform, the inability after 16 years of its progress to attain the level carried out in 1989 (a modest year

during the period of centralized economy), gradually induced the idea that the Romanian economy entered a deindustrialization process, whose short term effects will be, undoubtedly, detrimental. The process focuses upon the decision making factors and specialists, who see it either as integrated in economic development logics – as a transition stage to the post-industrial society, in which the third sector concerning the services, intensively develops at the expense of the two other sectors, and becomes prevalent -, or as an evolution with unfavorable long-term effects on the economic development of the country.

Industrialization and Deindustrialization

Industrialization represents the appearance, development, and consolidation process of the big industrial production (process that turns an agrarian country into an industrial one), the industry getting the greatest weight in economy.

In Romania, the policies supporting the industry promoted between the two world wars intensively stimulated the industrialization process, which in 1938 attained a level as much as 20 times superior to that registered at the end of the previous century. In the same year, the weight of industry in the GDP was more than 30%, two third being covered by machine building, chemistry, energy, and metallurgy.

The accelerated industrialization process of the country continued after World War II, when it was achieved in directions set up depending on political criteria and not in accordance with realities of the country, the economic needs, and the resources availability. Correlation deficiencies between the intensively built industrial capacities with the raw material and energy resources, the irrational location of these sites, gigantism, and the quantitative vision on the economic development logically determined the inefficiency and lack of adaptation and competitiveness of the great majority of industrial activities, faced after 1990 with the superior requirements of market economy. As a result, during the deep reform process in which Romania was engaged, the industrial activity was strongly restricted, under the action of endogenous and exogenous factors that will be highlighted further on.

Deindustrialization represents the process of significant and progressive reduction of industrial activity in the economy of a country.

The fair use of this definition supposes the specification of the content of industrial activity, some considering it as confined to processing industry, others including production industry, and others referring to the whole secondary sector of the economy, namely to industry and buildings.

The industrial sector's reduction in size has taken the form of the permanent diminution of some relevant indicators, such as labor employed in the sector, the achieved value of production, the industry's share in the foreign trade of the country. For instance, as regards the first indicator "labor employed in industry", the deindustrialization process had constantly taken place, during 1960-1990, in the main developed countries, with variation of pace and amplitude: in the United States and Great Britain – very stressed (in the United States the reduction was from 35.3% to 26.2%, while in Great Britain from 47.7% to 29.0%), in France and Federal Germany - more attenuated (France – from 38.4% to 29.0%, while in Federal Germany - from 47.0% to 39.8%), and in Japan and Italy the evolution has been fluctuating, an increase by 1970 due to massive investments in industry being followed by a slight diminution in Japan (35.7% in 1970, 34.1% in 1990), and more significant in Italy (from 39.5% to 32.4% in the same years).

In Romania, after 1990, there occurred a conspicuous process of deindustrialization, as explained above, reality highlighted by the level of some relevant indicators – weight of industry in GDP, active population employed in the national economy, and foreign trade -, which registered sharp reductions, according to figures showed in the table below.

Table 1. Weight of contribution of national economy sectors to GDP, during 1989-2006 (%)

Sectors	1989	1990	1995 **	2000 ***	2006
Primary (agriculture + forestry)	14.4	21.8	19.8	11.0	7.8
Secondary (industry + buildings)	51.7	45.9	39.5	30.2	31.7
out of which:					
Industry *	46.2	40.5	32.9	25.2	24.3
Tertiary (services)	33.9	32.3	40.7	58.8	60.5
Total	100.0	100.0	100.0	100.0	100.0

* - Including electric and thermal energy, gas and water; ** - Methodology SEC 1979;

*** - Methodology SEC 1985

Source: CNS, Romanian Statistical Yearbook 1994, pp. 360-361; INS, Romanian Statistical Yearbook 2001, pp. 276-277, and 2007, p. 437

As to the contribution of sectors to the GDP formation, during this period the reduction of primary sector and, stronger, of secondary sector, especially of industry, occurred in favor of tertiary sector, thus confirming the aspects showed above, and demonstrating that the Romanian economy is joining the general trend of "tertiarization". As of the industry, after a sharp decline of its weight in GDP during 1990-1999, since 2000 the industrial activity began to know a beneficial timid change.

