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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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## **Inflation evolution and anti-inflation policies in Romania vs. Poland**

Claudiu PANAIT; Silviu Ionel MIHALCEA; Lucia CROITORU;  
Lucian BOTEA; George IONESCU

### **Abstract:**

*Inflation is a complex phenomenon and economists debate it a lot lately. It is the element that affects nearly every economic mechanism and is present in all countries.*

*In this paper we tried to analyze the main reasons for inflation and its fluctuation in Romania and Poland in recent years. Both countries have moved from a centralized economy to a market economy but applying different measures and adopting various economic policies they had a different economic evolution and a very different inflation.*

**Keywords:** inflation; economic measures; anti - inflationary policies ; market economy

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Inflation is a complex social and economic phenomenon with various issues (caused by imbalances that marks) almost became persistent and omnipresent in the current period, worldwide. Basically, there is no economic mechanism that this phenomenon does not affect him. Therefore, inflation had been issued many points of view, wearing at times ambiguous mark.

Most of those who study inflation considered that it is generally a negative phenomenon that generates many problems and affects multiple levels. Other researchers focusing particularly on practical elements believe that inflation is not only an unwanted process, but a real scourge, which, by its significant upward movement in prices, tends to destroy the achievements of the economy.

There are also those who see inflation in the broader sense achieved by including its as a macroeconomic phenomenon in evolutionary movement of economic concepts and theories.

According to the Dictionary of Political Economy inflation means 'the supersaturation of artery circulation with an amount of paper money that exceeds of its real needs, which leads to currency devaluation'. The phenomenon is linked either by the moment when the issue of paper money circulation rises above the needs of either by the condition which the amount of money remains unchanged. Inflation is a complex

social and economic phenomenon, a macroeconomic imbalance, general and enduring manifested through the disagreement arose between money that comes to overstuff the sphere of circulation, and the volume of goods and services, which are actually on the market. The situation is externalized through the uneven but cumulative growth of the prices and by currency devaluation manifested by the declining of purchasing power of money signs.

If we stop on the fact that inflation is reflected in the overall price increasing is deemed necessary following comments:

- General adjective must be understood with some reservation: sure, not all prices rise in the same proportions and at the same time but the overall movement, however, remains upward. Neither prices which records growth don't do the same; often there are significant disparities which illustrates the term – prices disproportionality - contributing to inflationary phenomenon heterogeneity.

- Not any increase in prices means inflation. For example, the need for correlation of different products or groups of products, removing or relocation of some subsidies prices is not inflationary phenomena. To be like that it is necessary that this increase to represents a movement whose successive deployment, lasting, to determinate raising the ceiling to a inflationist general level.

- Conceptions about the phenomenon evolved: in the past inflation was viewed in a purely monetarist sense being seen as a simple increase in the volume of money signs in circulation without metallic coating. At present inflation can no longer be considered just that, because in the formulation of the concept are taken into account in equal measure the material and overall functional aspect. The generalization of inflationary phenomenon in many countries caused often policymakers to consider that, practically, rather than rising prices, it's interesting the analysis of internal data, along with those of other countries and to wear out, then, by comparative notions.

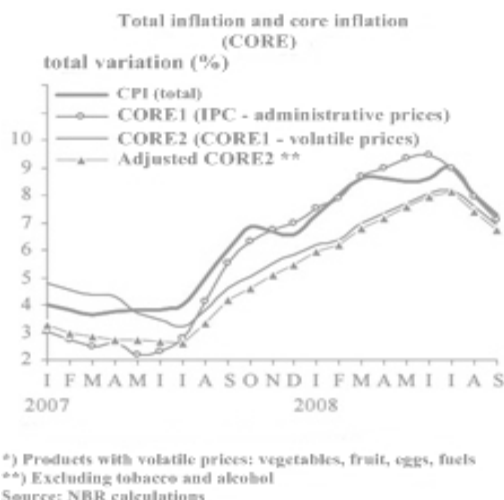
The process of inflation in Romania started when price liberalization which as held in November 1990. Until this year, the economy has functioned on the basis of a centralized system to the maximum, subsidizing and investing unrelated to any economic logic. Meanwhile were practiced dictated and rigid prices, which were not taking into account the ratio between market supply and demand, and often the price was less than the cost of goods.

### **Inflation in Romania**

In 2007, the inflation rate dropped by 1.72 percentage points over the previous year, being fixed around 4.84%. Tripping in the second semester in 2007 of action of two types of inflationary shocks caused an increase of annual inflation rate in September at 6.03%, exceeded it by 2.23 percentage points over that recorded in June placing it with 1.19 percentage points over the figure of annual inflation.

This year, the slight contraction which were recorded in the second quarter by annual dynamics GDP (from 6% to 5.6%) was due mainly by amplification of the trade deficit, but also cutdown own consumption against the backdrop of weak performance farm.

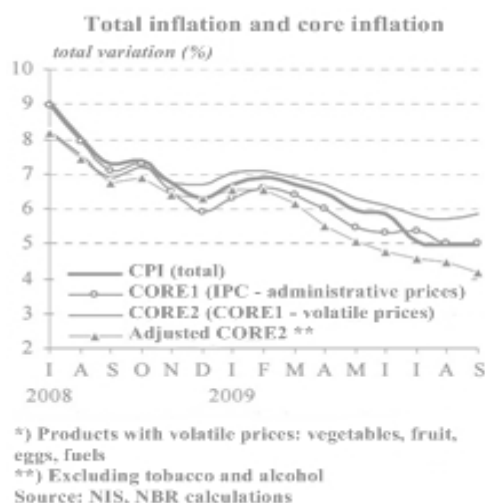
In 2008, the annual inflation rate has reached 7.90% rising by 3 percentage points compared to 2007.



The Quicker increases of wages and slower labor productivity in the period June-August 2008 compared with the dynamics of the first five months of the year, led to further growth of the unitary labor cost. These developments generates inflationary effects both through wage pressures on aggregate demand as a result of recording a physically surplus from earnings of individuals which they will direct instinctively to consumers but without awareness at the moment, the existence of factors of a counterbalance of "real value" of the income, reducing purchasing power, which will induce subsequent a negative effect that will be felt more pronounced and by the costs of labor on producer prices.

In 2009, the annual inflation rate fell to 5.60%, with 2.30 percentage points below the level reached in the previous year (7.90%).

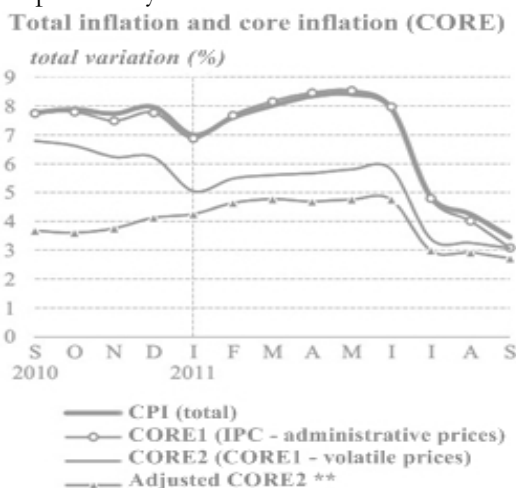
The dynamics of the inflation rate was favorably influenced by the significant deceleration of increases in administered prices and food prices. In the latter case, the slowdown in growth was significantly faster in the case of group volatile prices compared to the one recorded for food prices. An opposite influence had an annual dynamic accelerated in fuel prices, due to a base effect which dominated the impact of international oil price declining growth in the third quarter.



In 2010, the annual inflation rate rose to 6.10%, up 0.5 percentage points from the 5.60% achieved in the previous year.

Supply-adverse shocks, distinct from that of the VAT rate hike, came from administered prices and food prices as a result of partial materialization of some risk scenarios. In case of food goods, unfavorable developments were caused by substantial increases of external prices in parallel with the contraction of domestic supply for some product categories, after the floods in June-July, amid the significant base effects.

In 2011, the annual inflation rate fell to 5.80%, with only 0.3 percentage points below the 6.10% achieved in the previous year.



\*) Products with volatile prices: vegetables, fruit, eggs, fuels

\*\*) Excluding tobacco and alcohol

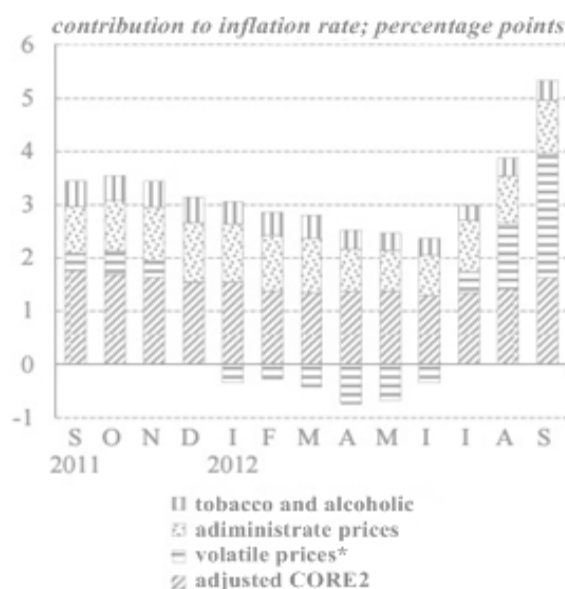
Source: NIS

The main factor, anticipated by BNR has been the exhaustion, in large part, the first-round effect from 1 July 2010 of increase the VAT rate. The second factor, whose intensity and duration of manifestation were more pronounced than anticipated, was the deflation registered in June to September on the food segment with volatile prices (LFO). Abundant offer of unprocessed foods due the rich agricultural production superimposed persistent supply demand created extremely favorable circumstances of consumption prices disinflation.

In 2012, the annual inflation rate fell to 3.40%, with 2.4 percentage points above the 5.80% achieved in the previous year.

Determinants for reducing of annual inflation over the previous year were significant decelerations of administered prices, from tobacco products and fuels. In case of the latter, the favorable effect of significant decrease of international prices of crude oil surpassed opposite influence of the depreciation of the national currency against the dollar (USD). The extent of the disinflation process has been affected by volatile commodity price dynamics of the agrifood goods as effect of the decrease of production domestically and internationally following the adverse climatic conditions.

### The annual inflation rate



\*) Products with volatile prices: vegetables, legumes, eggs, fuels

Source: NIS, NBR calculations

The annual growth rate continued to show negative values, but significantly lower in June compared with the previous five months, signaling the transition of the statistical effect of the basis from the favorable impact in the first half to the opposite influence already anticipated by forecasts of BNR.

The annual rate of growth of unit labor costs in industry has maintained significantly in April-May 2012, which was mainly attributable to negative dynamics of labor

productivity. Recent downward trends in other sectors of the economy are likely in the second quarter recording a rise in unit wage costs and along the entire economy. Avoid generation of pressures from costs - in purpose of conservation the favorable inflation prospects, and also maintaining macroeconomic balances - would require adequate correlation in future periods between salaries and the growth of labor productivity.

In 2013, the annual inflation rate is slightly declining by 0.20 percentage points, reaching 3.2%.

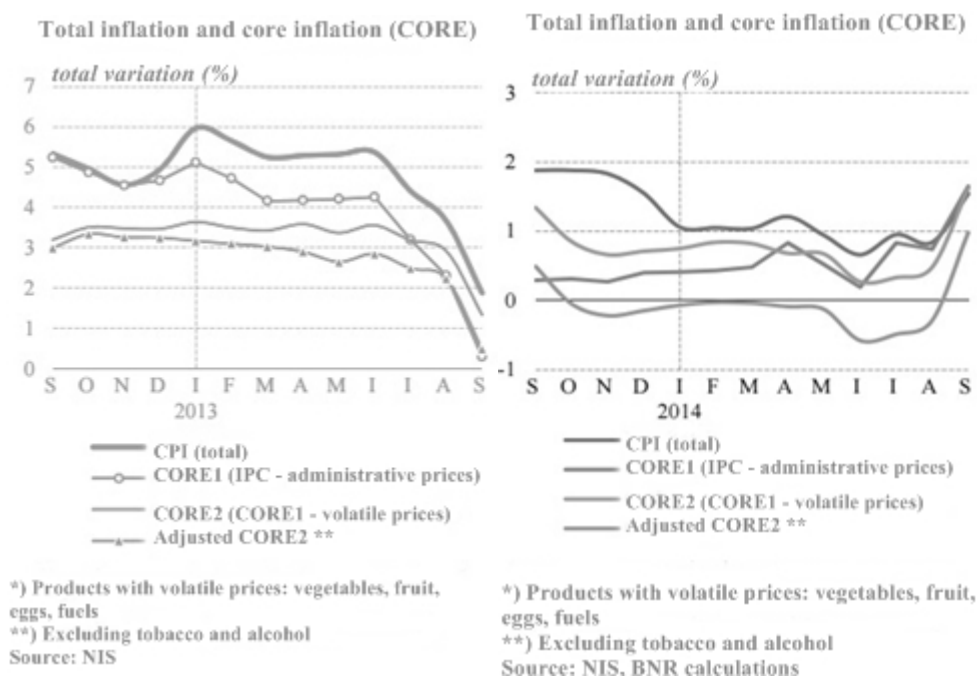
In the second half, the annual CPI inflation rate was registered on a sharply downward trend, standing at end of the period at 1.88 percent in the lower half of the variation of  $\pm 1$  percentage point around the target of 2.5 percent.

Volatile prices recorded at the end of the review period a -4.5% annual growth rate, whose sharp decrease compared to June 2013 (-12.1 percentage points) explained about half of CPI disinflation in the second half. The slowdown was due to overwhelming manifestation of a favorable base effect, especially in the segment of volatile food prices, affected the same period of previous severe restriction of the production of vegetables and fruits. In addition, abundant supply of vegetal production this year resulted in increased annual price deflation.

July marked a stage of liberalization of the energy market by introducing a competitive market component in the final price of electricity supplied to households and increase natural gas tariff by 8%. At the same time, the decrease of this component price and the diminish of the contribution for sustaining renewable energy have reduced in July by 2.5% of final electricity tariff.

The main positive influences returned due to materialisation of an exceptional agricultural year and the reduction of VAT on some bakery products from 24% to 9% since September. Following this change in the tax regime, the adjusted CORE2 inflation reached a record low of 0.49 percent.

Year 2014 brought an annual inflation to a historical unexpectedly low 1.40% , decreasing with 1.8 percentage points from the previous year.



Reducing the VAT rate since September 1 2013 to some bakery products from 24% to 9% contributed to **comeback** of inflation CORE 2 adjusted into positive territory in September at 1%.

Favorable evolution of adjusted CORE2 continued to be supported by fundamentals factors represented by persistent negative output gap and inflation expectations significantly improving. From other parts of the aggregate index of consumer prices, affected mainly by supply-side factors, a relevant contribution in the sense of increasing inflation had have the significant reduction of negative dynamics of prices volatile food to values close to zero, reflecting succession of two years (2013 and 2014) with comparable agricultural productions.

Favorable effect on the annual rate of CPI inflation was generated by timing of price increases for groups of fuels, tobacco products and alcoholic beverages and administered prices. Determinants of these developments were, in the first case, the reorientation of the Romanian market of exports for fruit and vegetables from some European countries affected by restrictions recently imposed by Russia, and in the second case, the reduction in September of international quotations oil to a minimum of recent years.

The downward trend in unit labor costs in industry, manifested the whole second quarter of 2014 was interrupted in July and August due to the lower labor productivity growth. Across to economy, the gross nominal earnings growth has accelerated slightly as a result of new increases in July of the the gross minimum wage economy. In the short term, the negative persistence of output gap reduces the risk of significant inflationary pressures from wage costs. In the medium term, but in the same time with the

approaching of GBP to the normal level, and especially in the event of materialization of further increases in the minimum wage, maintaining an adequate correlation between wage growth and labor productivity is essential for strengthening price stability.

### **Inflation in Poland**

In 2004, Poland's EU accession year, inflation rate was 3.6%, rising with 2,9 procents compared to 2003.

2007 brings an increase in inflation by 1.3 percentage points, reaching 2.6% inflation rate, actually doubling from the previous year. In certain months of Q3, inflation has experienced important fluctuations - in August 2007 decreased 1.5%, while in September, resumed its upward trend 2.3%, and in the end succeeded to stabilize the rate of 2.6 %.

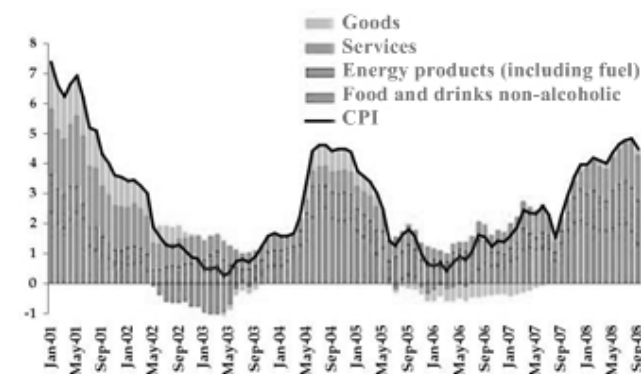
According to estimates mentioned in one of the internal reports of the National Bank of Poland (NBP), real GDP growth remained at a high 6.4%, however a lower level, compared to the first half of 2007 (7.2%). Private consumption growth reached 5.1% and fell slightly below forecasts BNP report.

The increase with 1% of public consumption growth was also slightly lower than expected. Gross investment rose up to 20.8%, but, as expected, less than in the first semester 26.2%. During the same period, consolidated budget recorded a surplus of 3.9 billion PLN. Balance central government was the result, on the one hand, of great incomes, generated by fast economic growth and continuous improvement of the labor market situation, on the other hand, another result was the one of the reduced dynamics expenditure from the budget.

In 2008, inflation has increased rapidly and reached 4.2%, 1.6 percentage points above inflation from 2007. In this analized period, the generating factor of inflation is represented by increasing energy prices on global markets. This translates into an increase in energy prices and related services in the internal market.

In September 2008, the annual growth assessment of all measures of core inflation exceeded the inflation target of BNP (2.5%). In the same period, core inflation excluding food prices and the energies reached 2.9%, the highest level recorded from 2002 to the present.

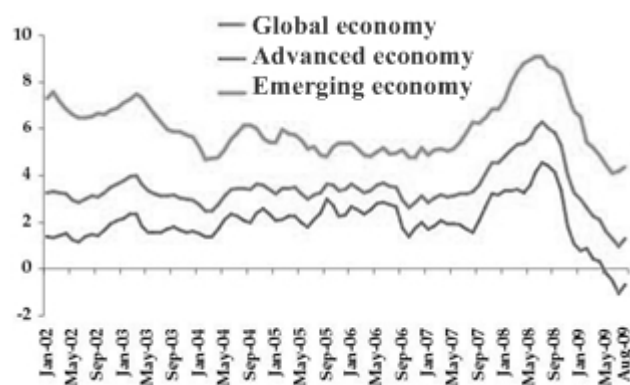




Source: NBP

In 2009, inflation fell slightly lower compared to the previous year, in numbers meaning that its value reduced with 0.2 percentage points, reaching a value of 4%.

From July to August 2009 the annual growth of prices of consumer goods and services, has ranged between 3.5% - 3.7%, slightly above the upper limit of deviation from the inflation target set by the National Bank of Poland, followed in September by a slowed rythm of 3.4%. The high level of annual inflation was determined, mostly, to the previous increases occurring in administered and tobacco product prices but also in quick rise of alcoholic beverages prices, the last two because of increased excise duty. Another generating factor of continuing inflation at a high level is the sharp depreciation in the exchange rate of the zloty in the second half of 2008 and early 2009. On the other hand, inflation has been complicated by the continued decline in fuel prices and discount in Gas prices for households in 2009.



