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EXTERNAL COMPETITIVENESS OF THE ROMANIAN ECONOMY STRUCTURAL CHALLENGES AND PROSPECTS FOR RECOVERY

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Abstract: The aim of this paper is to examine the main factors influencing the external competitiveness of the Romanian economy, focusing on structural imbalances in the real economy, weak performance in global value chains, current account deficit and vulnerability to external shocks.

Introduction

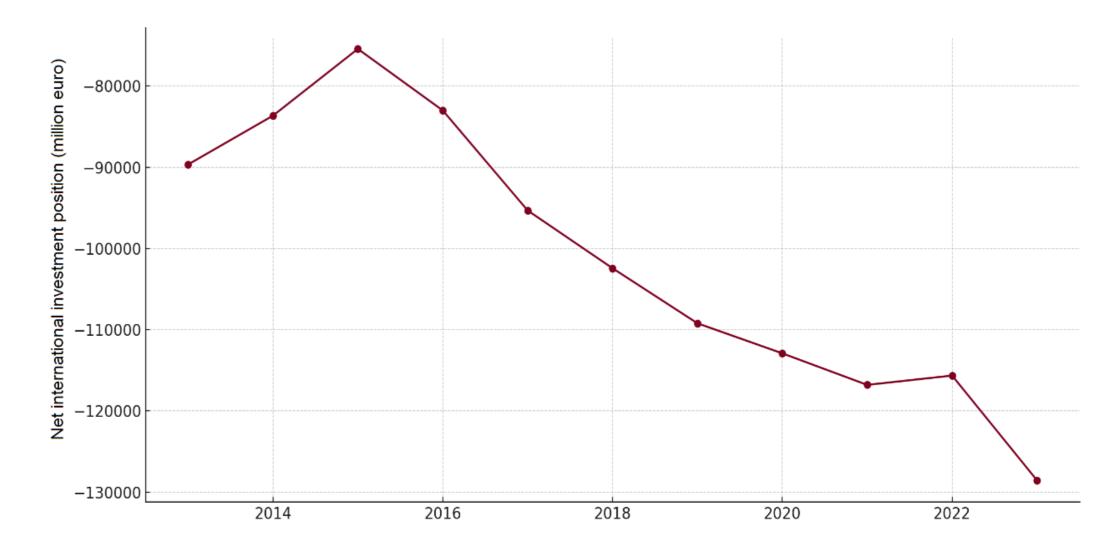
In the context of the globalized economy, external competitiveness has become an essential tool to assess the sustainability of economic growth and the ability of an economy to integrate effectively into international trade circuits. Sustained GDP growth is no longer enough for an economy. What is needed is a solid capacity to produce goods and services globally without significant causing external imbalances.

Material and method

This paper utilizes a qualitative methodology with exploratory and analytical dimensions, focused o This paper uses an exploratory structural analysis methodology based on official secondary sources, economic statistics and specialized literature. The method • Conclusions is qualitative and focuses on identifying the main structural imbalances affecting the external competitiveness of the Romanian economy. It also explores possible intervention methods to strengthen the external position.

Results and discussions

The evolution of the net international investment position



Structural challenges affecting Romania's external competitiveness

Economic model based on domestic consumption Specialization in low value-added industries Stagnating productivity and growing HICP Poor logistics infrastructure Human capital poorly correlated with market demand Low innovation and R&D expenditure Economic model based on domestic Deepening current account deficit Dependence on lohn-type exports Erosion of competitive cost advantage High transaction and time costs Skills shortages in strategic sectors Limited ability to move up the value chain	Structural challenge	Impact on external competitiveness
Specialization in low value-added industries Stagnating productivity and growing HICP Poor logistics infrastructure Human capital poorly correlated with market demand Low innovation and R&D expenditure Dependence on lohn-type exports Erosion of competitive cost advantage High transaction and time costs Skills shortages in strategic sectors Limited ability to move up the value	Economic model based on domestic	Deepening current account deficit
Stagnating productivity and growing HICP Erosion of competitive cost advantage Poor logistics infrastructure High transaction and time costs Human capital poorly correlated with market demand Low innovation and R&D expenditure Limited ability to move up the value	consumption	
Stagnating productivity and growing HICP Poor logistics infrastructure High transaction and time costs Skills shortages in strategic sectors market demand Low innovation and R&D expenditure Limited ability to move up the value	Specialization in low value-added	Dependence on lohn-type exports
Poor logistics infrastructure High transaction and time costs Skills shortages in strategic sectors market demand Low innovation and R&D expenditure Limited ability to move up the value	industries	
Human capital poorly correlated with Skills shortages in strategic sectors market demand Low innovation and R&D expenditure Limited ability to move up the value	Stagnating productivity and growing HICP	Erosion of competitive cost advantage
market demand Low innovation and R&D expenditure Limited ability to move up the value	Poor logistics infrastructure	High transaction and time costs
Low innovation and R&D expenditure Limited ability to move up the value	Human capital poorly correlated with	Skills shortages in strategic sectors
	market demand	
chain	Low innovation and R&D expenditure	Limited ability to move up the value
		chain

While Romania has the potential to join global value chains and become a stronger economic player in the region, this objective requires coordinated actions, political will and institutional capacity to create a sustainable and durable competitiveness model.

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