Table 2. Weight of the civil population employed by national economy sectors (at the end of the year), during 1989-2006 (%)

Sectors	1989	1990	1995	2000	2006
Primary	27.9	29.0	34.4	41.3	29.7
Secondary,	45.1	43.4	33.6	27.3	29.3
out of which:					
Industry	38.1	36.9	28.6	23.2	23.2
Tertiary	27.0	27.6	32.0	31.4	41.0
Total	100.0	100.0	100.0	100.0	100.0

Note: significations from the previous table are kept

Source: CNS, Romanian Statistical Yearbook 1992, and 1994, pp. 158-159; INS, Romanian Statistical Yearbook 2001, p. 94, and 2007, p. 117

The reduction of industrial activity is also reflected by the diminution of civil population employed in industry (see table above), which occurred at a slower pace than that of weight of industry contribution to formation of GDP, mirroring the overstuffed industrial activities. Unlike these visible reductions of primary and secondary sectors, and, within the latest, of industry, reflected by the level of indicators shown in the last two tables, the weights of public and private investments made in industry during the above mentioned period have registered variations of lower amplitude. This situation highlights the fact that industrial enterprises have however carried out upgrading and improving technologies whose beneficial effects on performances do not delay to appear. It is also obvious that in the first part of the mentioned period the industry was the area in which investments were especially concentrated, since 1995 being particularly oriented towards the services sector.

Causes and Implications of Deindustrialization

Careful analysis of the process and its manifestation forms allows us to identify the causes that bring it about.

1. *The scanty management of a great deal of industrial enterprises* leads, on a long term, to the worsening of their economic and financial performances up to a threshold under which they go bankrupt, which results in the decreasing of the number of industrial economic agents. The scanty management is mirrored by high production costs, modest products/services

quality, insufficient restructuring of firm's activity or its delayed beginning in order to adapt the supply to the demand, unfavorable image of the firm on market, persistent difficulties of managerial activity, etc.

2. *The competitive drawbacks of industry as a whole or of some industrial sector* – consisting, for instance, in high production costs, scanty diversification of products/services, poor quality of products, precarious sale channels, deficient after-sale services. At the industry level, the mentioned competitive drawbacks can be considered as equivalent to the shortcomings manifested at the firm level, highlighted at the previous point.

These competitive drawbacks' removal can be made either by a strong strategy of negative trends reversal (costs increasing, quality worsening, productivity decreasing, etc.), by means of modernization, improvement of technologies, waste braking, etc., or by giving up uncompetitive firms and industries and re-allocating resources by investments in industries having a high growth rate and development prospects.

3. *Attainment of an economic development superior stage*, that of passing from industrial society to post-industrial society, in which the weight of the secondary sector strongly decreases in favor to the tertiary sector. The mentioned passage is related to the degree of economy's maturity and change that took place in the products/services demand of population, the central point of the demand progressively moving towards the services sector. The services demand is correlated to the economic development level, respectively that of GDP. The beginning of the post-industrial stage, at least, the tertiary sector's increase in weight is based on the lower productivity of this sector in comparison to that of industry (allowing the services sector to absorb more manpower than the one made available by industry), the increase in the education level of the population (who prefers, in this context, to work in the field of services and not in the industry), increasing life expectancy of population (that determines additional social services demands), and its living standard (the elasticity of services demand is superior to that of industrial goods);
4. *The reinforcement of national currency in comparison with foreign currencies* made the export more expensive and, thus, engenders the diminution of products/services competitiveness on international markets. In general, the negative impact of this cause on status indicators (manpower employment) and on performance indicators (production, weight of export in the world trade) of the industrial sector, roughly speaking, lasts as long as the high rate of national currency is maintained as compared to other currencies;
5. *The existence of multinational companies and expansion of their activity beyond the frontiers of the origin country* engenders the deindustrialization of the host country by the transfer abroad of certain activities, in most of the cases the transfer of production, sales and distribution activities. The multinational companies are characterized by certain features – scale economy, products diversification, superior managerial and marketing capacity, etc. -, while the host countries in which these companies expand their activity present competitive advantages for their specific location – low wages costs, qualified manpower, adequate infrastructure, favorable business climate, etc. Reviewing these firms and location advantages enables multinational companies to make decisions about the most profitable form of these advantages exploitation, that is products/services export, concluding license or franchise contracts with local producers, or transfer of certain activities beyond the frontiers of the country of origin;
6. *The intensification at a great scale of the exploitation of a new natural resources*, meaning that if a new resource entered the economic circuit of a country, this situation engenders significant reinforcement of the country's national currency and, implicitly, reduction of its products/services competitiveness on international markets (it is the case of the Netherlands – from which cause was named “Dutch disease”, and of Great Britain);