Source: NBP

In 2010 the inflation rate is decreasing compared to the previous year by 1.3 percentage points, leveling off at 2.7%.

Annual growth in prices of consumer goods and services in Poland in June-August 2010 period decreased from 2.3% to 2.0% followed in September by an increase, reaching 2.5%, the threshold target inflation, fixed by BNP.

The growth of producer prices on the domestic market reached in July and August, 4.7% respectively 5.0%. Meanwhile, producer prices in exported goods rose to 1.1% and 1.5% respectively, which is associated with the decline of the zloty appreciation in annual terms.

Prices of imported goods in denominated zloty fell by 3.5% compared to decline of 4.9% registered in the previous quarter. Due to the slight appreciation of zloty in second quarter of 2010 this decline was attenuated.

In 2011, inflation has increased and reached 3.9%, with 1.2 percentage points above inflation in 2010.

Annual evolution of consumer prices in Poland experienced a gradual deceleration, reaching 3.9% in September 2011. Inflation remains significantly above the target set by the National Bank of Poland (2.5%). This decline that characterized inflation in recent months has been induced mostly by reducing food prices, particularly those which are raw materials. This was determined by a generous offer of fruit and vegetables, as a result of good harvests, combined with a weak demand for products.

Despite a slight appreciation in real terms, the zloty exchange rate, import prices denominated in zloty continued to climb quickly to 7.5% compared to 7% last year.

In 2012, inflation declined slightly, reaching the threshold of 3.7%, 0.2 percentage points below the rate of inflation in 2011.

Annual growth of consumer prices in Poland decreased gradually (to 3.8% in September 2012), remaining, however, above the upper limit of deviation from the inflation target set by the BNP.

In the second half of 2012, GDP growth slowed down again and, according to estimates reached 2.3% compared to 3.6% in the first half, as a result of decline in both consumption and capital formation, and the decline increase in inventories. On the other hand, the GDP was supported by a high contribution of net exports arising from a reduction in imports and a continued increase, although reduced of exports.

2013 is characterized by rapid decrease in inflation by 2.9 percentage points over the previous year, settling at 0.8%.

Inflation was tempered by a crisis in energy prices, a combined effect of the decline in fuel prices in the administered prices of gas (following the reduction of tariffs in January 2013) and electricity prices (after rebates in July 2013). Net inflation of food and energy prices increased from 1% in 2013, reaching 1.3% in September of the same year.

Increase in core inflation observed lately, meaning the that last months, was fueled in particular by higher prices of services, including, especially, administered prices of utilities services.



The decrease of price index in industry stabilized in 2013, was due to maintaining the overall downward trend in the price of energy products and the appreciation of the zloty. Stronger growth in export prices was correlated with increased intensity, of imports and gaining so a higher sensitivity to exchange rate fluctuations. The sequel of downward trend in import prices was supported by the appreciation of the zloty in the previous year, in the middle of a slow growth of external trade prices.

In 2014, the inflation rate fell sharply compared to previous years, standing at a historic low of just 0.1%, decreasing with 3.5 percentage points from 2004, the year of Poland's accession to the European Union.

The insignificant increase in prices was induced, obviously, by a decline in food prices correlated with a good agricultural harvest, internal and global reduction in prices of agricultural products. An additional factor which has helped reduce food prices represented the Russian ban on agricultural products and foodstuffs coming from Poland.

Consumer price growth was weakened by easing energy prices, which was due to a fall in prices of crude oil overall. Another factor that contributed to lower inflation was the lack of demand and costs pressure highlighted by the collapse of non-food products prices and a decrease, of industrial products prices.

Net core inflation of food and energy prices fell from 0.8% annually in May, compared with 0.4% in July to return to 0.7% in September. These changes were caused in particular by fluctuations in the price rise of services.

## CONCLUSIONS

In Romania, the inflation process started along with the first price liberalization that took place in 1990. This instance doesn't mean that until then that our country has not experienced inflation.

Together with Romania's transition to a market economy, we have witnessed an explosion in prices, especially to consumer goods of the population. Duration and intensity of the inflationary process in Romania had coordinates higher than other countries that have moved from economy centralized to market economy and due to a combination of causes related to the objective conditions of functioning of the economy, but especially the nature of the economic policy pursued by successive governments in power.

The transition has not been easy either in Poland, the road until present was considered very difficult; Poland turned into a market economy model, but with aggressive measures taken by the government shortly after the collapse of communism. Poland's transition to capitalism was opened by the Finance Minister Leszek Balcerowicz with help from american economist Jeffery Sachs. They managed to economy, the so-called shock therapy by implementing a privatization program at large-scale of industry, by creating a stock of shares of capital markets, transforming zloty in convertible currency, removing price controls, reducing costs and cutting subsidies. The purpose of the program was Poland's integration into the global economy by its proximity to the Western model. Former big state companies were privatized, including listing on the stock market, but the state did not give the power to decide which many experts consider to be the main reason for a successful transition in Poland; certainly the key to success is the simultaneous impact of Polish many factors, social and political stability, making full use of selected benefits that derogate from EU membership.

Along with becoming an EU member in 2004, after 15 years of NATO membership and 25 years after the fall of communism, Poland has begun a new stage of its development (designated as developed environmental state). Poland has benefited from EU funds more than any other former communist state funds, but investment and, more importantly, best practices and regulatory models. Notice that Poland is the only EU country whose national economy hasn't registered contractions during the great financial crisis that erupted in mid-2009, achieving growth of 1.7% even while other countries were in recession.

Not only FDI have `fueled` economy, but also getting European funds, non-refundable. Benefits of EU membership are visible everywhere in Poland. Almost any city or state no matter how small it is, has something related to EU funds, whether it is a new water treatment plant built or a renovated a historic monument.

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# CLASSIFICATION TREE FOR MODELLING THE RELATIONSHIP BETWEEN IT&C AND THE ECONOMIC DEVELOPMENT FOR THE EU-28 MEMBER STATES

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## Abstract

*The relationship between IT&C and the economic development on EU level has been investigated through many approaches. In this paper a new solution based on classification trees is proposed. The classification tree will describe models, templates for certain types of economies in EU-28, based on IT&C indicators. Three types of economies (classes) have been considered: Advanced economies, Developing economies and Modest economies; they have been clustered using their GDP-per capita indicator. The classification tree uses ten IT&C attributes provided by The Global Information Technology Report (GITS) 2015, they are the ten pillars composing the Network Readiness Indicator.*

**Keywords:** IT&C, GDP, NRI, classification tree, CART, data analysis

**JEL Classification:** C22, J24, M15

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## 1. INTRODUCTION

Classification trees are a particular example of computer trees, used for offering a clear image of the classification process, by making rules easy to understand and interpret. It is a very attractive method both for exploration and prediction of data.

A classification tree is a flowchart structure able to graphically model a specific phenomenon. It partitions a set of objects into classes using *IF <conjunct / hypothesis> THEN <result>* rules.

The components of a classification tree are:

- internal nodes, corresponding to tests / questions (attributes);
- branches, corresponding to all possible answers to the question contained in the father-node (all possible values of attributes);
- leaves (terminal nodes), containing classes / categories / decisions.

There are several methods to build a classification tree, the most common is Classification and Regression Tree (CART) method. It is a data mining method used to build a classification tree using a training set (historical data). The method consists in repeatedly extracting the most significant attribute and splitting the training set into smaller and smaller subsets according to the alternatives (possible values) of the chosen attribute. Although it has its advantages, i.e. it's fast in computational terms, the use of the CART method is debatable because it generates unstable classification trees: minor changes in the learning set may lead to radical changes in the final tree.

Classification trees have been used in various domains, such are artificial intelligence, robotics and control systems, biomedical engineering, financial analysis, manufacturing and production, agriculture, astronomy, and so on.

In this paper, a new approach based on a classification tree is proposed in order to describe the connection between IT&C and the economic performance of the 28 European Union Member States. This is a continuation of the work published in [2,3] where regression analysis is used based on ISOC (computer use of individuals or in enterprises, percentage) as a measure of the IT&C usage, and the GDP-per capita indicator as a measure of the economic development of a country. Some experiments proving that the two indicators are in a strong relationship were described.

Using a classification tree, we propose a new method for describing a model, a template, for every type of economy based on the IT&C development, at structural level. Using the GDP-per capita indicator, the 28 Member States were divided into three groups: Advanced economies, Developing economies and

Modest economies. The three groups are the classes in the classification tree (classes are represented as leaves).

The internal nodes correspond to the ten pillars of the Networked Readiness Index (NRI), a composite indicator measuring the IT&C use at national level computed annually by World Economic Forum.

The branches in the tree correspond to the values of every pillar. For computational reasons, the every pillar range of values was divided into three groups: modest, moderate, and high values in relation with the EU-28 average.

## 2. NATIONAL INDICATORS FOR IT&C READINESS AND ECONOMIC PERFORMANCE

### 2.1. The Networked Readiness Index (NRI)

The Global Information Technology Report (GITR) has been published since 2001 at the initiative of the World Economic Forum and its partner INSEAD. The two organizations “*recognized the need for a report such as because of the increasing proliferation of technology and its effects on advancing global competitiveness*” [9, pg. VII].

The Networked Readiness Index (NRI) is a composite indicator published annually in GITR. It measures the ICT revolution through a set of drivers. Its structure has changed in time. In 2015 edition, the NRI is made up of four subindexes and 10 pillars [9] (see Figure 5. The structure of the Networked Readiness Index 2015):

- the “Environment” for ICT is composed of two pillars: (1) Political and regulatory environment and (2) Business and innovation environment and “*assesses the extent to which a country’s market conditions and regulatory framework support entrepreneurship, innovation, and ICT development*” [9, pg. 5].
- the “Readiness” to use ICT is composed of three pillars: (3) Infrastructure and digital content, (4) Affordability and (5) Skills and “*measures the extent to which a country has in place the infrastructure and other factors supporting the uptake of ICTs*” [9, pg. 5].
- the “Usage” of ICT is a composition of three indexes: (6) Individual usage, (7) Business usage and (8) Government usage and “*assesses the extent of ICT adoption by a society’s main stakeholders: government, businesses, and individuals*” [9, pg. 5].
- the “Impact” of ICT: measures, through its two pillars: (9) Economic impacts and (10) Social Impacts, “*the broad economic and social impacts accruing from ICTs*” [9, pg. 6].

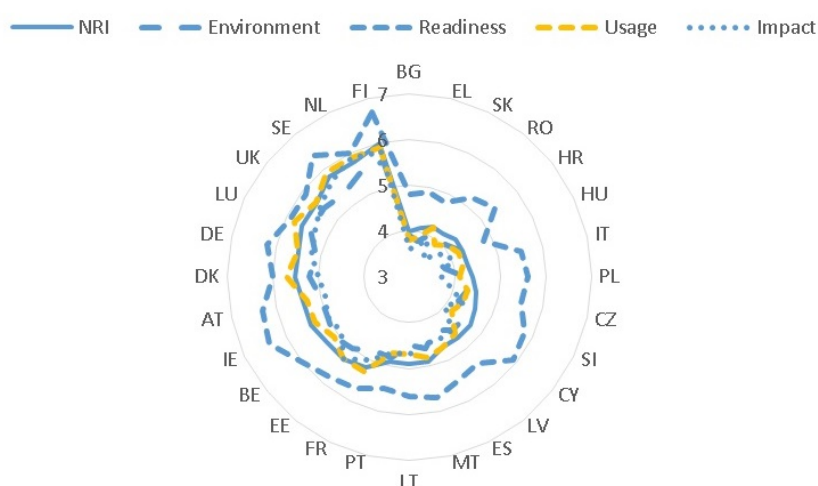


The NRI has been computed for 143 economies, but in this paper we'll refer the 28 EU Member States.

### Network Readiness Index and its main components for the 28 EU Member States

In this section the structure of the Network Readiness Index for the 28 EU Member States will be presented. The states were considered according to their global performance. In the first graphic, NRI and its four subindexes are represented.

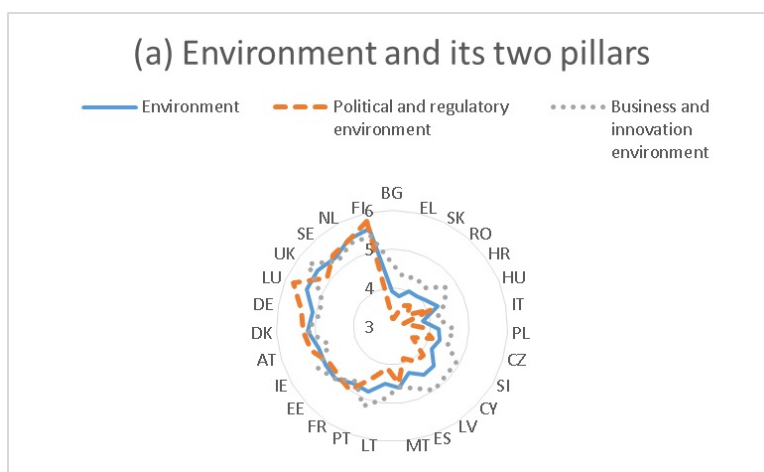
**Figure 1. NRI index and its four subindexes**

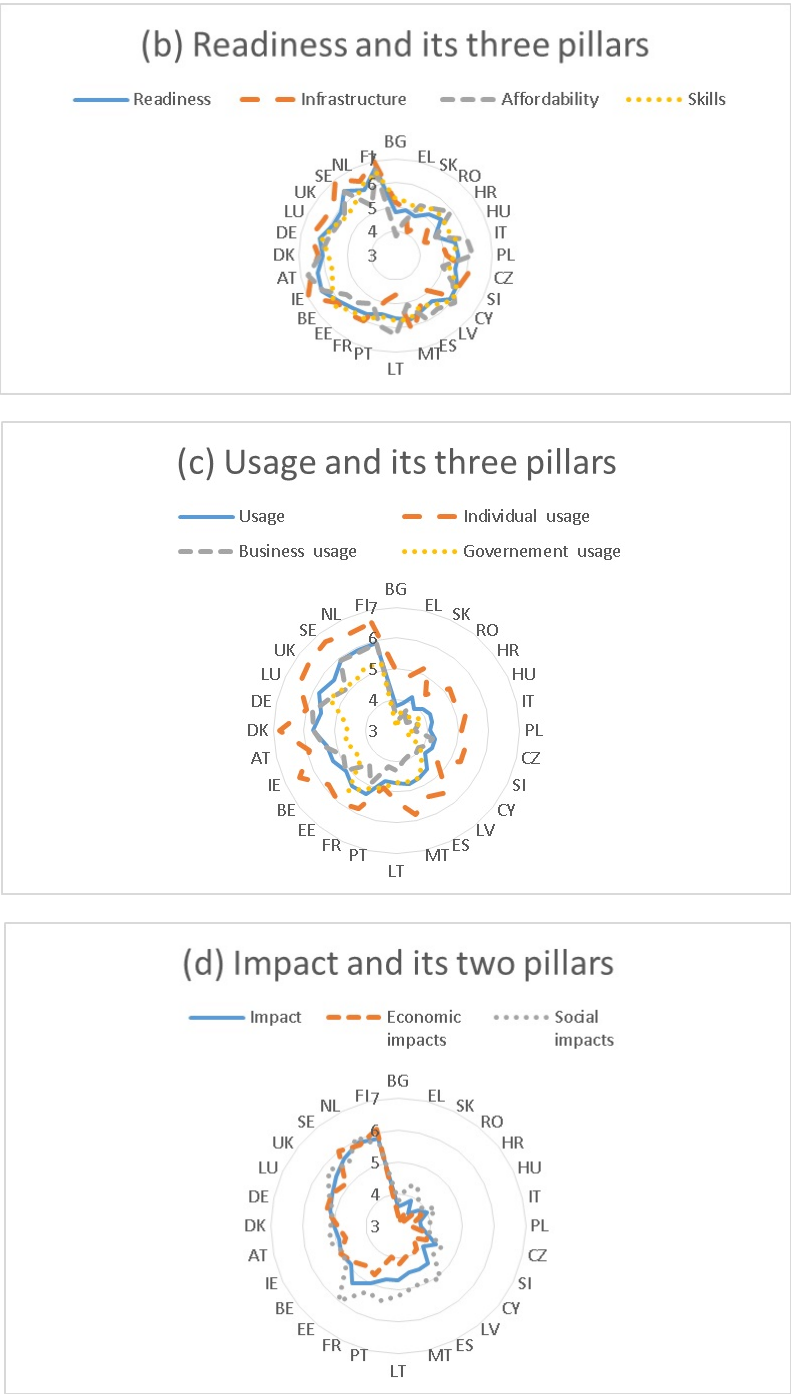


Source: made by the authors using Ms. Excel, based on GITR 2015 data

The next four graphics represent the subindexes, together with their pillars:

**Figure 2. The four subindexes together with their pillars**





Source: made by the authors using Ms. Excel, based on GITS 2015 data

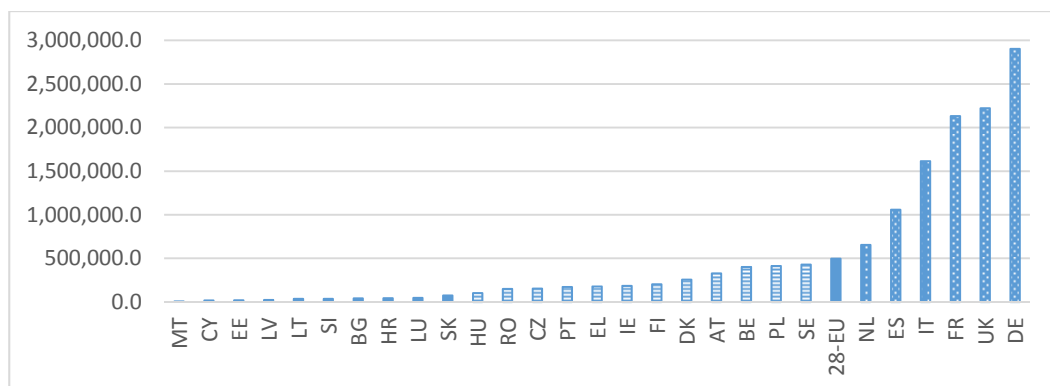
## 2.2. The GDP-per Capita indicator

The GDP-per Capita indicator has been made available on-line by EuroStat [5]. The most recent data, published in June 2015 includes the 28 EU Member States, along with 3 EFTA Member States (Iceland, Norway, and Switzerland), 5 EU candidate countries (Montenegro, the former Yugoslav Republic of Macedonia, Albania, Serbia and Turkey) and one potential candidate (Bosnia and Herzegovina). For most of them, data is available from 2005.

In our paper we'll refer the 28 EU Member States. In order to perform the “model” of an economy, the 28 countries were grouped into three classes:

- Advanced economies: Netherlands, Spain, Italy, France, United Kingdom, and Germany. Their GDP-per capita values are above the EU-28 average.
- Developing economies: Slovak Republic, Hungary, Romania, Czech Republic, Portugal, Greece, Iceland, Finland, Denmark, Austria, Belgium, Poland, and Sweden. Their GDP-per capita values are between 10%-100% from the EU-28 average.
- Modest economies: Malta, Cyprus, Estonia, Latvia, Lithuania, Slovenia, Bulgaria, Croatia, and Luxembourg. Their GDP-per capita values are less then 10% from EU-28 average.

**Figure 3. The 28 EU Member States grouped into three classes: advanced, developing and modest economies according to the GDP-per Capita indicator**



Source: made by the authors using Ms. Excel, based on EUROSTAT data

### 3. CLASSIFICATION TREE FOR THE THREE “ECONOMIC-DEVELOPED-MODELS” OF EU COUNTRIES

In this section, we'll define a classification tree able to describe the characteristics of the “economic-developed-models”. The classes are the three groups of the 28 EU countries: advanced economies, developing economies and modest economies, as defined in the previous section in accordance with their economic performances.

The classification tree uses as attributes the ten pillars composing the Network Readiness Indicator, numbered from 1 to 10. The tree was built using the Classification and Regression Tree (CART) method. The algorithm was implemented into an original application using C#.NET and Visual Studio 10.0 IDE which will be presented somewhere else.

Every attribute (internal node) has values in a specific range. In a similar method to the one used in section 2.2, the 28 Member States were divided into three groups using the attribute's average:

- Group 1 – modest values - less than 0.9% from EU-28 average;
- Group 2 – moderate values - between 0.9% and 1.15% from EU-28 average;
- Group 3 – high values - greater than 1.15% from EU-28 average.

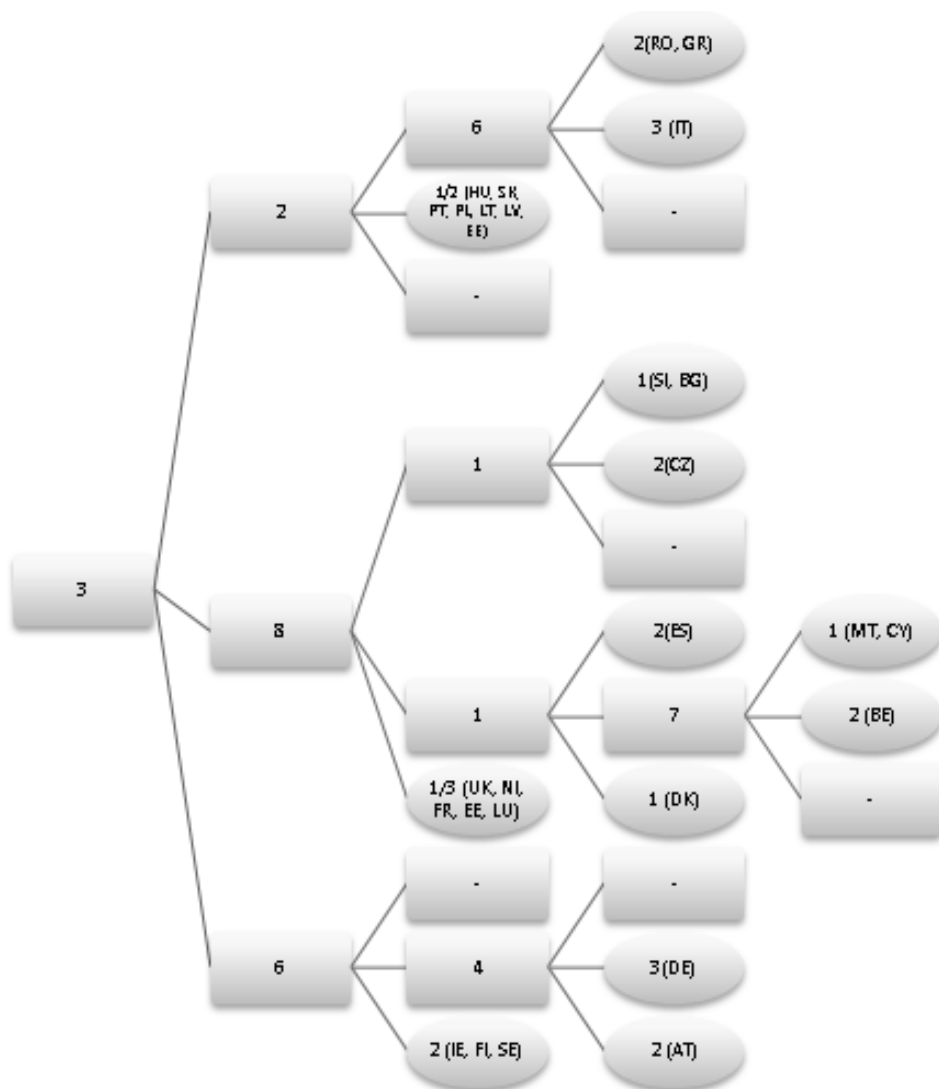
For instance, the Political and regulatory environment pillar has values between 3.2-5.8. The computed EU-28 average is 4.446. The two thresholders are 4.001 and 5.113. There are 9 countries in the first group, having the Political and regulatory environment values less than 0.9% from EU-28 average: Slovenia, Bulgaria, Croatia, Slovak Republic, Romania, Greece, Poland, Spain, and Italy (we considered the economic development order).

12 countries are in the second group, having the Political and regulatory environment values greater than 0.9% from EU-28 average, but lower than 1.15% EU-28 average: Malta, Cyprus, Estonia, Latvia, Lithuania, Hungary, Czech Republic, Portugal, Iceland, Belgium, France, and United Kingdom.

The most performant group is characterized by the highest values, greater than 1.15% from EU-28 average. There are seven Member States: Luxembourg, Finland, Denmark, Austria, Sweden, Netherlands, and Germany.

So, every attribute has three possibilities corresponding to the three groups: modest values, moderate values and high values. In the tree below, the upper branch correspond to the lowest values (group 1), the middle branch correspond to the moderate values (group 2) and the lower branch to the highest values (group 3). If there is no object corresponding to an alternative a minus (-) sign was used. 1 / 2 means that the node contains objects from both 1 and 2 classes.

Figure 4. Classification tree for modelling the relationship between IT&C and the economic development for the EU-28 Member States



Source: own model

**Legend:**

Key questions (round nodes):	Classes (square nodes)
1. Political and regulatory environment	1. modest economies
2. Business and innovation environment	2. developing economies
3. Infrastructure and digital content	3. advanced economies
4. Affordability	
5. Skills	
6. Individual usage	
7. Business usage	
8. Government usage	
9. Economic impacts	
10. Social Impacts	

The CART method gives us that the most significant attribute for this classification is the third one:

Infrastructure and digital content. For the countries having modest values for the Infrastructure and digital content pillar the second pillar in significance is Business and innovation environment. For countries with moderate values for Infrastructure and digital content, the second most important pillar is Government usage. The most developed in Infrastructure and digital content have, on the second significance scale, the Individual usage pillar.

Traversing in top-down manner the classification tree, we depict the template of the three “economic-developed-models” of the 28 EU Member States: advanced economies, developing economies and modest economies.

Four of the six developed economies are characterised by the next template: Medium values in Infrastructure and digital content and Medium and High values in Government usage. We count here: Netherlands, France, United Kingdom, and Spain.

Another two developed economies follow individual paths: Germany has High values in Infrastructure and digital content and Medium values in Affordability and Individual usage, while Italy has the description: Small values in Infrastructure and digital content and Medium in Individual usage.

The developing economies follow different paths: some are characterized by Modest values in Infrastructure and digital content and Modest and Medium values

in Business and innovation environment. This includes: Hungary, Slovak Republic, Portugal, Romania, Greece, and Poland.

The second category is characterised by Medium values in Infrastructure and digital content and Modest and Medium values in Government usage. We include here the following countries: Czech Republic, Belgium, and Denmark.

High values in Infrastructure and digital content and in Individual usage characterise Iceland, Finland, Sweden, and Austria.

Estonia and Luxemburg, two modest developed countries, prove a very good practice in IT&C, they follow the description of most of the developed countries: Medium values in Infrastructure and digital content and High values in Government usage.

Also Latvia, Lithuania and Croatia tend to follow the more developed economies, they share the same characteristics in IT&C consumption as almost half of the developing countries Slovak Republic, Hungary, Romania, Portugal, Greece, and Poland.

Malta, Cyprus, Slovenia, and Bulgaria have a medium level in IT&C: they feature Medium values in Infrastructure and digital content and Modest and Medium values in Political and regulatory environment.

## 6. CONCLUSIONS and future work

The objectives of this paper were met: a classification tree able to describe the model of a European Member State was built. The CART method have been used on a training set composed of the 28 EU States cases. We considered as input the IT&C usage level, measured through its ten pillars, and as the output, the economic development level, taking into consideration three classes: modest developing and advanced economies, grouped on the basis of their GDP-Per Capita indicator. The result could be a handy tool, easy to understand and explain for specialists and not only, useful in defining the template for the development level of a country.

A major disadvantage of the CART method is its instability. In a future work we'll investigate how sensitive is the classification tree on the variations of the thresholds used for splitting the attributes' ranges of values (the ten pillars of NRI).

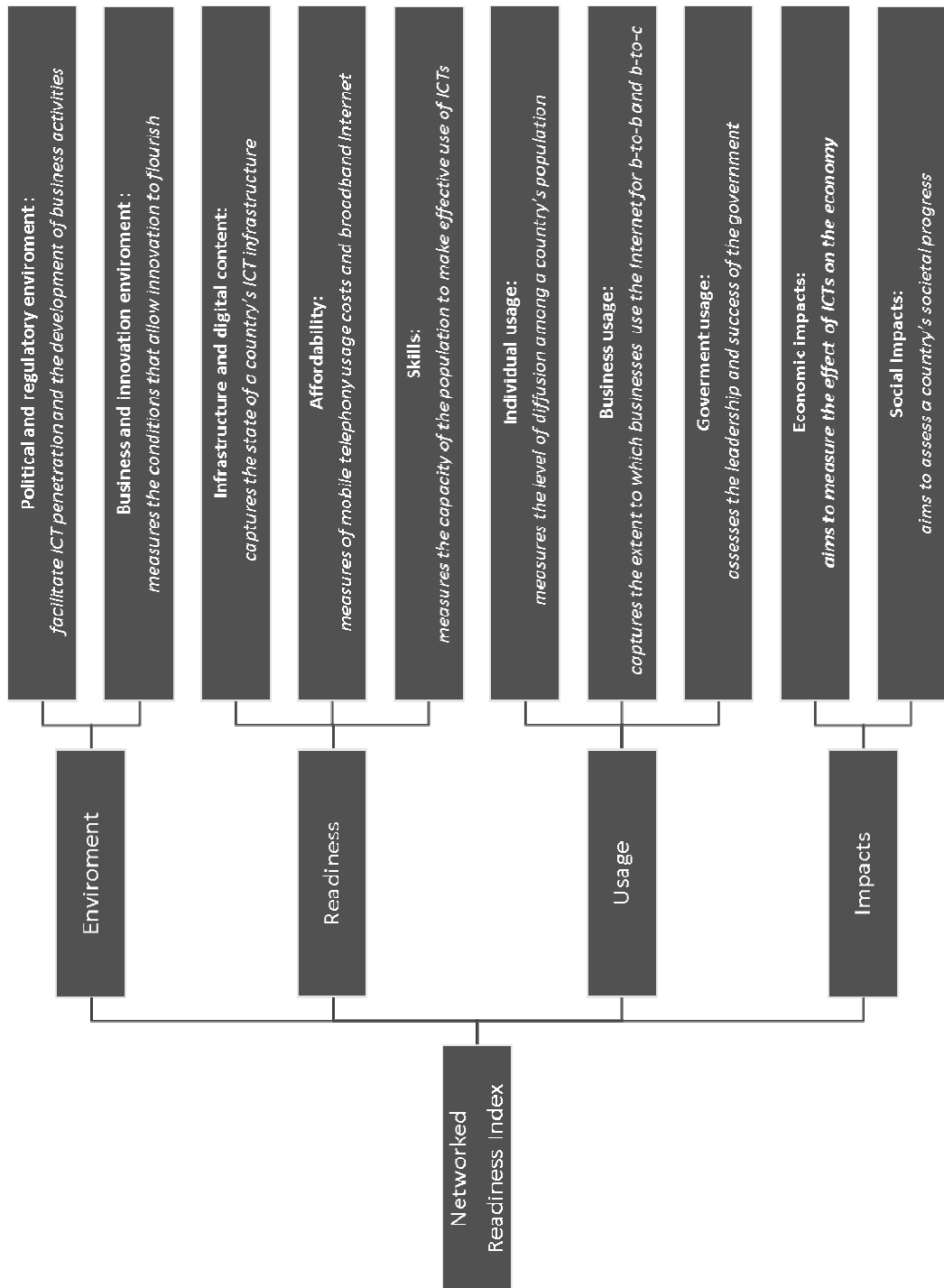
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**Figure 5. The structure of the Networked Readiness Index 2015**  
(made by authors using Ms. Excel and GITS 2015 information)



# THE RELATIONSHIP BETWEEN IT&C AND THE ECONOMIC DEVELOPMENT FOR THE EU-28 MEMBER STATES

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## Abstract

*Nowadays, many researches aim to describe the relationship between information and communication and the degree of economic development, in an attempt to define the key factors that spur national development. The Information Technology and Communications industry is vital to national competitiveness and has become a key factor for increasing economic performance and quality of life.*

*In this paper the relationship between IT&C and the economic performance will be described, using four data analyses. The economic development of a country was measured through the GDP-per capita indicator, while the IT&C level was represented by an IT&C usage indicator: ISOC – Enterprises. The results highlight the importance of developing the technology, especially the IT&C, as a critical step towards meeting the demands of society and the EU economy. The analyses are oriented towards the moderate developed countries, an particular segment being dedicated to Romania.*

**Keywords:** IT&C, GDP, ISOC, data analysis

**JEL Classification:** C22, J24, M15

This paper has been financially supported by scientific research within the project entitled “PRACTICAL SCHOOL: Innovation in Higher Education and Success on the Labour Market”, project identified as POSDRU/156/1.2/G/132920. The project is co-financed by the European Social Fund through the Sectorial Operational Programme for Human Resources Development 2007-2013. Investing In people!

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## 1. INTRODUCTION

Computer skills are essential for efficiency in all aspects of our fast changing world. The usage of IT&C by the population is in a direct relationship with its welfare and with the economic development of the country.

Many attempts have been made in order to describe this relationship. In [7], the author proposes a multi-factorial regression analysis, explaining the dependence between IT&C expenditure and the level of Internet access, GDP per capita, Gross domestic expenditure on R&D, IT&C expenditure - Telecommunication.

In [2], the author emphasizes the importance of information and communication for the diverse economies. It is stated that IT&C is “a factor responsible for the widening of the huge difference between the rich and the poor societies measured along the multiple linear scales of progress in the global market economy”; also this doesn’t suggest that IT&C is inappropriate for developing countries.

In a debate of a virtual community [12] it is observed that “countries that encourage the development of a competitive IT industry often see a close connection between information technology and economic development”. The good practice of India is recalled here.

In this paper we’ll continue the work published in [4]: describing the connection between IT&C and the economic performance of the 28 European Union countries. In the mentioned paper we used ISOC-Individuals computer use (percentage of individuals), as a measure of the IT&C usage. In this approach, another parameter was tested: ISOC-Enterprises, i.e. Enterprises using computers (Percentage of enterprises), also obtained from Eurostat. As an economic development indicator we’ve maintained the GDP-per capita indicator. For both indicators we have used historical data from 2010 until nowadays, for the 28 Member States, obtained from Eurostat [6].

We’ve carried out the next four analyses:

(1) The economic performances of the 28 European Union countries in 2014 – we proposed a 4-groups division of the 28 Member States, according to their economic development;

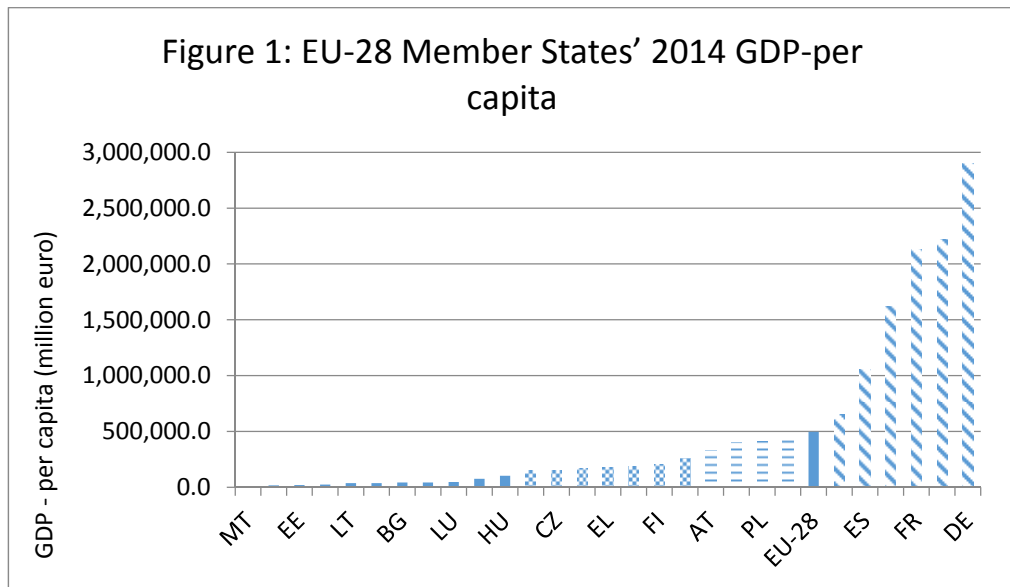
(2) The IT&C usage of the Moderate developed Member States - an analysis of the time series of the ISOC-Enterprises in the Moderate developed EU countries;

(3) The relationship between the economic performance and the IT&C usage in some European Union countries - a description of the relationship between the GDP per capita and the ISOC-Enterprises in some EU Member States in the last years;

(4) The relationship between the economic performance and the IT&C usage in Romania – an analysis of the correlation between GDP per capita and the ISOC-Enterprises in Romania’s case.

## 2. THE ECONOMIC PERFORMANCES OF THE 28 EUROPEAN UNION COUNTRIES IN 2014

In order to perform a more accurate comparison, the 28 EU countries were divided into four groups with similar performances. We considered as indicator for grouping the economic level measured through the 2014 GDP-per capita values. The performances are shown in the figure below:



Source: own processing using Ms Excel, based on EUROSTAT data

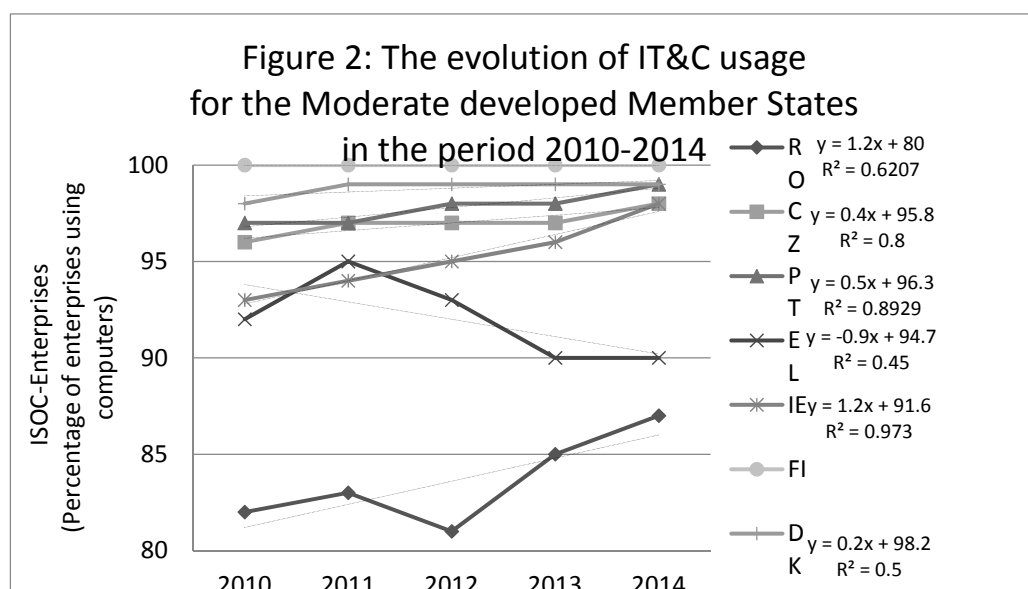
The member states fall into the following four economic performance groups:

- The first group of the most performant countries includes Member States in which the GDP-per capita 2014 values are above the EU-28 average. These countries are Germany, UK, France, Italy, Spain, and Netherlands.
- The second group contains countries with GDP values close to that of the EU average i.e. less than EU-28 mean but greater than 60% of it. These countries are: Slovenia, Poland, Belgium and Austria.
- The third group includes Member States where the economic performance rates between 30% and 60% of that of the EU average: Denmark, Finland, Ireland, Greece, Portugal, Czech Republic, and Romania.
- The fourth group includes Member States that show an economic performance level well below that of the EU average, i.e. less than 30% of the EU average. This group includes Hungary, Slovakia, Luxembourg, Croatia, Bulgaria, Slovenia, Lithuania, Latvia, Estonia, Cyprus, Malta.