7. *The specific dynamics of different industries in different countries*, which made that one industry lies in situations that considerably vary from one country to another, and presents performances which are displayed on a wide range. The differences are explained by the influence of some key factors as the country's industrial policy, the driving forces which stimulate industries' development (export, domestic demand, improvement at great scale of technologies, etc.), the specific conditions (as, for instance, the endowment with production factors).

Strategies to Cope with the Deindustrialization Phenomenon

The reduction of industry's weight on the whole of national economy, engendered by the above mentioned causes, joins a logical process of economic development, in which the central weight is either rapidly or slowly moving from the primary or secondary sector to the tertiary sector. However, the fear regarding the process of deindustrialization expressed in the specialized literature has no solid background in the light of some decisive *reasons*:

- Interdependence of national economy sectors deepens as economy becomes more mature and enters a superior qualitative development stage, reality clearly highlighted in a reference document of the OECD: "... the clear cut lines which separate economy in sectors will probably lose their significance. In the place of emphasizing a sector to the prejudice of another (for instance, "the treatment counts"), it is necessary that the central point of economic development policy relies on the system gains which maximizes efficiency of different sectors integration"¹. In this view, the main issue consists in synergetic articulation of economy's sectors, in such a way that, depending on specific factors influencing the development of different industry sectors, their contribution to the general development should be maximized.
- The fear engendered by the lower productivity of services sector in comparison with that of industry becomes less significant, thanks to modern computer, marketing, office activities etc. technologies, the third sector registering actually spectacular productivity increases.
- During the last decades, in the developed countries, the services sector proved to be able itself, in numerous fields, to create more jobs than those lost in declining industries. The empirical evidence proves this reality in a persuasive way and, expecting that new technologies penetrate other categories of services, creation of jobs will be intensified.
- Interdependence between manufacturing industry and services is continually deepening, on the one hand, blurring the differences between sectors, and on the other hand, making each of them more sensible to changes having taken place in this area. For instance, more and more industrial enterprises use specialized services – accounting, financial engineering, technological, managerial, marketing, informatics, insurance consultancy -, thus increasing interdependence between secondary and tertiary economy sectors; using outside services, that means externalization of activities according to theory of transaction costs, tends to be continually intensified.

According to the above stated arguments, the services sector comes out, on the one hand, as an area which tightly interferes with the industrial sector, and, on the other hand, as one able to rapidly and efficiently absorb capitals, manpower, and activities made available by manufacturing industry's contraction. Under these circumstances, should it be endorsed a strategy aiming to counteract the deindustrialization, or a strategy able to stimulate market mechanism functioning and, implicitly, structural adjustments of economy required by economic development?

¹ OECD, *Industrial Policy in OECD Countries*, Paris, 1992, pp. 188-189.

This issue finds the scientific community split up between those who assert the necessity to endorse a support and deceleration strategy, able to brake deindustrialization process and re-establish declining industries, and those who advocate endorsement of a neutral strategy, able to make market mechanisms to accomplish without restrictions their regulating and stimulating mission of structural adjustments².

Reduction of taxes and subsidies in order to stimulate modernization and innovation actions, fixation of interest rate and exchange rate in favor of the industrial sector, imports control, etc. are among the measures recommended by the supporters of the first answer.

Creation of a favorable business environment, stimulating structural adjustments at the level of enterprises and industrial sectors is, in the vision of the second category of advocates, the only measure able to lighten natural changing and adapting processes, respectively processes able to ensure an organic equilibrium in economy, indispensable for encouraging its development and increasing its competitiveness. In such an environment, the enterprises having competitive strategy and a high adaptive potential are able to develop themselves even in declining industries, contributing to ending respective industries restriction and rejuvenating them to become competitive.

For the Romanian industry, that faced a sharp decline after 1990, and began to recover itself after 2000, application at its general level, in an absolutist and exclusive manner, of one or another strategy presented above, would be illogical, taking into account the diversified situations of the industrial sectors, requiring shaded answers, depending on specific situation of each sector.