Case of Romania. Romania is among the countries of the third group, having a GDP-per capita of 150.018,5 in 2014, the lowest value in its group. The leading country is Sweden, with a GDP-per capita value of 430.258,2. In the next sections we'll analyse the evolution of Romania in comparison with the other five countries of its group, referred as the Moderate developed countries group, in terms of economic performances.

### 3. THE IT&C USAGE OF THE MODERATE DEVELOPED MEMBER STATES

In this section the evolution of IT&C usage of the Moderate developed Member States will be analysed. The ISOC-Enterprises (individual computer usage in enterprises) indicator for the seven countries in the cluster 3 has been plotted, for the period 2010-2014. For each time series the trendline was traced and the regression parameters were computed.



Source: own processing using Ms Excel, based on EUROSTAT data

**Table. 1. The trendlines' coefficients corresponding to the Moderate developed Member States**

Country (GDP-per capita order)	Slope	R <sup>2</sup>
RO	1.2	0.62
CZ	0.4	0.80
PT	0.5	0.89
EL	-0.9	0.45
IE	1.2	0.97
FI	-	-
DK	0.2	0.50

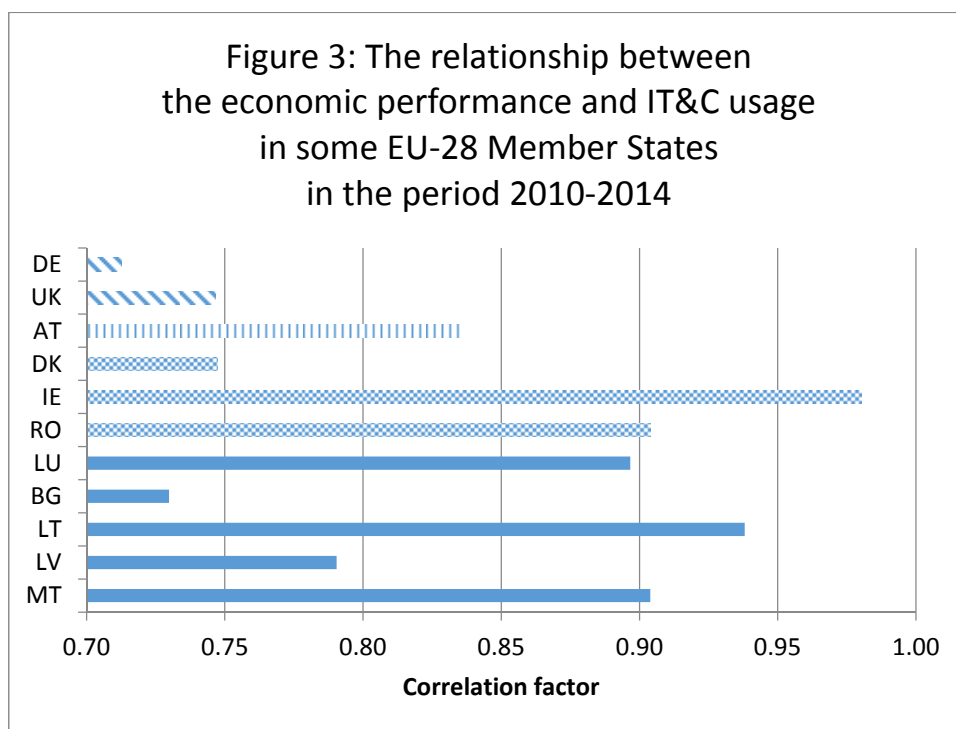
Source: own processing based on EUROSTAT data

Finland is the leader of the group, in the last five years it registered a 100% usage of computers in enterprises. It is followed by Denmark, Czech Republic, Portugal, and Ireland, the three of them registering high values of ISOC indicator and a constant progress in time. Greece, although in 2011 registered a good level of IT&C usage (95%), in the next three years, its situation has worsened.

Romania has the lowest ISOC-Companies values in its group. But, excepting 2012, Romania registered a constant progress. With a regression slope of 1.2, the progress of Romania has been more accelerated than in the other countries' case. Denmark, the most economic developed country in the Moderate group, also a leader in IT&C terms, has no progress in the last three years.

#### **4. THE RELATIONSHIP BETWEEN THE ECONOMIC PERFORMANCE AND THE IT&C USAGE IN SOME EUROPEAN UNION COUNTRIES**

In this section we analysed the correspondence between the economic performance and the IT&C usage in some EU countries. We considered as indicators the GDP-per capita and the ISOC-Enterprises time series of five years long: 2010-2014. For every country we performed a correlation analysis. In the figure below are listed the eleven countries proving a significant relationship between the two indicators:

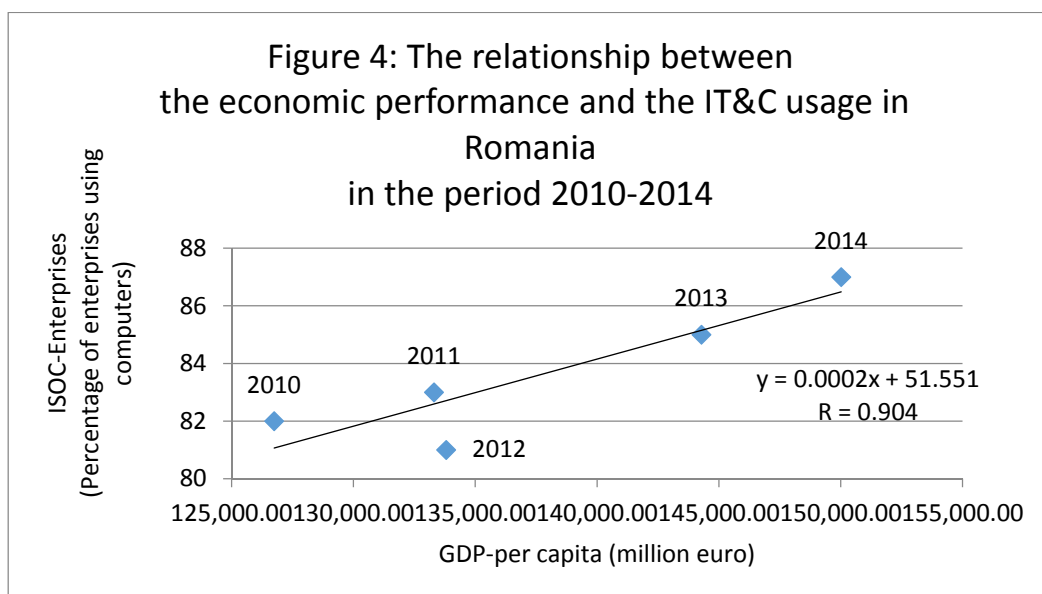


Source: own processing using Ms Excel, based on EUROSTAT data

The most significant relationships are included in the figure above. Every group is represented by some countries: Denmark and UK as economic leaders, Austria as representative of the second group, Denmark, Ireland and Romania as moderate developed countries, and, Luxemburg, Bulgaria, Lithuania, Latvia, and Malta for the forth group.

## **5. THE RELATIONSHIP BETWEEN THE ECONOMIC PERFORMANCE AND THE IT&C USAGE IN ROMANIA**

In this section, we measured the strength of the relationship between the GDP-per capita and the individual usage of computers in enterprises in Romania in the last five years (period 2010-2014).



Romania registered a constant improvement of the economic performance. The GDP-per capita has been growing from 126.746,40 million euro in 2010 to 150.018,50 million euro in 2014. Also, except 2012, the percentage of enterprises using computers has been growing. In 2010, 82% of the Romanian enterprises were using computers, while in 2014 the percentage has grown to 87%.

The two indicators follow an ascendant trend in a strong relationship, the high value of the correlation factor ( $R=0.904$ ) proving this dependence. The detailed Anova analysis is presented in the Annex.

## 6. CONCLUSION

As a conclusion, the observations that we've made in the previous research have been mentainted: we can state that in some EU-28 Member states, there is a significant link between computer usage and the economic performance. In the case of Romania, this relationship proves to be very strong.

The Moderate developed Member States have different evolutions regarding the usage of computers in enterprises; there is a significant gap between Finland, the leader of the group, with a performance of 100% companies using computers in the last five years, and Romania, whose percentage has just reached 87% in 2014.



But, nevertheless, Romania is registering the most dramatically progress in ISOC-Enterprises terms of all Moderate Member States.

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## ANNEX

**The Anova analysis for the linear relationship between the individual usage of computers in enterprises and the GDP-per capita indicators in Romania in the period 2010-2014**

The Anova analysis was obtained using MS Excel product.

Regression line equation:

$$ISOC-Enterprises = 0,0002 * GDP-per\ capita + 51,551$$

$$R^2 = 0,8169$$

### SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0,904
R Square	0,817
Adjusted R Square	
Square	0,756
Standard Error	1,190
Observations	5

### ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	18,951	18,951	13,381	3,53E-02
Residual	3	4,249	1,416		
Total	4	23,2			

	Coeff.	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	51,551	8,778	5,873	9,85E-03	2,36E+01	79,485
GDP-per capita	2,33E-04	6,37E-05	3,658	0,035	3,03E-05	4,35E-04

# HUMANE CAPITALISM AND HUMAN CAPITAL: THE ECONOMIC CALCULATION FUNDAMENTALS

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## Abstract

*Capital structure, whatever its form, derives from the various resources used in order to make profit. Such structure undergoes constant change and is subjected to the two forces acting on a market – supply and demand. A sharp switch in the consumers' preferences might lead to severe changes on the market, on the one hand the elimination of some economic operators and on the other hand others' unexpected and sudden success. Thus, phenomena occurring in a given economy can fully change the way resources are allotted, as well as their value and efficiency at a given time.*

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## INTRODUCTION

Investments in human capital are, perhaps, one of the most risky exploits of various resources. Time is a decisive factor in the decision to invest, as well in its efficiency evaluation and measuring process. It is highly possible that, when the training of an individual is completed for a certain activity, such activity is no longer required on the market – at all or at a significantly lesser extent – which renders the investment quite inefficient. It requires a long time and a good forecast of future market conditions for individuals to specialize in a field that would be profitable both for them and for the

economy in its entirety. Conversely, human capital depreciates rapidly, whatever the qualifications and competences, and reaches a point where it is still useful only following additional investment, which generates unforeseen costs and lost time that could have been used for a more lucrative activity.

According to Cosmin Rogojanu (2000), human capital is divided into two categories: productive capital (P) and education capital (E). This classification offers an explanation regarding the human capital's structure.

The comparison of two former communist countries will reveal part of what these changes mean and how they might impact the education system and economies of different states.

Czechoslovakia (today the Czech Republic and Slovakia) and Romania are two states of the former communist bloc abolished at the end of 1989. Both countries built their economic growth based on the development of industry, constructions and steel in Romania, respectively machines, electronics and ferrous metallurgy in Czechoslovakia. Therefore, in both countries, the education system was orientated towards training human capital specialized in the areas related to such industries, respectively engineers and various skilled workers.

Since the early 90s, with the gradual liberalization of markets in these countries, consumer preferences have started to make their presence and effects felt. In both countries, their preferences were increasingly directed towards consumer goods, but the new states resulting from the separation of former Czechoslovakia, the Czech Republic and Slovakia, have maintained to this day some of the industries that were functional. The Czech Republic focuses on the automotive industry, metallurgy, machinery and weapons, while Slovakia is very good in the production of metals and metal products, gas, coal, nuclear fuels and chemicals. In contrast, in Romania these differences in preferences were clearer, many of the industrial complexes going bankrupt, leaving room for the growth and development of other economic sectors. Therefore, while adjusting to the new conditions in the economy, Romania has managed to train specialists in business, engineering and computer science. The excellent training of Romanians, especially in engineering and IT, is proven by the fact that many graduates go to work abroad for large companies in the industry (Microsoft, Google, and NASA). It is well known that Romanians are the largest community of foreign workers in Microsoft Redmond Campus, Microsoft headquarters in Redmond, USA and are highly regarded for their skills and training. Also, some highly valued NASA specialists come from Romania.

Thus, starting from a period when the education human capital was training productive capital specialized in industry, today, with the shift to the market economy, human capital (P) has been oriented towards fields such as business, law or computer

science, which has also triggered a re-specialization and reorientation of the human capital (E), the one that performs such training.

It is an obvious example regarding the effects of centralized planning and not only in terms of education. Sudden changes, triggered by the actual needs of economy, suppressed by the socialist state, have brought a reallocation of resources towards completely ignored fields, which have experienced fast developments and, at the same time, a need for human capital that hard to find in the beginning. At the same time, there were social pressures from those who were losing their jobs and who did not understand why was happening since, a while ago, they had a secure job and production to make and, suddenly, everything was changed with the company going bankrupt and former employees left to do for themselves in the newly established economic environment.

Another problem, besides the impossibility of an economic calculation of the government services and flawed investment in the human capital, is the so-called “intelligence exodus” or “brain export”, respectively brain drain. This phenomenon involves mass emigration of well educated individuals, with good technical or scientific skills. The causes of such phenomenon are divided into two categories: those related to the social environment (political instability, economy in crisis, lack of security in home countries) and those related to personal preferences (the desire to experience new cultures or countries, higher salary, career development opportunities).

### **The development of human capital**

The brain drain history is not new, its early forms existed in Europe ever since the Late Antiquity – name used by historians to describe the time of transition from Classical Antiquity to the Middle Ages. The reasons behind the brain drain at the time were the shutdown of the Academy of Plato by the last Byzantine king, who spoke Latin as mother tongue, Justinian I, in 529. According to the writings of the historian Ahathias, the members of the Academy took with them precious literary and philosophical works and scientific knowledge and took refuge on the territory of the Second Persian Empire (nowadays Iran), under the protection of King Khosrau I. One of the preeminent personalities of the last generation in the Academy was Simplicius, student of Damscius, the last leader of the institution. Apparently, their disciplines continued the Academy’s tradition until the 9th century, which revived the Neoplatonic traditions in the Arabic area. The philosophy underlying these traditions was focused on the spiritual and cosmologic approaches of the Platonic thinking.

Leaping through time to the 20th century, we notice two large periods of massive brain drain.

First, a period of time dominated, in the Western Europe, by antisemitic laws and attitudes which led to the emigration to the United States of America of a large number

of scientists and major cultural personalities such as Albert Einstein (left Europe in February 1933), Niels Bohr (left at the end of 1943 when he was under the threat of arrest given that his mother was Jewish), Enrico Fermi (left for the US in 1938 because his wife, Laura, was Jewish. He is famous for his work at the first nuclear reactor, Chicago Pile-1) or Sigmund Freud (left for the US in 1938).

A second period lasted for almost 40 years, 1922-1961, once the Soviet Union was established and its influence reached the border of the Federal German Republic (F.G.R.).

Following the Soviet occupation, most of those living in the area controlled by the Russians tried to escape the Eastern Bloc, seeking a life of freedom and independence. Until the beginning of the 1950s, the Soviet Union managed to massively hinder emigration by strengthening border control and harshening punishment both for those attempting to free themselves from the communist camp and their families.

In 1952 the Democratic German Republic (D.G.R.) officially closed its borders, but still the border between the East Berlin and the West Berlin was, for a long time, an escape gate for those who did not want to live under the communist regime and thus, until August 1961, when the construction of the Wall of Berlin started, 3.5 million Germans managed to enter the Western Germany, according to Dowty (1989) . This massive flight of manpower was pricey for the Eastern Germany, around \$7-9bn according to the same Alan Dowty. According to Berghahn (1987) , the youth's exodus added some additional DM 22.5bn to the losses in terms of the education provided to them by the state.

Today, brain drain is seen as a highly significant issue for developing countries since many individuals, majored in business, IT or engineering, leave their countries to seek jobs in developed countries in the Western Europe and the US. Given the aging trend of the population in developed countries and the economic crisis that has severely affected developing countries, this intelligence export is likely to grow since developed countries try to cover their manpower gaps from various industries with educated people from other countries. In Europe, the latest expansions of the EU have allowed workers to leave for the Western countries in pursuit of better paid jobs.

Since its occurrence, brain drain has been blamed for two adverse effects on the economies of the emigrants' states of origin. Firstly, states lose human capital and find it impossible to build sustainable economic growth and, secondly, these states are at a significant loss as regards the training of the human capital, which in the end chooses to leave and use its skills working abroad.

Such construal, however, does not reveal the true face of the phenomenon and the causes underlying intelligence export. Such export is, in fact, as Glăvan (2008) shows, part of the natural process of allocating as efficiently as possible limited resources to the production of goods and services. Those well-trained individuals, who leave the country,

do not actually cause so many shortcomings for the economy, as thought, because such individuals cannot be employed by the economies of their countries of origin since they are too trained or over-qualified. The debate on the negative effects of intelligence export does not focus on the distribution of human capital to various countries, but on the institutions and laws influencing its training and distribution.

Thus, developed and developing countries find themselves in a deadlock in terms of brain drain: if the best trained manpower leaves their states of origin, such states lose both the investment in the human capital and risk a higher exodus of those educated and capable looking for higher salaries and successful careers. As Michael Todaro (1996) said: “the irony of the international migration is that the people who migrate legally from poor to rich countries are those who are educated and well trained, namely exactly those that such developing countries do not afford to lose. This effect of brain drain does not bring about only a huge loss of resources, but might become the main hindrance against the future economic progress of poorer countries.”(119)

Because of such departure of educated human capital, the state of origin is depleted of capable individuals and thus the foundations of economic growth cannot be laid. The more those who leave, the deeper the gap between what is intended and what can be done, whatever trained those who are still in the country. In the end, the remaining ones will also leave given the constant decline of productivity, efficiency and, implicitly, earnings and more difficult living conditions.

Since the occurrence of this phenomenon, various measures have been suggested to stop or slow it down, from closing borders for the citizens of former communist countries or payments from the states receiving human capital to policies aimed to encourage people to return in their home countries. The latter included tax benefits, higher salaries similar to those from the states of destination, government aids for businesses or allocation of more resources for education and research. They were, however, in vain, and did not have the expected outcome.

There aren't, however, only negative effects of brain drain. It makes individuals more competitive and it brings about some advantages from their countries of origin.

While the right to free circulation of manpower expands, individuals are encouraged to invest in their education since employment opportunities in good conditions increase and each individual will try to prove they are the right person for the job.

Once abroad, the emigrants, who now are making more money than home, support relatives from the country, constantly sending small or large sums of money. Thus, their families have more money than if those well trained individuals had not emigrated. The money is used for shopping or small investments in the country of origin and its economy is slightly stimulated to grow and develop. In Romania, for example, those left to work abroad have become a good source of income and investment and factor stabilizing financial imbalances. In the first semester of 2012, Romanians from diaspora



sent home about €1.83bn, 10% more than in the same period of last year , and by the end of the year the entire sum reached €3.85bn . The amount is by 2.4% higher than the overall direct foreign investments in Romania in the same year – 2012 – namely €1.6bn.

Moreover, the money sent by workers abroad contributes significantly to the currency of the home state and settles the imbalances from its accounts. The case of Romania is also relevant in this respect. The current account deficit of the balance of payments decreased in 2012 compared to 2011 by 18.9% to €4.25bn. Without this money sent by those who work abroad, it would have been double, respectively €8.1bn.

These cash flows are beneficial for receiving countries as they influence positively the demand and supply of goods and services, technology transfers, investments, trade and, not lastly, it helps the countries to integrate better in the current globalization phenomenon experienced by the world economy.

Emigration of people brings other benefits to the countries of origin. For example, those who leave exempt their governments of the cost of education, defense and social protection for themselves and their families. Instead, they become costs to the country of destination, because there will be a need for new social security, schools, housing, etc.

Human capital is, however, only one component of the economic development. Along with this component, there must be physical capital (money, resources) in order to speak of premises for economic growth and development. Without these two types of capital that can be combined, the foundations for sound development cannot be laid. It may be that a particular region has qualified workforce and able to efficiently produce goods of high quality, but if those people do not have the necessary capital for production investments, namely physical capital, their capabilities cannot be used.

It is very important, therefore, to say that the human capital that left a particular country does not necessarily cause a slowdown or stop of the development pace because such pace might not exist anyway. Since economic development heavily depends on saving and investment preferences of individuals and on the capital accumulated in the past, it is likely that much of the human capital available at a time, in a territory, is unusable. In the absence of needed physical capital even, if there is no phenomenon of brain drain, the low level of development will not improve soon.

## CONCLUSIONS

The experience of the former socialist countries, in particular, shows that the emigration of the well trained and educated is not related to the economic growth of such countries. It is very difficult in a state with planned economy to use resources efficiently, inclusively to integrate well or less trained employees on the labor market. Romania's case has clearly illustrated the inability of the domestic economy to employ those well trained in their industries. For instance, medicine schools from Romania are highly appreciated for the quality and training of future doctors and nurses. We are happy, thus, to know Romania succeeds to train its medical staff very well and citizens do not have to be worried about their health. The truth, however, is completely different. Although there are very good doctors and many of them are the trade's elite, they do not have the resources to do their job properly. Hospitals lack many essentials required for basic care: from heat and food to pharmaceuticals and modern medical equipment. Naturally, thus, part of doctors and nurses decides, in the end, to work in another country where resources are available and they are really useful for those who seek help. This experience of former or current communist states shows that this type of policy, namely to stop people who want to leave aboard, fails in the attempt to improve production and wealth in countries employing it.

It is equally true that the accumulation of human capital brings about an increase in the individuals' efficiency and productivity, but only if the complementarity of the physical and human capital is complied with. As we have discussed, however, such accumulation process takes a long time and might prove costly. Costs do not involve only financial issues, but the time, knowledge and efforts spent for such process of capital accumulation both as regards the trainee and the trainer and other resources involved in the entire process.

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# YOUNG PROFESSIONALS AND BUSINESS NEGOCIATION

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## Abstract

*For some people, negotiating comes as second nature. The rest of us need to carefully study and learn negotiation strategies to be sure we don't end up on the losing end of business deals. Today in business you don't get what you ask for - you get what you negotiate. You see, everybody wants to know "What's in it for me?" So for you to get what you want, you'd better be prepared to answer that question for the people you do business with by learning negotiation mastery.<sup>1</sup>*

**Key Words:** young professionals, business negotiation, interview, negotiating strategy

## 1. BUSINESS NEGOTIATION PROCESS

*For some people, negotiating comes as second nature. The rest of us need to carefully study and learn negotiation strategies to be sure we don't end up on the losing end of business deals.*

Today in business you don't get what you ask for - you get what you negotiate. You see, everybody wants to know "What's in it for me?" So for you to get what you want, you'd better be prepared to answer that question for the people you do business with by learning negotiation mastery.

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### *1.1. Definitions for negotiation*

The business dictionary give us four definitions for "negotiation" :

I. **General:** Bargaining (give and take) process between two or more parties (each with its own aims, needs, and viewpoints) seeking to discover a common ground and reach an agreement to settle a matter of mutual concern or resolve a conflict. Noun form of the verb negotiate.

II. **Banking:** Accepting or trading a negotiable instrument.

III. **Contracting:** Use of any method to award a contract other than sealed bidding.

IV. **Trading:** Process by which a negotiable instrument is transferred from one party (transferor) to another (transferee) by endorsement or delivery. The transferee takes the instrument in good faith, for value, and without notice of any defect in the title of the transferor, and obtains an indefeasible title.

### *1.2. What about business negotiation?*

Effective business negotiation is a core leadership and management skill. This is the ability to negotiate effectively in a wide range of business contexts, including dealmaking, employment discussions, corporate team building, labor/management talks, contracts, handling disputes, employee compensation, business acquisitions, vendor pricing and sales, real estate leases, and the fulfillment of contract obligations. Business negotiation is critical to be creative in any negotiation in a business setting. Business negotiation strategies include breaking the problem into smaller parts, considering unusual deal terms, and having your side brainstorm new ideas.

Leveraging the contrast effect is also a powerful tool in negotiations. You might ask for more than you realistically expect, accept rejection, and then shade your offer downward. Your counterpart is likely to find a reasonable offer even more appealing after rejecting an offer that's out of the question. Additionally, offering several equivalent offers that aim higher than your counterpart is likely to accept will elicit reactions that can help you frame a subsequent set that, thanks in part to the contrast effect, are more likely to hit the mark.

## **2. WHAT ARE YOUNG PROFESSIONALS?**

Young professionals are individuals working in careers that are considered **white collar** in nature and who are within a specified age bracket. They are known as "yuppies", a nickname which combines elements of both young and professional.

Defining what actually constitutes young professionals can be difficult, as the term is often used in a broad sense. For some, the term is only relevant to individuals who are under a certain age, such as the *age of 30*, and who are not

engaged in jobs that focus on manual labor or clerical work. This means that a *young person in his or her 20s* who is employed as a salesperson or a manager or administrator in company operation would be considered a young professional, while someone occupying the same position but had reached the age of 40 would be labeled as a professional, but not necessarily classified as young.

Over the years, certain stereotypes have emerged as being common for young professionals. One has to do with an almost all-consuming preoccupation with advancing the career at any costs, often to the exclusion of developing healthy social relationships. This has also led to popular images of young professionals as being lonely, finding solace in their careers, and eventually becoming so obsessed with success in the workplace that their entire sense of worth is based on how well the career is advancing.

A different concept of young professionals is a bit more optimistic, with the term used to describe younger people who work hard at their careers, but also attempt to balance those careers with the development of strong emotional ties with others and even paying attention to their needs in terms of spirituality, physical fitness, and other aspects of living. This idea of young professionals focuses on younger people who want to have it all, see hard work both on the job and in other settings as important to reaching those goals, and strive to not define their worth based on one particular component.

Just as there is no real agreement on when young professionals are no longer young, there is not a solid consensus on exactly when an individual first assumes this role in society. One idea is that as soon as a young person graduates from a traditional college with a degree relevant to some profession, he or she automatically becomes a young professional, even if there is no job offer waiting. Others withhold this designation until appropriate employment is obtained and the individual is established in the field of choice.

### ***2.1. Etiquette for Young Professionals***

Young business undergraduates enter the workplace with the skills and knowledge to be a contributing member of an organization. The anticipation of getting the first business career can be an exciting time. But what a lot of young business undergraduates don't think about are the various workplace etiquette rules that are in place. How embarrassing and stressful it can be if one does not know these rules.

Simply being aware of the workplace etiquette rules, young business professionals can ensure a stress free work environment. Workplace etiquette can be broken down into simple manners. It is so easy to follow. And by following these simple manners, a young business professional can look like a season veteran in front bosses, coworkers and clients. A little time and practice is all it takes to be your best in a new career.

Because business etiquette is comprised of many rules, breaking it down into three big picture ideas is important. Respect, not creating conflicts and appreciation are the key ideas young business professionals should focus on.

## *2.2. How Young Professionals Talk About Themselves In An Interview*

“So, tell me a little about yourself.” It’s often the first thing an interviewer will ask—and your answer may stick with him or her more than anything written on your résumé.

Knowing how to talk about yourself in a way that conveys your strengths quickly, clearly, and professionally can set the tone for the entire interview. Some simple steps to address that not-so-simple question:

### *1. Focus on what the interviewer wants to know*

This first question is the time to help the interviewer start to see why you’re the best person for the job—not the time to talk about your family history and hobbies. It’s important to focus on stories and professional experiences that will etch a memory in the employer’s mind, rather than give a run-down of your entire background.

Understand areas where you can “bridge” your previous experience to this job, and sell the employer on what they’ll gain by hiring you. Perhaps your résumé doesn’t have a flashy school or a Fortune 500 company on it, but you came up with a social media strategy that doubled your last company’s Twitter followers. For an employer looking to gain more traction in social media networks, this would be a valuable accomplishment to highlight.

Similarly, be relevant: if you extol your financial planning skills in an interview for a marketing job, or your Excel model-building skills in a sales interview, it will likely fall on deaf ears. Make sure the answer you plan paints a picture of your skills for *this* job.

### *2. Think about what others say about you*

If talking about yourself seems daunting, consider what your friends and family would say. Are you the one who always steps up to organize the office charity event? Or do your friends describe you as the best person to turn to in a crisis? Perhaps you can juggle many responsibilities well under stress, or you excel at organizing large quantities of information.

Each of us has unique strengths, so don’t be afraid to talk about yours. Women tend to underestimate themselves in the work environment and downplay their talents. But that’s not going to land you the job!

### *3. Put some color behind “go-to” words*

Phrases like hard-working, detail-oriented, team player, and problem solver are all over résumés. And they’re not bad, per se, but what do they mean?

For example, if someone told you that she was a problem solver, would you remember that as well as if she'd told you that she drove her boss across town in a foot of snow to attend an important client meeting because he couldn't get a taxi? Using buzz words in an interview should only be a jumping-off point for talking about a specific experience that will showcase your talents.

#### ***4. Keep it short***

Your interviewer has other questions for you, and a 15 minute monologue is not the best way to get a conversation going. Pick 2-3 points to highlight in your "tell me about yourself" answer, and an example or two that lets you bring your experience to life.

##### *2.2.1. How Young Professionals negotiate their salaries?*

**Liz Ryan**, a leading expert in the world of HR, job hunting, and how to not only get your dream job but your dream salary as well, describes the "**executive mindset**" as the switch between thinking like a job-seeker and more like a professional in their chosen field just looking for their next assignment.

Rather than being that individual who is so grateful for a job that you take whatever they throw at you, you want to be that person that the company is so eager to bring onboard that they work to make it work *for you!*

**So how do you go from "seeker" to "professional?"**

Easy.

**Confidence.**

First off, make sure it's genuine confidence. Like we've said time and time again...honesty is the best policy.

Blowing up your ego and swaggering into an interview with an inflated sense of entitlement is going to get you either right back out the door and onto your butt or into a situation where you are vastly underqualified...and again...out the door on your butt.

So go in with a healthy level of confidence. Make sure you're in charge of the interview. (No...not that you're asking the questions...that's the hiring manager's job.)

Just that you're in control of yourself and projecting a level of confidence that lets them know that they're dealing with someone who knows exactly who they are, what they can do, and what they deserve for that work.

Of course all this requires having a strategy that starts with knowing your value...and bringing it up yourself...

**Don't wait until the very end...** by then it's too late... and don't start your very first interview by bringing it up then either.

#### **Managing The Multi-Step Interview**

As we've said before, there is absolutely no reason for you to continue with the interview if the salary for the position does not align with your expectations.



It's really just a waste of everyone's time, which is why we recommend that you get to the heart of the matter before moving forward.

Therefore, the sweet spot for starting salary negotiations in a multiple level process is **just before the second interview**.

When they call you to bring you in for a second interview, it's your move. Open with a question, not a demand. **This is a negotiation!**

Let's do a little role playing! Pretend you killed it in your first interview and things are going beautifully. The hiring manager has just called you and wants to schedule a second interview...this time in person.

You feel good about what you bring to the table and where you see yourself going with the company if you're hired.

Now's the time to talk bottom line!

**Hiring Manager:** We'd love to have you come in and meet with a few of our department heads and wanted to know if you were available later this week?

**You:** Is this a good time and are you the right person to have a salary conversation with?

*Smooth! You're asking...not demanding. And by including the word 'conversation' you're indicating that this is a give and take scenario.*

What Did You Make In Your Last Position?

This is the question that many job seekers dread, and you might be in the same boat.

But what is so scary? Well, everybody knows that the moment you reveal your previous salary you have made it much more difficult for yourself to negotiate anything much better than that.

**Hiring Manager:** Well, do you mind me asking you what you made at your previous job, XYZ Company?

Now this is where you need to have a little courage and more importantly, confidence in yourself...

**You:** To be honest, I'm not sure that the salary I made in my last position is relevant with regard to this opportunity. It was a different position with different responsibilities, not to mention with a different company (with their own budgets and salary guidelines). More importantly, I am looking for a job that can compensate me fairly for my skills and experience.

**Hiring Manager:** Well then, how much are you expecting to make at this job?

**MIKE'S TIP:** Before you go to an interview it's always a good idea to determine how much other people have made doing the job you're applying for. There are various websites out there that can give some general info, but they tend to lack the specificity needed for different regions, levels of experience, etc.

A great place to get information would be from local recruiters or job-search consultants who may have familiarity with the company or the range for that position in your market.

**You:** I'm focusing on roles in the \$60K range, so that's a good starting point. Is this a role in that range? If so, it makes sense for me to come back for a second interview.

There you go! You've just let the manager know that you're knowledgeable about the job you're applying for, know how much it pays, and know how much you are worth doing that job! It also lets them know that you're serious about the job and also serious about not wasting anybody's time.

*Want a variation on this answer? Try this one too:*

***"If it turns out that I'm the candidate you hire for this position, I'm sure we'd be able to reach a mutually agreeable salary as I'm willing to be flexible. Can you give me an idea as to what the budgeted salary range is?"***

The goal is to give an answer that allows room for back and forth but also protects you from being trapped in a lowball position you might never be able to fully crawl out of, no matter how long you're with the company.

But what if the hiring manager keeps asking you how much you're currently making?

**You:** My financial information is private, as I am sure yours is as well. If you aren't comfortable extending me an offer based on my experience and qualifications, I totally understand.

**Any hiring manager who continues to press you for your past salary isn't really interested in hiring you based on your qualifications...rather they just want to protect their bottom line...and that's not someone you want to work for.**

**As Liz Ryan so sagely put it:**

***"As soon as you give up a past salary figure, you lose all your negotiating leverage. Most employers will not hire you in at more than ten percent over your last salary, even if they love you. They feel that ten percent is enough of a pay bump to go from one job to another."***

Remember, polite – but firm.

### 2.2.2. The "One-Shot" Interview

But what about a situation where you get just one shot at the interview process...as in "Come in right now and we'll talk and see if you're a good fit?"

One shot interviews *are* the time to break the rule about not discussing salaries within the first interview...which makes sense when you consider you only get, well, one interview.

The same rules apply here as they do to the multiple process interviews...be firm, be polite, be knowledgeable.

And again, if the numbers don't match what you're looking for, it's okay to negotiate.

**MIKE'S TIP:** Not all jobs that you apply for are going to provide the opportunity for salary negotiation. For example, most entry-level jobs will come with a well-known and firm starting salary. Certain industries follow this mantra as well. If this is the case for the position you are interviewing for, don't come out swinging and flexing your negotiation skills. You're there to get the job, not squeeze more money out of them. You want to have a good understanding if this applies to the position you are interviewing for.

### *2.2.3. How Young professionals Close An Interview With Class*

Don't leave a job interview wondering where you stand with the hiring manager. There are techniques you can use to professionally close an interview so the hiring manager will know that you want the job, and, so you'll be able to leave knowing the next steps in the hiring process.

When the practice interview was over, the young professional, Rebecca was asked by the teacher, "*Did you get the job?*"

Rebecca raised one eyebrow. "What do you mean?"

"You thanked the hiring manager at the end of the interview, shook hands, and then left. But did you get the job?" she was asked. "What I mean by that is, do you know how the hiring manager felt about your qualifications for the job?"

"Well, I think I did okay because the nonverbal communication of the hiring manager seemed good," she replied. "And, I remembered to ask three of my pre-written hiring manager questions."

"Great. But did you get the job or find out the next steps in the hiring process so you'd know what to expect when you walked out of the interview?" she was asked.

Then Rebecca understood the point. "Oh, I don't know if I got the job and I have no idea about the next steps. Can I really find that out at the end of an interview?"

A job seeker's goal is to sell herself/himself to the hiring manager and to evaluate if the position will be a good two-way fit. But don't forget... if you decide during the interview that you want the job – then you should also try to discover where you stand with the hiring manager and find out the next steps in the hiring process.

There always seems to be a big debate on whether or not a candidate should try to "close the sale" at the end of a job interview. My answer is "Yes" – but you need to close the interview with class.

Professionalism is of the utmost importance and my preference is to take an open, honest approach at the end of a job interview. After the hiring manager has

asked if you have any questions for him or her and you've discussed those, consider asking one of the following questions:

1. "Based on my background and the skills and experience we discussed, how well do I fit the profile of the candidate for which you're looking?" This question will help you find out what the hiring manager thinks of your background and whether or not they believe you're a good fit.

2. "Given what we've just discussed during this interview, do you have any concerns about my fit for this position?" This is a reverse question because it tries to uncover any issues that might hold the interviewer back from hiring you and gives you the opportunity to discuss those concerns before you leave the interview.

Once you have the answer to your question, you'll be in a better position to determine your next comments. For example, if the hiring manager brought up any concerns about your fit for the position, this is a good time to discuss those.

After that, find out where the interviewer is at in the hiring process by asking:

3. "What are the next steps in the hiring process?" This should help you uncover if they have more candidates to interview (and possibly, how soon he or she will be making a decision).

Finally, at the very end, reiterate your interest in the position. Here are two suggested methods:

4. "Based on my research and what we've discussed, I would really like to work for you in this job. How soon until you'll be making a decision?" This closing let's the hiring manager know you believe you're a good fit and confirms that you want to work for them. It may also help you find out where they're at in the process or even uncover any additional decision-makers.

5. "This discussion has made me even more excited about this job opportunity and I would love to be the person you hire. Is there anything else you need from me before you make a decision?" This closing also demonstrates that you want to work for the hiring manager and can uncover anything else you'll need to do to move the process along, such as providing your reference list or letters of recommendation.

Choose the most appropriate closing questions and comments, given your situation, and then thank the hiring manager for his or her time and ask for a business card before you leave the interview. That way you'll have their correctly spelled name, title, mailing address, telephone number, and email address to use when you write your thank you note.