Application of a mix of the presented strategies is justified by the fact that, on one hand, in the course of the reform process, certain industrial sectors maintained or achieved significant competitive advantages which prefigured their promising development prospects and, therefore, can be let on the market forces field; on the other hand, however, there are industrial sectors presenting a peculiar interest for the national economy (strategic or sensible sectors), which, in spite of the current precarious situation, really have potential competitive advantages, making necessary the application of a reindustrialization “support strategy”, consisting in confined interventionist measures, aimed both to improve market mechanisms functioning, and to correct their distortions. The second strategy acknowledges the market forces superiority in industrial adjustment, and admits, at the same time, the insufficiency and the imperfection of available information for the economic agents, and the existence of transaction costs; consequently, the reindustrialization support strategy feasible for certain industrial sectors should foresee confined and temporary interventionist measures, aiming at ownership rights assignment and respect, research & development and professional training stimulation, entrepreneurship spirit encouragement.

Romanian Industry in the Globalization Context

The aspects highlighted by the analysis of the Romanian manufacturing industry evolution up to the threshold of world financial and economic crisis starting, are synthesized further on.

a) After 1990, the Romanian economy knew a stressed deindustrialization process, in the general acknowledged acception of the term, evolution clearly highlighted by strong industrial activity contraction, significant reduction of gross value added weight in the GDP structure (from 40.5% by 1990, to 24.3% by 2006), of civil population weight occupied in industry, and of net investments. The deindustrialization phenomenon that took place in Romania ranges

² See, in this sense, OECD, *Economies in Transition: Structural Adjustment in OECD Countries*, Paris, 1989; Geldens, M., Towards Fuller Employment, *The Economist*, 28 July 1984, pp. 17-20; Approach of the Engineering Employers' Federation, The UK, *Financial Times*, 13 January 1993

among the economic evolution logic occurred in any country, marked by its progressive increase of tertiary sector weight, but, at the same time, was also determined by negative factors identifiable among the following conclusions.

Starting from 2000 until 2008, a gladdening phenomenon of economic recovery took place, engendering a sudden change for improving the industrial activity, which managed to recover the losses accumulated during the first ten years of economic reform.

b) During the previous decade, the economic reform went on in the absence of a clear, coherent, and judiciously oriented economic and social general strategy, and of policies established on consensual basis and consistently applied.

In spite of the progress achieved, numerous reform tracks should be continued, particularly those concerning budget compulsion reinforcement, financial discipline, as well as firm arrears collecting, whose careless administration allowed many enterprises to survive and hindered efficient resources allocation, implicitly structural industry's adjustment and increase of its competitiveness.

c) The industry structural adjustment has taken place particularly under the market forces pressure, and less as an effect of strategy and policies application, decided upon in this sense. The adjustments taken into consideration have permanently been taxed by fear of high social and political costs, sensibly cutting down their extension and profoundness, and maintaining the gap between political reformist rhetoric and the vacillating and often endless application of restructuring programs.

d) A conspicuous requirement is the further improvement of favorable business environment and climate for investments. The necessary actions which should be carried out at this level concern the existence of a stable legislative framework, elucidation of all property rights, fair application of legal provisions related to taxes, firm market discipline in the whole economy.

e) The industrial sectors restructuring had taken place until 2002 by default of a judicious strategy and a coherent and endorsed industrial policy, able to clarify the governmental conception about the long term configuration of the Romanian industry and the way to use economic and financial tools for progressive forging to that configuration. Certain industrial sectors – textiles, footwear, furniture, electrical equipment – have known deeper structural adjustments as a result of aggressive restructuring policies application, capable to be applied in the context of their faster privatization. Significant progress on the restructuring way were registered in the mining sector and naval constructions; however, in other sectors the presence of enterprises generating losses, with negative value added, surviving with minimal or without restructuring thanks to direct or indirect governmental support, brought about the worsening of their situation and hindered them to restructure their activity in order to improve their competitiveness.

f) The rapprochement of manufacturing industry to the specific model of developed countries – materialized by adequate turning to account of comparative and competitive advantages, dynamism, high competitiveness, advantageous integration in goods and services international flows – has been achieved at small, often insignificant paces and, in certain areas, has taken place even in the opposite direction to the trends determined by the globalization process; the manufacturing industry has not faced structural changes required by the imperative of its modernization and increasing its competitiveness, first of all by the strong decrease of weights of energy, material, and work-intensive activities, and increase of technological-intensive activities, with high value added and great degree of technological diffusion.