These are some different ways to close a job interview with class as a young professional.

### 3. IN CONCLUSION YOU HAVE TO KNOW WHAT YOU WANT... AND WHAT THEY WANT

Think negotiating is all bluff and bluster? Think again. According to Rony Ross, founder and executive chairman of Panorama Software, a provider of business intelligence software to 1,600 customers in 30 countries, the secret to successful negotiating is to take the ego out of the equation.

Ross developed this *negotiating strategy* early in her career. She developed a successful data-analysis software through her start-up Panorama, and in mid 1996, Microsoft was interested in buying her company. Ross thought that was an extremely challenging opportunity for her to test her strategy

Not only did her negotiating approach work, Ross ended up with a decades-long partnership with the software giant. She says the technique serves any negotiation, from a raise request to a company buyout, and breaks down exactly *how it works*.

- **Keep The Discussion Results-Oriented**

“You have to be very comfortable with yourself to deal with something without any ego, but it really works wonders for me,” says Ross. She recommends keeping the focus of the negotiation solely on results and what would make the best long-term deal for both parties. By taking the emphasis off the people involved and keeping it on the facts, the negotiation is less likely to become hostile. While it’s easy to take things personally—considering that most business negotiations hinge on assigning a value to you or your product—it’s important that you don’t confuse yourself with the issue.

- **Be Wise, Not Smart**

“Always show respect and understanding for the other party,” Ross advises. Framing the negotiation around mutual interests rather than your interest alone helps both sides feel good about it. And if you’re respectful, it’s more likely the other side will reciprocate. Ross also recommends that negotiators “be wise, not smart.” Rather than looking for short-term gratification that bolsters the ego—like assuming a power posture or making a joke at another’s expense—keep your eye trained on the end result.

- **Put Your Concerns On The Table**

Being the smaller party, Ross felt threatened by Microsoft. She worried it might not follow through with the deal and instead develop its own product, which would likely put her out of business. She decided to admit it. She voiced her fears and said, “I’m concerned, and I don’t know what to do about the situation.” The next day, the Microsoft team came back to her with statistics. Out of all the deals they’d started in the last year, they’d closed all but two. They also provided her with contact information of others who’d gone through the process with them, so that she could speak with them and feel more at ease. Ross says, “Every time I

ran into an issue, I turned it over to them and said, ‘I have a problem; help me deal with it.’”

- **Avoid “I” Statements**

“I’ve been in so many negotiations with men who start with ‘I want this, and I want that,’” says Ross. “If you talk instead about how ‘we need to reach a solution,’ it’s a very different approach. It doesn’t gratify your ego requirements, but it reaches a much better deal.” Ultimately, she turned the deal into a technology acquisition and held on to her company. Ross also leveraged a long-term product development partnership with Microsoft, which wouldn’t have been possible had they left the table feeling bullied, offended or put off by how she handled it.

- **Engage With Your Body Language**

Over the years, Ross has noticed that oftentimes people in negotiations lean back in their chairs rather than forward, which puts a physical distance between themselves and the other side. However, she tries to communicate openness and interest by sitting on the edge of her chair, placing her elbows on the table and leaning into the conversation. “With my words, eyes and body language, it’s all about engagement,” she says.

#### 4. CONCLUSIONS OF THE RESEARCH

We wrote at the outset of this paper that the nature of our research project, focused as it was on an interesting topic and carried out with young professionals, raised specific issues for ourselves as researchers. The term young professional generally refers to young people in their 20s and 30s who are employed in a profession or white-collar occupation. As young professionals, we have shown that the sense of moving forward in our working lives is important – it motivates and inspires us. Some professionals like to move up the career ladder as quickly as possible, while others want to experience new and different things from their careers. Whatever you feel about your career progression, being able to convey this – and feeling comfortable about communicating your thoughts to your manager – is pivotal when developing and shaping your career.

The idea is that through all this you must highlight the involvement and your value as an individual and as a professional. If, after graduation, you only have a diploma, but the work experience section has not checked anything, you have to prove that you deserve that employers to invest in you.

When you are a young professional you must understand that the interviews, the meetings and the conversations that you will have at a certain time with certain people, even if they are managers, partners and other business people, must have as a basic rule a certain code of behavior, dress and speech. Regarding professionalism you must understand that expression, personal culture, and body language as well are the main factors that define and influence the degree of confidence of the

people that link and that we need for the evolution and also in terms of the rise of our careers.

Young professionals can also organize themselves and bring energy to shape communities and alter local or ethnic politics.

Stereotypically, young professionals can also be viewed as having an "obsession with success" and "plagued with loneliness." Alternatively, young professionals can be seen as highly spiritual and "seeking a spiritual outlet to balance their hectic working lives."

Young professionals can provide a welcome increase in a local area's tax base and can also create a snowball effect of attracting and infusing young energy and talent into an area.

We have intended to show that in the workplace, young professionals can be viewed as talented and energetic individuals who present special management challenges or as "cannon fodder" to be cast aside once they are no longer profitable to a business.

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# THE SPECIFIC OF ENTREPRENEURIAL NEGOTIATIONS

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## Abstract:

*Not every entrepreneur, small business owner or freelancer is comfortable negotiating. Many dread the adversarial nature of negotiation, and forget how important is to be prepared, to develop cultural awareness, and to act as equal partner in a negotiation.*

*Understanding how entrepreneurs negotiate and how their behavior influences the outcomes of negotiation is important for entrepreneurship theory and practice.*

*This article assumes the hypothesis that entrepreneurial negotiations have certain specifications that clearly distinguish them from corporate negotiations. The research is based on qualitative research, using primary and secondary data.*

*Also, the article starts from the assumption that entrepreneurs adopt faster decisions in negotiations, being owners of the businesses or freelancers, and acting according to their own rules and objectives.*

*Theories and empirical results on the intersubjective interactions between entrepreneurs and their numerous stakeholders are lacking.*

**Key words:** negotiation, entrepreneurial environment, strategies, negotiation behavior

**JEL Classification:** M10, M16, D21;

## 1. ARTICLE FINDINGS

Entrepreneurial ventures and small start-up companies have a significant impact on the local and global economies. Shane and Venkataraman (2000) define

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entrepreneurship as *“the scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited.”*

For Kirzner (1973) the role of entrepreneurs lies in their alertness to unnoticed business opportunities. Through their alertness, entrepreneurs are able to discover and exploit situations in which they are able to sell for high prices what they can buy or create for lower prices.

Starting from this point of view, we can state that negotiation is a central aspect of entrepreneurs' daily business and directly influences companies' profits.

In negotiation research, scholars have studied the impact of expertise and personality on negotiation behaviors and outcomes. Results show that experts outperform non-experts and that some characteristics may have a positive effect on negotiation outcomes. While different groups of experts, including managers, have been studied, entrepreneurs and their specific context have not been considered in negotiation research (Artinger and Vulkan, 2013).

Timothy Dunne (2012) considers that it is apparent that certain bargaining behaviors are used to build relationships and that relationships are important to entrepreneurs. Drawing from relational embeddedness theory, entrepreneurship researchers have predicted that entrepreneurs rely upon networks to gain access to resources.

Developing relationships is also important within negotiation settings. When negotiators show concern for a relationship with the other negotiator, increased trust has been found to result. By gaining trust, negotiators are more likely to use integrative bargaining, reach an agreement, and achieve higher outcomes.

A recent focus on emotion in the negotiation literature emphasizes its importance on negotiation outcomes. Once considered strictly detrimental in a negotiation, it is now considered potentially beneficial to a negotiator's position (Barry, Fulmer, & Van Kleef, 2004). Emotion is also prevalent in the entrepreneurship literature. In fact, a major theme in entrepreneurship is that entrepreneurs are passionate about their business. This passion is often expressed in the form of emotion (Russell, 2003).

However, in both the negotiation literatures, successfully managing emotion has been found to be essential. In our opinion, by observing and discussing with entrepreneurs, they tend to be more emotional when they negotiate important contracts, with higher stake and outcome, if their businesses rely deeply on those negotiations. This display of emotions is not beneficial for them because the counterpart can use it to close a better deal.

Risk taking is also prevalent in the entrepreneurship literature. Covin and Slevin (1991) suggest that starting a business is inherently risky because entrepreneurs pursue risky projects for the chance to achieve high returns from those opportunities.

In our opinion, entrepreneurs risk sometimes in business negotiation because of a lack of preparation. They are not as thorough as corporate managers in terms of preparation, they base their negotiation plan on a rigid preparation (preparing only plan A), or a total lack of preparation assuming the fact that if they own the company, they know all the aspects that might be discussed in a negotiation.

However, entrepreneurs have been shown to exhibit a higher ability to adapt to changes in the environment (Artinger and Vulkan, 2013) and a higher willingness to accept strategic uncertainty stemming from the interaction with others.

From our point of view, ownership offers entrepreneurs a quicker pace of decision making, they don't work based on a negotiation mandate, but in accordance with their own objectives and data.

Some researchers consider that entrepreneurs experienced a greater variety of negotiation, and observed various negotiation behaviors comparing with non-entrepreneurs.

In our opinion this is applicable only for entrepreneurs that own bigger companies, for small companies there is not the same variety of activities, and they don't take part in significant and important negotiations in order to accumulate know-how.

Referring to the complexity of a negotiation, we might add that often entrepreneurs negotiate alone, they don't have a negotiation team, and they are not keen on delegate this responsibility to others. This is way, when they negotiate with important companies that possess human resources with excellent negotiation skills and know-how, the results are not extraordinary.

Considering ethics, negative attitudes are generally held toward unethical behavior. Thus, most individuals should avoid being unethical, including while engaged in negotiation activities.

Because an entrepreneur's self-identification is tied so closely to his or her venture, negotiating for the venture is practically equivalent to negotiating for personal reasons. Conversely, a non-entrepreneur negotiating for an organization is doing so on the company's behalf. In those instances, the negotiator is likely to align his or her bargaining behaviors with the values and goals of the organization. Thus, in an attempt to uphold a self-evaluation as an ethical person, an entrepreneur is very likely to negotiate in a way that is consistent with that personal appraisal. However, a non-entrepreneur can separate the self as an ethical person from behaviors enacted on the part of the organization, and be more likely to engage in behavior that many individuals would see as slightly less ethical because they rationalize it as doing what the organization wants (Timothy Dunne, 2012).

In a research conducted by Artinger and Vulkan, entrepreneurs proved to exhibit persuasive behaviors and express emotions more frequently than non-

entrepreneurs. This leads to higher profits when they close a deal, but also to closing fewer deals than non-entrepreneurs. As a result, the variance of entrepreneurs' profits is higher while their mean profits do not significantly differ from those of non-entrepreneurs. No clear differences could instead be identified with respect to the ability to use information asymmetries or adapt to changing negotiation scenarios.

## 2. CONCLUSIONS

Negotiation is an important part of the daily activities of an entrepreneur. In some regards, it is clear that entrepreneurs have some specifics and differ from non-entrepreneurs.

Relationships are important to entrepreneurs. They use sometimes their business network in order to gather information about business partners, or they just negotiate inside the network.

This allows them to use more integrative negotiation and to obtain better results due to empathy and trust.

They negotiate with passion that can be understood as display of emotions, which in some cases shows them as weak in the partner's eyes.

Although might be perceived as weak, they like risk and want to achieve high returns from those opportunities. This characteristic might come from the fact they know very well the potential of their companies, but also from a lack of preparation.

They don't negotiate as much based on negotiation files, mandate, or plan, they tend to have a rigid preparation and to improvise on the spot.

In terms of negotiation ethics, research has shown that tend to have a more ethical behavior due to a self-identification with their company, they take pride in good reputation.

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# RECENT DEVELOPMENTS OF INTERNATIONAL BUSINESS ENVIRONMENT

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## Abstract

*The business world is a complex concept, generated by the dynamics of the international networks, which, in turn, are determined by: the many mergers that occur between large companies; the impact of modern communication technologies, leading to the diversification of transactional techniques; the rapid emergence of products and services on the market, which is facilitated by research and development activities taking place within companies, etc. From this point of view, defining and analyzing the business world must be based on two fundamental processes, namely the progressive development of international trade, and the rapid growth of overseas investment. Thus, capturing the main tendencies that characterize the developments in the contemporary business environment is an equally difficult and necessary process. In this context, the aim of this paper is to emphasize which are the most important developments in the international business environment, taking the following into account: the analyzes and scientific studies aimed at countries' competitiveness in international business (Global Competitiveness Index); the attractiveness of the business environment for foreign investors (Doing Business Methodology - World Bank), and the results revealed by the analysis of potential worldwide savings (ranking Intelligence Division of The Economist).*

**Keywords:** international business environment, Global Competitiveness Index, Doing Business Methodology, Business Environment Ranking, world economy, business opportunities, business internationalization

**JEL Classification:** F18, F23, M21

## 1. INTRODUCTION

The emphasis on global interdependencies, has a strong impact on consumption patterns, on the access level of individuals to education and

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information, the level of compliance with the fundamental rights, and their ability be a part of the global network which operates in the contemporary economy (Miron, 2003 pp. 17-19). Thus, we note an increase in complexity both in terms of international business environment features, and in the factors influencing it, and this affects the ability of experts to analyze the developments that occur in this area. So if we associate the above elements with the concept of international business environment, we find that several trends are manifesting themselves. Firstly, we are referring to a general trend towards diversification of the underlying elements of the characterization of the international business environment. Secondly, we notice an intensifying competition worldwide due to the increased capacity of countries to enter into the international economy circuit and to strengthen their position within it.

## **2. INTERNATIONAL BUSINESS ENVIRONMENT IN THE CONTEMPORARY ECONOMY**

Generally speaking, the business environment is not a concept that can be defined in a strict manner. Specifically, business typology is extremely diverse, especially if one takes into account that in the contemporary economy the dynamics of change are emphasized, and that cultural differences are significant on an international scale. From this point of view, global business can be defined as a result of the interaction between a variety of networks, made up of actors and internationally linked markets (Miron Georgescu, Caraiani, 2002, p. 7).

In a different sense (Abhishek, November 2013, p35), the elements that define the international business environment are political, economic, technological, social and cultural. Political and economic aspects of the business world refer to global trade agreements, the liberalization policy that influences trade barriers, foreign investment, privatization, and the opening of national economies to foreign economic entities.

Typically, international business environment characteristics can be identified starting from several aspects, such as international trade traits or factors affecting international trade flows (Miron Georgescu, Caraiani, 2002, pp. 8-9). The actors of the international business world are facing a number of challenges, among which we find: the specifics of the political system, characteristics of the cultural environment, demands generated by the rhythm of new technologies implementation and evolution. Furthermore, managers operating in an international business environment (or in a country other than their own) are under pressure arising from the need to balance social responsibility in relation to their employees and the country in which they operate, the image of the company they represent and the competitive strategies they adopt and implement.

Contemporary international economy can be characterized by a high rate of change, which causes changes in the structure of the interdependencies underlying its functioning (Miron, folklore Potecea, 2006, pp. 9-13). All these changes generate rapid developments in the international business environment, so that new business opportunities always arise, as more and more countries are making important qualitative progress.

The capacity to internationalize economic, social, and educational activities, among others, is essential to any entity that wants to be competitive in the global economy. But the decision to internationalize the various activities is not easy to take. Experts classify the internationalization motives as reactive (keener competition, reducing the volume of domestic sales, overproduction in relation to the absorption capacity of the internal market, increase in accessibility of foreign markets, etc.) and proactive (the provision of resources from abroad - equipment, financial resources, human resources, the harnessing of economic and/or commerce benefits in other countries, foreign market orientation, extensive exploitation of technological progress, etc.). Proactive motivations are directly influenced by the quality of international business environment and the opportunities that arise within it (Popa, 2006, pp. 11-15).

Therefore, at the basis of international business strategies there must be a careful analysis of the external business environment and a proper evaluation of the ability of any company to withstand external economic requirements.

### **3. FACTORS INFLUENCING THE INTERNATIONAL BUSINESS ENVIRONMENT**

Generally, the contemporary business environment, can be characterized by strong dynamics and complexity, regardless of whether we refer to the national economy or global business. The factors determining these traits are diverse and can originate from the economic, social, political, legal, demographic and cultural areas. Also, the global business environment is influenced by both the above factors and the characteristics of other issues and complex processes, such as the features of national economies, international trade developments, etc.

In terms of national economies traits, the most important factors that determine the characteristics of the business environment, and that are analyzed carefully by the international business actors, are (Jayaraj 2012, pp. 28-39): geographical factors, workforce, taxation, capital, business conducting, social factors, institutional deficiencies, shortcomings of the political and social system, of the goods market, labor market, capital market, etc.

One of the most important factors that generate major changes in the international business environment is the growth rate of international trade, which

is in turn influenced by (Jayaraj, 2011, p. 6) technological development and the speeding up in the implementation of modern technologies in economic and social activity; increased speed of transport and the relative reduction in the price of transport; improvement of communications technology that allows both faster communication and remote controlling affairs; liberalization of government policies with regard to trade and procurement of necessary economic resources; development of institutions that govern the international trade; increased pressure from consumers; the increasing global competition.

The evolution of the global economy has a major impact on the international business environment. Due to the strengthening economic globalization a number of forces manifest themselves in the national and international markets, which represents difficult challenges both for company managers and also the decision makers in the public sector (Abhishek, November 2013, pp. 34-38). For this reason, no company can afford to develop and implement development policies and strategies without considering the international economic context anymore, even if carries out mostly domestic activity.

In line with the previous findings, concerning the factors affecting the global business environment, we find that it is influenced by a multitude of elements. Moreover, in a global economy, within which a real system of global networks has developed and operates, with a wide variety of entities, we can say that the global business environment is particularly vulnerable, especially in relation to negative economic developments.

#### **4. METHODS AND TECHNIQUES OF INTERNATIONAL BUSINESS ENVIRONMENT ANALYSIS**

In the current context of economic and social development, international business environment analysis is both difficult and extremely complex. On the one hand, we must take into account the need for a uniform approach of the criteria underlying any analysis designed to highlight the defining elements of the business world evolution. To have a fair and accurate picture of the business features in different regions of the world, these criteria need to be applied to all countries and national economies, regardless of their level of development. Thus, the conditions for a correct reasoning of decision's fructification of the various international business opportunities can be, at least partially, provided. On the other hand, the uniform criteria that can characterize a business environment on their own are insufficient.

When one is considering the international business environment analysis, we can not ignore the economic performance of the countries concerned because these concepts are closely interlinked (Folcu □ Ovidiu 2005, pp. 120-131). Statistics show



that, generally, the positive development of business triggers an increase in competitiveness and good economic performance has a direct impact on improving the quality of the business environment. Therefore, if a relevant international business environment analysis is desired, we will consider three aspects, namely: the competitiveness of the countries in international affairs and their business environment attractiveness to foreign investors (Doing Business Methodology); the potential of economies worldwide (Global Competitiveness Index) and the ranking of countries according to "the quality of business environment", carried out by the Intelligence Division of The Economist (Business Environment Ranking).

## 5. ACTUAL COORDINATES OF INTERNATIONAL BUSINESS ENVIRONMENT

The international environment can be compared to a 'living organism', continuously changing, with dynamics even more pronounced as the changes taking place in the political, economic, social, technological, etc. are numerous, diverse and influence differently quality. For this reason, we believe that for a better understanding of the current features of the international business environment, we must take into account different approaches and assessments made for this purpose.