Therefore, the joint action of various factors was favorable to weight increase of certain industries seeking for competitive advantages (Metallurgy), and unfavorable to other industries having long term recovery and development potential (for instance, Electric machines and appliances, Means of transport not included in road transport).

g) The analysis of structural changes which has taken place after 2000 enables us to highlight the following sector grouping depending on their weight in the industrial production, offering significant signs about their long term development potential:

- Sectors whose weight significantly increased: Means of road transport, rubber and plastics products, Metallic constructions and metal products, Computers and bureautics, Electric machines and appliances, Wood working (except furniture);
- Sectors whose weight slightly increased: Publishing houses, polygraphy and recordings on support, Crude petroleum processing, coal coking and nuclear fuel treatment, Manufacture of construction materials and other non metallic mineral products, Means of transport not included in road transport, Furniture and other industrial activities not elsewhere classified;
- Sectors whose weight was relatively steadfast: Leather goods and footwear, Medical, precision, optical, watch making instruments and apparatus;
- Sectors whose weight slightly decreased: Food and beverages, Clothing articles, Pulp, paper and paper products, Machinery and equipment (except electrical and optical equipment), Radio, TV and communication equipment;
- Sectors whose weight significantly decreased: Textiles, Chemical substances and products, Metallurgy.

At the same time, the analysis regarding the competitive advantages indicators highlighted that:

- the Romanian manufacturing industry, although it should surpass various difficulties, particularly of financial, technological, and commercial nature, is part of an open economy, the intra-industrial commercial flows taking preponderantly place with the European Union countries;
- the productivity gap of national industry in comparison with the European Union industries is considerable, but there are possibilities to recover it in certain sectors having real competitive advantages;
- Romania does not have an export specialization destined to yield advantages on foreign markets. Even in the context of Romania's membership status of the European Union, because of the competition it has to face with other ex-socialist and developing countries, the Romanian producers should significantly improve their competitiveness in certain sectors of domestic and international specialization;

h) In the context of the Romanian economy general evolution during the previous decade and its ascendant trend after 2000 until 2008, the foreign trade had a descendant course, as a result of permanent commercial balance deficit with majority of foreign partners, countries groups or countries, deterioration of export structure (in which the weight of low or medium manufacturing products did not diminish according with strategic objectives decided), and import (in which the weight of consumer goods was preponderant).

The foreign trade policy followed has not centered on: a clear conception regarding turning into account existent or potential competitive advantages of certain manufacturing industry sectors; maintaining and consolidating markets with great absorbent potential of the Romanian products; judicious geographical orientation of exports and preponderant orientation of imports towards capital goods; protection of national interests, within the limits of treatises and accords to whom Romania is part, against the aggressive penetration on the domestic markets of foreign products, much of them having equal or superior substitution products in the range of Romanian industrial products;

i) The strong export-oriented industrial sectors (Clothing articles, Leather goods and footwear, Wood and wooden products manufacturing. Furniture), having the same orientation before 1989 as well, considerably increased their weight in the export structure, their products proving to be

competitive, particularly on the European Union markets, while their weight in the industrial production structure was decreased (Clothing articles), maintained unalterably (Leather goods and footwear) or was increased (Wood and wooden products manufacturing, Furniture). This beneficial fact proves that these sectors managed to turn to good account their competitive advantages (qualified and cheap manpower, tradition, good external image, long term and durable commercial relations), even some chronic weaknesses were perpetuated (lohn system practice, relatively low value added).

j) The Romanian manufacturing industry presents competitive advantages in the production and export of low technicality, with modest labor costs and low value added; even the products with a significant weight in export that proved to be competitive are, however, vulnerable because, on the European Union markets (towards which 67.7% of the Romanian export were directed in 2006), the strongest competition in work-intensive sectors, such as the sectors mentioned above, comes from developing countries possessing more advantageous conditions related to factors endowment, therefore with strong comparative advantages.