To get a more complete picture of the correlation between attractiveness the business environment, viewed from various perspectives, and the competitiveness of national economies, we will refer hereafter to a comparative analysis of the top 50 countries in the Doing Business ranking, in terms of the three methodologies mentioned above and used to develop research. We believe that this approach is important because we need to know to what extent a business environment that's 'friendly' or attractive to investors has an impact or a direct link to the national economy's competitiveness under review. It is also important to see to what extent an economy with a high degree of competitiveness is favorable and attractive to foreign investors, or, on the contrary, too much competitiveness may constitute a barrier to foreign investment.

Given the fact that the Doing Business Methodology (DB) provides only a ranking, and the Global Competitiveness Index Methodology (GCI) and Business Environment Ranking Methodology (berms), which calculates the Business Environment Index (BEI), rank countries based on the value calculated for the two composite index, we believe that the place of the 50 countries in the Doing Business Ranking takes values between 1 and 10, where 10 is given to the country ranked first, and the next ranked countries receive a score smaller by 0.2 points than the previous one ( $10: 50 = 0.2$ ). Thus, the values provided by the the three

methodologies are comparable in terms of graphics and the correlations between them, or lack thereof, becomes more noticeable.

To make a comparative analysis of the calculated values for the two indices in conjunction with the place occupied by the 50 countries taken into account in the Doing Business Ranking, we had two aspects, namely: minimum and maximum values (Table no. 5.1) of the Global Competitiveness Index (GCI) and Business Environment Index (BEI); the rank occupied by the countries surveyed in the three hierarchies (Table no. 5.2).

**Table no. 5.1 intervals of analysis for DB 2014, GCI 2014, and BEI 2014-2018**

No.	Methodology	Minimum value	Maximum Value
1.	Doing Business (DB)	0,2	10
2.	Global Competitiveness Index (GCI)	3,68	5,7
3.	Business Environment Index (BEI)	6,23	8,65

Source: *Doing Business - Measuring Business Regulations, Economy Rankings 2014, Business environment rankings methodology 2014, The Global Competitiveness Index Report 2014-2015*

Based on the data presented in Tables no. 5.1 and 5.2, we will mention a few considerations regarding the relevance of the information that the companies or investors who wish to expand their business internationally have at hand, on the one hand, and to what extent such information may constitute a basis for business internationalization decision making, on the other hand: in the case of 54% of countries surveyed (27 countries) there are no significant differences between the performance evaluated by the the three methodologies, so there is a relative correlation between them; in the case of 16% of the countries (8 countries, namely Singapore, Hong Kong, USA, Finland, Malaysia, Austria, Bulgaria and South Africa) there is a very high correlation regarding the values of the two indicators and the rank in Doing Business Methodology; in the case of 15 countries, ie 30% of them, there are important differences between the the three methodologies, which we will analyze separately.

As we can see (Table no. 5.2) in 70% of the instances the decision to internationalize can be based on either methodology, which creates hierarchies regarding the countries in terms of business environment attractiveness (DB and EIB), with a correlation built between the rank in the classifications and national economic performance, measured by the Global Competitiveness Index, while in

the other 30% of cases there are significant differences, and sometimes they are very high.

**Table 5.2 Comparative analysis of the rankings after DB 2014, GCI value in 2014, and BEI value 2014-2018**

Country	DB	BEI	GCI	Country	DB	BEI	GCI
Singapore	1	1	2	Thailand	26	17	28
New Zealand	2	8	16	Netherlands	27	15	8
Hong Kong SAR, China	3	3	7	Mauritius	28	-	34
Denmark	4	9	13	Japan	29	27	6
Republic of Korea	5	26	24	Macedonia, FYR	30	-	43
Norway	6	10	11	France	31	23	20
United States	7	6	3	Poland	32	29	37
United Kingdom	8	22	10	Spain	33	25	31
Finland	9	7	4	Colombia	34	40	46
Australia	10	4	21	Peru	35	39	44
Sweden	11	5	9	Montenegro	36	-	45
Iceland	12	-	27	Slovak Republic	37	31	48
Ireland	13	14	23	Bulgaria	38	37	38
Germany	14	11	5	Mexico	39	32	42
Georgia	15	-	47	Israel	40	20	25
Cabo Verde	16	-	50	Chile	41	12	30
Estonia	17	24	26	Belgium	42	16	17
Malaysia	18	19	19	South Africa	43	41	39
Taiwan, China	19	13	14	Czech Republic	44	28	33
Switzerland	20	2	1	Armenia	45	-	49
Austria	21	18	18	Rwanda	46	-	41
United Arab Emirates	22	30	12	Puerto Rico (U.S.)	47	-	29
Latvia	23	34	36	Romania	48	38	40
Lithuania	24	36	35	Saudi Arabia	49	35	22
Portugal	25	33	32	Qatar	50	21	15

Source: *Doing Business - Measuring Business Regulations, Economy Rankings 2014, Business environment rankings methodology 2014, The Global Competitiveness Index Report 2014-2015*

**New Zealand** is in the top 10 countries according to DB and BEI (2nd and 8th position) with a high value of the BEI (8.18 versus 8.65, the maximum value), but the GCI is only on rank 16 (5.2 versus 5.7, the maximum value).

**Republic of Korea** is on the 5<sup>th</sup> position in DB, but according to the BEI (7.35 versus 8.65 maximum) and GCI (4.96 versus 5.7 maximum) is on position 26, respectively 24, which means that this country has a very attractive business environment, but taking the performance of the national economy into account it is barely mid-table.

**United Kingdom** presents a very interesting situation, because under the DB it is on the 8th place, the national economic competitiveness is very high (10th place with GCI equal to 5.41), but according to the BEI it is ranked only 22 (the indicator is 7.41 to the maximum value of 8.65).

**Australia** is on the 4<sup>th</sup> place in BEI's ranking (the indicator is 8.29), but according DB it is only ranked 10, and in terms of economic competitiveness only on 21<sup>st</sup> position (having a GCI 5.08), with 11 seats after United Kingdom.

**Iceland** is ranked 12 in DB, but in terms of GCI it is only on the 27<sup>th</sup> position, with a value of GCI 4.71 versus 8.65, the maximum value. For this country the BEI index was not calculated.

**Georgia** is ranked 15 according to DB, but in terms of GCI it is only on the 47<sup>th</sup> position, with a GCI value of 4.22. For this country the BEI index was also not calculated.

**Cabo Verde** is ranked 16 according to DB, but in terms of GCI it is only on the 50th position, with a GCI value of 3.68. For this country the BEI was not calculated, and the country's economic competitiveness is very low.

**Switzerland** also presents an interesting situation, like the United Kingdom. It is considered the most competitive country in the world (with a maximum of 5.7 GCI) and according to the BEI it is No. 2 (with an index of 8.52), but it is rather unattractive or inaccessible to companies wishing to expand their business into this country.

**Netherlands** is a country with a high competitiveness, ranking on the 8<sup>th</sup> place globally (with GCI equal to 5.45), but strongly unattractive or, like Switzerland, inaccessible to internationalization, according to DB (27th), but less unattractive according to the BEI (15th place).

**Japan** has a similar situation with the Netherlands, being even more successful than it, because it is on the 6<sup>th</sup> place in the GCI, but it is less permissive than the Netherlands because it ranks 29<sup>th</sup> and 27<sup>th</sup> according DB, and BEI. What is most strange about Japan is that GCI and BEI are a very similar calculation method, but perhaps the fundamental difference between the two indicators is that the BEI takes into account the political environment, market opportunities, taxation and

the private enterprise policy, elements that are strong entry barriers for extending businesses into this country.

**Israel** is ranked 20 according to BEI, but DB puts the country on the 40th place and in terms of competitiveness it is ranked 25, so mid-table.

**Chile** is considered attractive by BEI (ranked 12<sup>th</sup> with a value of 7.89, compared to a peak of 8.65), but DB places the country on rank 41, and the competitiveness is low because GCI equals 4.6 versus the maximum value of the indicator, which is 5.7.

**Belgium** is placed on the 16<sup>th</sup> position by BEI methodology (the index is 7.69) and on the 17<sup>th</sup> according to GCI methodology (the index is 5.18), but according DB it is unattractive for business, ranking 42.

**Saudi Arabia** has a relatively good level of competitiveness, ranking 22, but the attractiveness of the business environment in this country is very low (49th position according to DB and 35th according to the BEI).

**Qatar** has a much better level of competitiveness than Saudi Arabia, it is on 15th place, but the attractiveness of the business environment in this country, is ranked 50 according to DB. Still, it is better positioned according to the BEI, being the No. 21.

## 6. CONCLUSIONS

Knowledge of the different aspects that characterize international business in the contemporary economy is vital for any investor wishing to internationalize their business. Currently, there is no area that is not affected by the accelerated process of globalization, and the rapid technological progress, propagated widely by the increasing competition and the changeover.

In other words, nobody is safe from internationalization. Neither individuals nor companies or national economies. Therefore who is well informed, will have the best chance of being competitive.

Those who do not seek carefully the right information will be exposed to great risks, and the unlikeliness of being able to face the aggressive competitive environment is very high. From what we have noticed during the research, World Bank Doing Business Methodology, provides a base of valuable information for both business and public authorities, when drawing up development strategies at company or national level. But we mention that the diversity of national economies is so high that it is difficult for all aspects to be caught. The research shows that up to 80% of the DB rankings are very similar and sometimes identical to the BER (as is the case for Singapore, Hong Kong 1<sup>st</sup> and 3<sup>rd</sup>). From this point of

view, either one of the two classifications is relevant. The major difference between the two methodologies is that:

- ✓ DB is focused on practical information, provided free of charge and easily accessible, absolutely essential for any company that wants to 'enter' another country and start a business;

- ✓ BER aims to assess the attractiveness of a country from a much broader perspective, taking into account a variety of issues, many of them specific to the evaluated country's socio-economic assembly.

However, given the increased rigor considered by BER a careful businessman would probably prefer to rely on the Business Environment Index (BER) values when making the internationalization decision of their business. It is very important to consider the *Global Competitiveness Index* to substantiate a decision to internationalize a business.

On the one hand, there are countries which, although they have a high level of competitiveness, are not only attractive to international affairs, but also easy to access, such as for example Singapore, Hong Kong, Norway, USA, Finland, Sweden, Germany and Taiwan.

On the other hand, there are also countries that have a high level of competitiveness, but are unattractive or inaccessible to investors, either because of restrictive regulations or cultural environment, or because of their policy towards new companies coming from abroad, such as Switzerland, United Arab Emirates, Netherlands, Japan or Qatar.

In conclusion, we consider that the information provided by the World Doing Business's statistics are not sufficient to substantiate a business decision, targeting investments in countries other than that of the investors.

Of course that the information obtained in this way are very good, as long as they constitute a basis for our own investigations regarding the quality of business environment of a national economy, aiming at aspects such as changes to legislation, institutional framework, educational environment, labor market and the rules regarding the business, social and political environments, etc.

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# COMPARATIVE STUDY ON THE ENVIRONMENTAL IMPACT OF ECONOMIC ACTIVITIES IN THE ENERGY AND ROAD CONSTRUCTION

Ilinca ZIRRA<sup>1</sup>

## Abstract

*The environment is the general framework within which all activities of a human society are carried out in various fields such as economic, social, education, health, political, etc. Meanwhile, the environment has a triple role, being the main supplier of raw materials, a container in which rubbish / debris arising from the socio-economic and humane activities is collected, and the space in which various economic objectives are located, industrial activity and / or agricultural services are provided, support activities (related) needed to ensure conditions in which the running of other activities run, etc. Given those aspects, we note that a number of increasingly more organizations have concerns about improving the delivery of activities, so that their effects on the environment are minimized, or even abolished (Rusu, 2013 p. 2). For this reason, research on the variety of effects that different economic activities have on the environment is both useful and interesting for any specialist training in economics. An efficient environmental management has a decisive contribution both in terms of the level of performance of an organization and in terms of competitiveness of companies and national economies.*

**Keywords:** environmental management, economic development, sustainable development, environmental impact, environmental risks, environmental impact evaluation

**JEL Classification:** Q51, Q52, Q53, Q56

## 1. INTRODUCTION

Environmental management is one of the most important and at the same time, one of the most difficult aspects of management. The continuous

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development of the economy and society generates side effects on the environment, often negative, and their current management tends to become an increasingly more complex problem. The evolution of modern society under the impact of globalization processes in all areas, of technological progress, and of knowledge based society development, makes the whole environment issue occupy a central place in the concerns of experts and researchers. The essence of environmental management is to contribute to ensuring a balance between the increasing need for resources necessary for the harmonious development of the economy and society, on the one hand, and the impact that human society with all requirements and its activities have on the environment, on the other hand.

## **2. THE PLACE OF ENVIRONMENTAL ISSUES IN THE CURRENT ECONOMY**

As society develops, environmental issues became increasingly important. So far, all economic and social activities, regardless of field, must take into account the effects that they generate on the environment and to develop action plans that aim to both minimize the negative effects and to eliminate, as much as possible, the causes that generate them.

Technological advances generated by the industrial revolution have contributed greatly to the economic development and increase in national wealth of industrialized countries, to the prosperity of nations and improvement in macroeconomic outcomes, but the effects of rapid evolution have been overwhelming for the environment (Bacal, 2007, pp. 12-13). For this reason, global concerns about the major disruption of the environment caused by economic activities are becoming more substantial. But environmental protection as an area of study is not new. The first signs of establishing environmental science dates from the beginning of the twentieth century, and, in the 1930s, Arthur C. Pigou was the "pioneer" of the implementation of the "beneficiary and polluter pays" principle, introducing the concept of externality regarding the effects that the operations of companies have on the environment. He noted that pollution charges should be proportionate to the size of the environmental impact. Later, namely in the 1980s, humanity has made a big step forward in this area by developing the concept and goals of "sustainable development".

## **3. COMPANIES ENVIRONMENTAL ISSUES**

At the company level, the environmental issue holds a relatively important position, both because of the legal framework which has evolved tremendously over the past two decades, but also because of pressure from civil society in

limiting the negative impact of companies' activities on the lives of individuals and thus on the environment.

Every organization has its own environmental policy, according to the requests imposed by the growing economic competitiveness, and rigors that they must comply with under the influence of legislative requirements.

Thus, at the base of their impact assessment on their socio-economic activities on the environment are two main elements (Kramer et al. 2004, pp. 6-7), namely: the binding nature of assessment activity on environmental effects, in relation to the process of obtaining permits, agreements, licenses and other documents issued by state institutions with responsibilities in environmental protection; the voluntary nature of the evaluation, which usually occurs when, in their quest to obtain various economic benefits (subsidies, approvals, contracts, etc.), companies make commitments in terms of improving environmental performance and assessment procedures are set out in specific documents, recognized and implemented at national level, and, where appropriate, internationally.

The tools that a company can use to implement activities related to environmental management can be classified into two main groups, namely:

- ✓ mandatory tools:
  - approvals;
  - authorizations;
  - permits.
- ✓ tools used voluntarily:
  - ISO 14000 (an array of standards developed by the International Organization for Standardization, aimed at primary requirements for Environmental Management Systems);
  - SA8000 (Social Accountability);
  - EMAS (Eco-Management and Audit Scheme).

The orientation of the companies' management to environmental issues is important not only for large companies, but for small and medium ones as well. Also, efforts made in this area aim both to reduce operating costs and improve the company's image in the market, and to increase economic competitiveness.

According to studies, by using modern environmental management means, we understand the following (Rusu 2012, p. 3): improving the ability of companies to face competition by building a positive image; reducing costs due to lower quantities of raw materials and due to the restriction of waste that is generated in the current activity; reducing environmental risks; access to new markets; strengthening the company's position in a strongly competitive environment; the improvement of the activity as a whole.

An environmental management system is very complex, both because of the diversity of issues concerning the environment, and because of regulations on

environmental protection (available at national, regional, European and global level, in various fields, on multiple planes, etc.) Regarding definition of the concept, some studies stated in a simplified manner that by environmental management we understand the management of those activities of the company which either have or may have at onetime impact on the environment (Kramer et al. 2004, p. 7).

Other authors consider that the system of environmental management is a "part of the general management system, which includes organizational structure, planning activities, responsibilities, practices and procedures, processes and resources for developing, implementing, achieving, reviewing and maintaining the environmental policy" (EMAS, 2012, p. 5). Or, the system of environmental management is a "management tool which aims to ensure functionality and the continued application of a plan or of procedures for environmental management and compliance with the objectives and environmental targets" (ISO 14001 Chirilă, p. 125).

#### **4. THE SIGNIFICANCE OF THE ENVIRONMENTAL IMPACT ASSESSMENT**

The Environmental Management System ISO 14001 is considered the most widespread environmental management system worldwide. A particularly important aspect about this standard is that it was designed to be applied to all companies regardless of their size, and adapted to different geographical conditions and different specificities related to cultural and social elements. According to expert opinion, environmental damage can take many forms, such as (Bacal, 2007, pp. 158-161):

- ✓ reduce labor productivity and hence wages / income and purchasing power;
- ✓ increased expenditures for restoration and / or preservation of the environment;
- ✓ loss of natural resources, measured by a decrease in productivity of ecosystems;
- ✓ harm of health and quality of life;
- ✓ the emergence of new LFAs (mining centers, energy, metallurgy, chemical, etc.);
- ✓ increased expenses arising from the need to replace scarce and / or exhausted resources;
- ✓ expenses related to efforts to restore health and quality of life in affected regions, etc.

Therefore, in terms of environmental damage, economic activities and branches can be divided into three large subgroups, namely: generating impact

(metallurgy, energy and construction); impact containers (health care, education, research, ecotourism, fishing, forestry, fishery, etc.); generators and receivers of impact (agriculture, food industry, light industry, agriculture, construction, tourism, traditional, etc.).

Environmental impact assessment is based on the overall scheme of a technological process, who inputs raw material, labor, capital items, etc., and outputs the manufactured products, by-products, services, noise or vibration, and scrap and waste recoverable and / or unrecoverable. In order to identify the issues impacting the environment, several categories of information are used (Chirilă 2013, pp. 151-152), for example:

- ✓ legislation requirements, regulations and profile reports;
- ✓ technological flows, the balance sheets of materials, manufacturing procedures, operating and maintenance regulations, work instructions, water networks, sewage, utilities;
- ✓ structure of inputs and outputs.

Therefore, the environmental impact represents the set of actions that produce negative effects on the environment. Or, environmental impact consists of effects that an economic activity generates on the environment in terms of: atmosphere; aquatic environment; land and subsoil; vegetable; Flora and fauna; noise and vibration; land use and landscape.

## **5. THE ENVIRONMENTAL IMPACT GENERATED IN THE ENERGY INDUSTRY AND IN ROAD CONSTRUCTION**

To make a comparative study on the environmental impact in various economic fields two examples were chosen. On the one hand, we are referring to technological changes specific to the energy domain, such as for example those arising from the need to reduce pollution and increase economic efficiency of electricity producers. On the other hand, we considered the environmental impact of road construction, both during their implementation, as well as throughout its life after completion.

Regarding the first example, we used the results of an expert study conducted for the energy group 3 at SC Electrocentrale Deva SA (HALCROW ROMANIA, 2011, pp. 47-92). According to him, installations for desulphurisation of combustion gases from energy groups are an important requirement, which can provide a cost-efficient exploitation and a reduced level of pollution for existing facilities. The compilation and establishment of impact studies is required to obtain the environmental permit, because during the implementation of the power plant construction project transnational effects on water, air, soil, subsoil, biodiversity,

landscape, social and economic environment, cultural and ethnic conditions and cultural heritage, vegetation, wildlife and human health will be generated.