k) The Romanian export structure towards the European Union, with which the commercial relationship is more intensive, continued to be maintained in the specific matrix of a planned economy and is similar to the exports of natural-resources-based products from developing to rich countries. In the commercial relationship with the European Union countries, the Romanian foreign trade presents a positive coverage ratio in the case of work-intensive goods within the European Union, and a negative ratio in the case of capital- and technological-intensive goods, as well as those with highly qualified labor.

l) The turning into good account of existent and potential competitive advantages of the Romanian manufacturing industry is achievable only by progressive export supply formation, centered on medium and high technical products, backed by significant improvement of productivity factors and the increase of products and services competitiveness. Such objectives suppose preliminary accomplishment of deep changes in the industrial production configuration, by a significant increase in the weight of medium and high technicality sectors, as well as clever use of stimulating instruments for increasing high value added products export.

m) The investment effort devoted to manufacturing industry registered, during 2000-2006, an increase index (161.9) inferior to those registered by the whole economy (195.1) and industry (163.0); for the other two constitutive parts of industry, beyond manufacturing, the indices were the following: extractive industry – 133.3; electrical and thermal energy – 182.3. In comparison with the huge requirements of manufacturing industry structural adjustment, the level of investments was, however, insufficient, confirmed by the scanty competitiveness level of most of the Romanian industrial products on international markets, as well as by an unsuitable coverage ratio of export by import.

n) The strong spring represented by direct foreign investment (DFI) for modernizing an economy that is founded in a deep structural adjustment process was not turned into good account at the level of its real potential in the Romanian industry; indeed, from the standpoint of specific indicators concerning this investment category, Romania shows unfavorable gaps in comparison with other countries from the region, characterized by a high reform level. Instability of legal and institutional framework, poor friendly business climate, taxed by bureaucracy, lack of transparency, corruption, high taxation policy were the principal discouraging factors for foreign investors, determining them to orientate towards other countries from the region, able to really offer better conditions for reception and safety business development.

A bulkier DFI flow would have had beneficial effects on Romanian industrial products competitiveness and export structure, statistics demonstrating that companies with foreign capital are prevalent in exporting high-manufactured products, and those with domestic capital –

in exporting low-manufactured products; unfortunately, the penetration degree of foreign capital in the Romanian industry is much lower in comparison with the Hungarian or Polish economies.

o) In the Science and Technology field, activities of research & development, innovation and technological diffusion went on according to the requirements of functional market economy, and Romania's integration in the European Science & Technology Space. The reform process in this field – faced with great difficulties perpetuated since the centralized economy regime, which subsequently worsened, as well as a significant gap in comparison with the western countries – has however registered important progress on legal, institutional and functional planes. In spite of some gladdening improvement achievements, the mentioned activities are still at a great distance from a normal and efficient functioning, and the propelling role they should play for the Romanian economy and society.

p) The manufacturing industry innovation potential is insufficiently exploited, and it does not offer the large range of realistic, modern and efficient solutions necessary to significantly increase Romanian industrial products and services competitiveness on the domestic and international markets. The potential dramatically decreased during the previous decade, the lack of a real political will to strengthen and consolidate the sector making difficult the present efforts to recover the existent lag, so that the research & development, innovation and technological diffusion activities had not, and could not have, a notable contribution to the country's economic and social development.

q) In the light of its attributes and considerable development potential, the small and medium sized enterprises (SMEs) sector is a factor of major importance for the future of the Romanian economy and its structure modernizing prospects. Despite numerous drawbacks the sector constantly faced after 1990, it showed a spectacular development and registered sensibly superior performances compared to those registered by the large enterprises, holding today an appreciable weight in the productive activity of some industrial sectors. Despite considerable registered outcomes, the considerable stake represented by the SMEs sector was not adequately exploited.

The main drawback on the way to capitalize the SMEs capacity to dynamically and efficiently insert themselves into the economic “fabric” consisted in the business environment quality, taxed by frequent changes of legal framework concerning the SMEs, the insufficiency and slowness of governmental reactions to problems facing the sector, the lack in the previous decade of clear economic development prospects clarification.

The conclusion logically evolving from this synthetic review of the Romanian industry characteristics is that *it presents a scanty potential in comparison with the international confrontation requirements*, the existent potential being insufficiently exploited.

Reindustrialization Strategy and Policy in the Globalization Context

Globalization, as the defining feature of the present-day human society development, consists in the world size of economic, social, technological, ecological, and cultural events interaction, both at the national and regional level. This ample and complex phenomenon involves, among others, the evolution of the international economic system towards a new model of economic, commercial and investment development, centered on achieving superior qualitative objectives related to more complex and extensive criteria.

For different countries, industries, and enterprises, the globalization phenomenon offers countless and diversified opportunities for their affirmation and expansion, like, for instance, considerable extension of products and services markets, access to planet resources and their selective use depending on economic efficiency criterion, intensifying enterprises competition with its beneficial effects on innovation, quality and prices.

On international markets, whose competition intensity is constantly increasing as a result of globalization, the enterprises are facing with their products and services, and not the economies and industries of world's countries. On that account, a country's position in international competition, its economy, industry, or its specialized sectors depend on the capacity of companies belonging to the above-mentioned entities to be competitive, involved in an efficient manner into international productive and commercial flows, and able to turn to good account their competitive advantages.

Besides opportunities, the globalization phenomenon also engenders potential threats, especially for the less competitive economies, which requires the conception and application of development strategies centered on the exploitation of the springing up opportunities and on avoiding, or, at least, minimizing the threats impact.

Since the emergence and consolidation of the globalization phenomenon have been stimulated by the scientific and technological progress, especially by that occurred in the field of information and communication technology (ICT), the development strategies of industrialized countries give a special attention to this field which became, for the developed economies, the main vector of increasing their competitiveness and improvement of their position in the world economic competition.

In the context of modern economies, ICT penetration and extension, combined with advanced managerial and organizational techniques, and backed by the existence of medium and superior qualified labor force, have beneficial effects on economic activity, materialized in the strong productivity increase in all sectors, improvement of products/services conception, production, and marketing, reinforcement of industry-university relationship, growth of productive system adaptation capacity to market dynamic demands, all these having a significant contribution to the formation of a considerable competitiveness increasing potential. Innovation, mainly centered on ICT and oriented especially towards technologies with considerable expansion prospects (biotechnologies, energy technologies, nanotechnologies, composite materials, etc.) became the strongest spring of economic development and a dominant feature of the advanced economies, and entered a superior stage of knowledge-based economy.

Conclusions

In the light of these considerations, owing to an economic and social development strategy judiciously directed and an adequate industrial policy, Romania has the chance to orient the reindustrialization process in accordance with the knowledge-based economy requirements, transforming difficulties engendered by the economic crisis into opportunities which can be turned into good account so that they share with industrial activity attributes of modernity, superior efficiency, and high competitiveness.

The below presented coordinates that the Romanian reindustrialization process should follow are sanctioned by the world experience, first of all by that of developed countries, which offer many success story examples ensured by the application of strategies and policies consonant with the imperatives of knowledge-based society and economic activities competitiveness increasing, in the context of globalization:

- to decide on a large consensual basis upon a long term economic and social development strategy, which should be consistently applied and followed, regardless of electoral cycles;
- to decide upon an industrial policy with the large participation of specialists, in fact a mix of active and neutral policies, able to stimulate the industrial sectors specific to the knowledge-based society;
- to re-strengthen the national Research, Development and Innovation potential;

- to re-establish the Research – Development function within the large industrial enterprises;
- to significantly improve the location advantages offered by the country, in order to attract foreign direct investments, especially those of *green-field* type;
- to de-regulate and reduce the bureaucracy, in accordance with the European trends;
- to regain certain traditional foreign markets, to apply an aggressive marketing in the foreign trade;
- to strongly stimulate the small and medium sized enterprises (SMEs) sector.

The successful achievement of the Romania's re-industrialization objective according to a high-competitive economy model, able to produce substantial value added, specific to the knowledge-based economy, is conditioned both by the firms potential to restructure, to flexibilize, and to make their activity more efficient, and by the Government's capacity to set up and to ensure the general framework functionality, indispensable to attain such an ambitious, complex, and difficult objective.

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Ieșirea din criză prin reindustrializare și o nouă strategie a dezvoltării economice a României

Rezumat

Articolul conține analiza procesului de de-industrializare suferit de România după 1990, cauzele restructurării profunde a configurației economiei, strategiile posibile de urmat, precum și coordonatele unei strategii recomandate de re-industrializare, conforme cu un model compatibil cu tendințele manifestate în țările dezvoltate și cu cerințele edificării economiei bazate pe cunoștințe.