Summarized, according to the report on environmental impact, these effects can be presented as follows:

- ✓ **Water:** from implementing the desulphurization plant there is no wastewater because all the used water is recycled entirely within the technological process; the main risk would be represented by spillage of fuel used by vehicles and machinery necessary for work execution, inadequate temporary storage of materials, uncontrolled waste resulting from construction works discovered by rainwater washing the surfaces (rain); to mitigate the risks a drainage tank, a failure tank and a drainage tank are provided, as well as funnels with corresponding slopes; the negative impact is very short during the project implementation and the positive impact after its completion is long-term.
- ✓ **Air:** CET Deva is located in an area with a temperate climate, typical of the hills and plateaus with altitudes between 200 and 600 meters; another type of emissions provided after switching on the plant is lime powder, for which an action plan regarding the existence of cyclones, vacuum cleaners and a limestone silo fitted with filters was provided; the impact of the project is negative in the short term, because during the implementation other negative effects on the air are not foreseen; after the completion of the desulfurization system the cleaned waste gas will be discharged a new carbon chimney with a height of 80 meters being provided, in order to ensure proper dispersion.
- ✓ **Soil:** risk sources to damage soil during project implementation are excavation and terracing, fuel spills from equipment, sedimentation of air pollutants, improper storage of materials and uncontrollable depositing of waste resulting from demolition and construction; technical risk mitigation measures aimed at the layout of the technological objects related to the desulphurization plant in concrete spaces, a drainage tank for accidental spills, a failure tank and a drainage tank, and funnels with corresponding slopes; impacts for the period of project implementation is negative in the short term, with a local manifestation area, and with reversible effects.
- ✓ **Subsoil:** the construction works will involve the demolition of the existing foundations, and utility network deviations; therefore, a source of risk is the accidental leakage of fuel from machines but without them affecting the subsoil to any significant extent; the subsoil impact is indirect, given the technical measures provided.
- ✓ **Biodiversity:** negative effects on biodiversity are not foreseen as the desulphurisation plant will be installed and operated inside of the power plant.

- ✓ **Landscape:** no negative effects on the landscape are foreseen, as the desulphurisation plant will be installed and it will operate inside the power plant.
- ✓ **Social and economic environment / residential areas:** no negative effects on social and economic environment / residential areas are foreseen because the desulphurisation plant will be installed and operated within the power plant.
- ✓ **Ethnic and cultural conditions and cultural heritage:** there are no negative effects on the cultural and ethnic conditions or on cultural heritage as the desulphurisation unit will be installed and operated inside the power plant.

Regarding the second example, we considered the relevant elements of the Report on Environmental Impact Assessment in order to obtain an environmental permit for the highway Arad - Timisoara - Lugoj project (EIM 2009, pp. 11-18).

The evaluation report, as in the case of the desulphurization plant, contains both information and action plans on the impact project development during implementation, and information and action plans on project impacts throughout the life after completion.

Summarized according to the report on the environmental impact during construction, these effects can be presented as follows:

- ✓ **Water:** changes in the conditions of water quality (solid suspensions, oils and hydrocarbons); changes in water (using concrete and derivatives, heavy metals, domestic sewage and other hazardous substances).
- ✓ **Air:** changes in air quality; generation of dust; pollution generated by the operation of motor vehicles and machinery.
- ✓ **Noise and vibration:** impaired circulation and processes.
- ✓ **Soil and subsoil:** morphological changes.
- ✓ **Vegetation, flora and fauna:** vegetation and flora affected by generation of dust; wildlife departure / damage; Interference with natural protected areas.
- ✓ **Landscape:** alterations of the visual context / landscape; damage to items and relics of historical and scenic interest.
- ✓ **Land use:** disturbance of agricultural activities due to transport and construction activities.
- ✓ **Socio-economic environment:** the population is directly affected by the relocation of people; migrant / worker camps; loss of agricultural land; removal of houses and other buildings; low road safety because of the works.

For the operating and maintenance period, the following sources of environmental impact have been identified:

- ✓ **Water:** changes in groundwater quality conditions by polluting with impurities, especially during winter; rainwater; domestic wastewater.

- ✓ **Air:** air pollution generated by highway transit of heavy vehicles; there will be no exceedances of the limit values for any pollutant.
- ✓ **Noise and vibration:** noise value would be acceptable provided the installation of acoustic panels on certain road sections (Recaş Petrovaselo and Belin□).
- ✓ **Soil and subsoil:** chronic pollution of the soil directly proportionate to the intensity of traffic, driven by emissions, road and tire wear, vehicles, etc.; possibility of subsoil contamination with heavy metals.
- ✓ **Flora and fauna:** the fauna is limited because the whole context of existing farms is changed; habitat fragmentation will not occur; highway route will not directly interfere with protected areas.
- ✓ **Landscape:** physical and aesthetic effects on the landscape; visual effects on landscape planning.
- ✓ **Socio-economic and cultural environment:** displacement of communities; proximity to homes in some road sections (Recaş Petrovaselo and Belin□); cultural and aesthetic resource degradation; improving access to education and health institutions; transport networks and urban centers; road safety – reducing the number of accidents due to improved of road infrastructure, traffic monitoring, etc.

The most important elements of the action plan proposed in order to reduce the negative impact of highway construction on the environment are:

- ✓ Limiting the impact on the settlements, by keeping the project area as far away as possible from homes / residential areas, and if not possible, to resort to technical measures.
- ✓ Respecting the special interest areas of the environment (Mure□ Floodplain Park and archaeological sites on the route).
- ✓ Reducing interruptions in farming by restoring the accessibility conditions of the local road network.
- ✓ Maintaining continuity of water supply.

Of the two cases above, we note that in terms of complexity of the elements of environmental impact, it is much higher for the construction of the Arad - Timisoara - Lugoj highway.

We also note that the socio-economic and cultural impact is more consistent for the highway, compared with the implementation of the CET Deva desulphurization plant, both due to the territorial expansion of the construction site, and because of complications that may arise during the implementation of construction works.



Another important aspect is that the impact on the ground is much larger for the highway, and this situation can be observed both in terms of flora, fauna, vegetation, landscape, noise and vibration, and in terms of landscape, water and air, especially during the execution of the works.

## 6. CONCLUSIONS

Based on the information presented, we can identify some relevant conclusions.

First, environmental management issues vary enormously, they are important for the national economy and the economy of companies, and binding for the conduct of any activity, regardless of the field. You can not start a new activity nor can you not develop an existing one without obtaining an environmental permit.

Secondly, we find that depending on the activity there are different elements in terms of size and structure of elements with an environmental impact, just as there are common elements.

Thirdly, the costs imposed by the implementation of action plans aimed at reducing the negative effects of socio-human activities are influenced by characteristics of the said activities, the size of the projects and costs for implementation, by activity, by legislation, and national and international rules and regulations, etc.

Finally, we mention that environmental management will increase in complexity and will increasingly become of higher importance, with the increase of the negative effects generated by both the existence and development of human communities as well as by the requirements of economic development and technological progress.

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# COLLECTION COST. THE EFFICIENCY OF MEASURABLE TAX AUTHORITY ACTIONS

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## Abstract

*Modernization of the tax administration involves the development of modern tools and an efficient work process setup. Measurement of fiscal performance is made by utilizing 29 performance indicators and 4 efficiency indicators. New indicators attributable to collection costs can be created in order to measure the efficiency and effectiveness of the main activities. The newly proposed indicators can be implemented at the national level as well as at a regional and local level. This way an analytical and transparent measurement efficiency becomes possible, offering the the tax authority the possibility for cost-cutting through the identification of clear steps to follow.*

**Keywords:** revenues, tax authority efficiency, collection cost, tax inspection, tax enforcement

## JELClassification:

## 1. INTRODUCTION

The need to improve the rate of tax collection for the budget revenues represents a priority for every tax authority. This objective can be achieved as long as the tax authority undergoes a broad modernization process which involves creating modern tools and an efficient work process setup. We can therefore ensure the efficiency of internal processes which need to be tracked and measured periodically with the use of specific indicators. In this context it is necessary to introduce new performance management tools in the field of fiscality.

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Fiscal performance measurement is currently done by using a number of 20 performance indicators and a set of 4 efficiency and effectiveness indicators and, in our opinion, the current N.A.F.A. performance analysis system has experienced steady improvements since 2006.

## 2. PERFORMANCE INDICATORS SPECIFIC FOR THE TAX COLLECTION SYSTEM

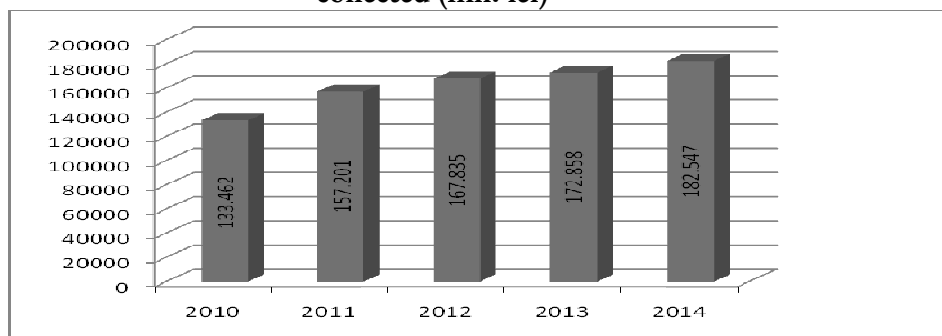
The set of performance indicators measures the general performance of the tax collection system (degree of completion for the receivables target for the budget revenues), as well as the performance of the main activities specific to N.A.F.A.:

- for the recovery of arrears: degree of collection for recoverable arrears for legal persons;
- for the enforcement department: share of revenues collected through enforcement procedures compared to the total budget revenues collected;
- for the fiscal inspection activity : collection rate for additional payment obligations set as a result of tax inspections;
- for the anti-fraud activity: value of the claims resulted from criminal complaints;
- for customs activity : degree of the timely confirmation of transit operations.

When we consider the performance analysis of the tax collection process we need to evaluate the level of budget revenues. Thus, for the period 2010-2014 the level of net general consolidated budget revenues collected by N.A.F.A. has recorded a significant rise, from 133.462 mil. Lei collected in 2010 to 182.547 mil. Lei collected in 2014.

The evolution of the net general consolidated budget revenues collected in the period 2010-2014 is shown below:

**Figure no. 1 - The evolution of the net general consolidated budget revenues collected (mil. lei)**



Source: created by the authors based on data published by N.A.F.A.

For the period 2010-2014 the net budget revenues collected have risen by 36.78% as highlighted by the figure.

Fiscal performance is evaluated in Romania by the National Agency for Fiscal Administration through a set of 10 performance indicators which, in our opinion, can be structured based on their objective in 10 categories as illustrated by table no. 1.

**Table no.1**

<b>Crt. no.</b>	<b>Objective</b>	<b>Main indicators</b>
1	Receivables target	Degree of completion for the receivables target for the budget revenue: - gross values - net values - customs duties/revenues
2	Arrears	- dynamic of the recoverable arrears due at the end of the reporting period; - collection rate for the recoverable arrears
3	Enforcement	- share of revenues collected through enforcement procedures out of the total budget revenues collected; - degree of arrears collection settled by means of enforcement procedures.
4	Fiscal inspection	- additional ammounts received per inspector, and per inspection respectively, distinctively reported for natural persons, legal persons and nonresidents
<b>Crt. no.</b>	<b>Objective</b>	<b>Main indicators</b>
5	Degree of voluntary compliance to payment of tax obligations	Degree of voluntary compliance to payment of tax obligations reported for the entire tax administration and for the nonresident persons distinctively.
6	Degree of voluntary compliance to submitting the tax returns	Degree of voluntary compliance to submitting the tax returns, and the degree of timely processing of tax returns.
7	VAT returns with negative amounts with the option of refund, not processed on time	Evolution of stock for VAT returns with negative amounts with the option of refund not settled within 180 days from the legal deadline (at the time of reporting)
8	Contested tax cases	- rate of amounts admissible by the court compared the total contested amounts.
9	Anti-fraud activity	- value of the claims resulted from criminal complaints handled per inspector; - value of precautionary measures levied per inspector.
10	Customs department	- efficiency of subsequent customs check activity; -degree of timely confirmations of transit operations.

When evaluating the performance indicators set by N.A.F.A., analyzed from the point of view of their scope, aggregation mode and areas of responsibility one can conclude that they are structured on both a global level and activity-specific level,

encompassing the most important processes within N.A.F.A.: tax collection, tax enforcement procedures, tax inspection, customs and anti-fraud unit.

### **3. EFFICIENCY AND EFFECTIVENESS INDICATORS SPECIFIC TO THE TAX COLLECTION ACTIVITIES**

In addition to the performance indicators, the National Agency for Fiscal Administration has developed a set of 4 indicators intended to measure the efficiency and effectiveness of the budget revenues collection. As a result, the efficiency and effectiveness of the budget revenues collection are measured using the concept of collection costs which is associated with the following indicators:

- amount of lei spent per 1 million lei in budget revenues collected;
- personnel expenditure per 1 million lei in budget revenues collected;
- net budget revenues collected correlated with the staff size;
- net budget revenues collected correlated with the number of tax payers.

By analyzing the methodology utilized to determine the efficiency and effectiveness indicators one can notice that, in comparison to the performance indicators, the National Agency for Fiscal Administration doesn't measure the efficiency and effectiveness from the perspective of internal processes but from a global perspective.

In our opinion measuring the efficiency and effectiveness of main activities is required, as part of a systematic examination of the responsibilities fulfilled by the tax administration. In these circumstances it is necessary to undergo a critical analysis of the way the different components of the tax authority are achieving their goals. Such an approach tracks elements such as processing time, quality and costs, in order to get a global appraisal and at the same time carry out a detailed analysis of the individual values attributable to the main activities.

Following the same train of thought, the four efficiency and effectiveness indicators can be further developed. One can design new indicators to evaluate the collection costs and measure the efficiency and effectiveness of the main processes (e.g. collection of recoverable arrears, enforcement procedures or tax inspections).

Before implementing new indicators, one needs to take a closer look at whether the currently used indicators reflect the efficiency and effectiveness as stated by the target objective. As a result, we analyzed two out of the four indicators attributable to the collection cost:

- amount of lei spent per 1 million lei in budget revenues collected;
- personnel expenditure per 1 million lei in budget revenues collected.

Collection cost is evaluated based on the costs incurred per 1 million lei in net budget revenues collected using the following formula:

$$a = b / c * 1.000.000$$

where

a = amount of lei spent per 1 million lei in budget revenues collected

b = total costs incurred (excluding capital expenditure)

c = net budget revenues collected

When evaluating the collection cost based on the personnel cost per 1 million lei in net budget revenues the following formula is used:

$$d = e / c * 1.000.000$$

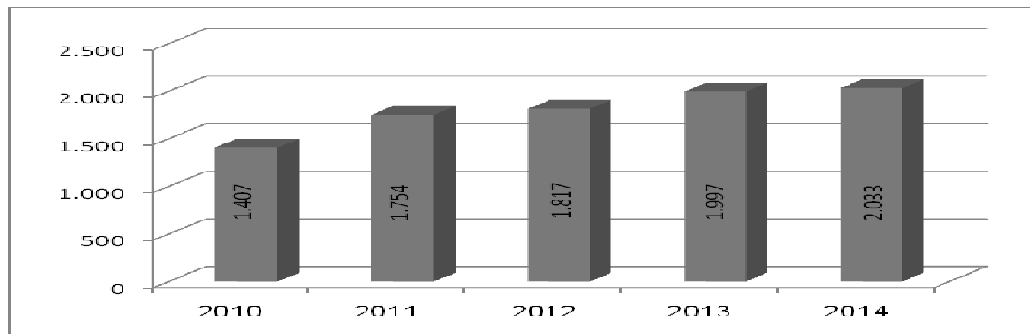
d = personnel cost per 1 million lei in net budget revenues

e = personnel costs incurred

c = net budget revenues collected

In order to make the analysis relevant, we followed the trend of the two variables/indicators influencing the collection costs for a period of 5 years (2010-2014). For this time frame the level of total costs incurred (excluding capital expenditures) recorded the following dynamic:

**Figura nr.2 – Dynamic of total costs incurred (excluding capital expenditures) for the net budget revenues collected to the General Consolidated Budget (million lei)**

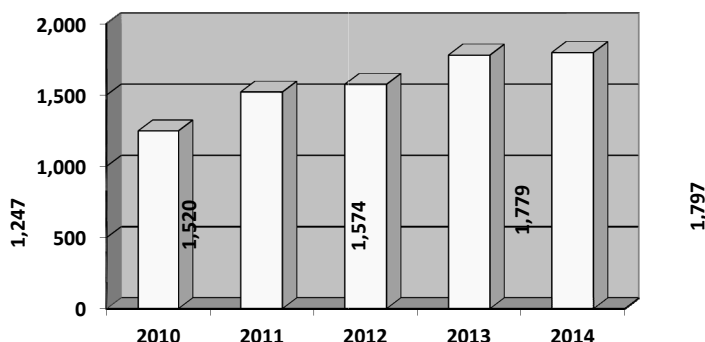


Source: created by the authors based on data published by N.A.F.A.

As presented in the graph above, the total costs incurred (excluding capital expenditure) have recorded a 44.46% rise between 01.01.2010 – 31.12.2014, from 1.407.049.996 lei in 2010 to a value of 2.032.723.063 lei in 2014.

The personnel costs incurred for the same time period have recorded the following dynamic:

**Figure no. 3 – Dynamic of the personnel costs incurred for the net budget revenues collected to the General Consolidated Budget (million lei)**

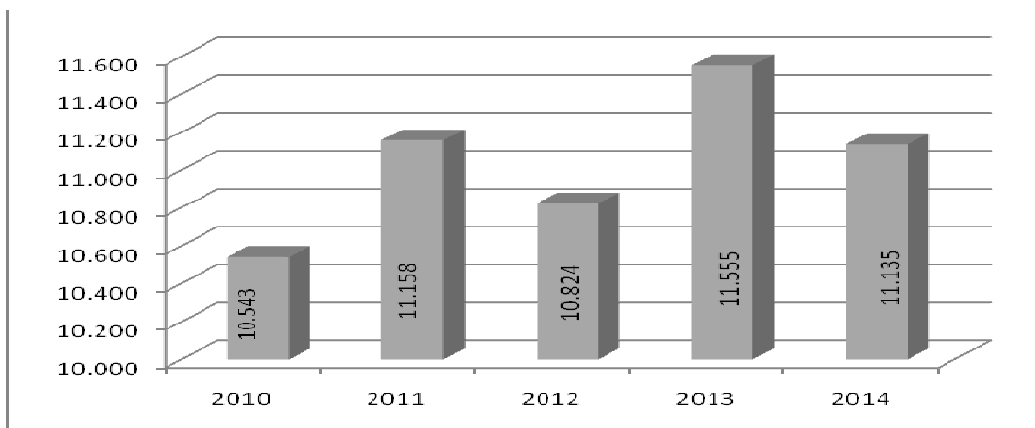


Source: created by the authors based on data published by N.A.F.A.

By analyzing the data presented above, one can conclude that between 01.01.2010 – 31.12.2014 the personnel costs have increased by 44.13%, from 1.246.906.142 lei in 2010 to a value of 1.797.166.356 lei in 2014.

The costs incurred for collecting 1 million lei in net budget revenues had the following evolution:

**Figure no. 4 – Level of costs incurred for collecting 1 million lei in net budget revenues (lei)**



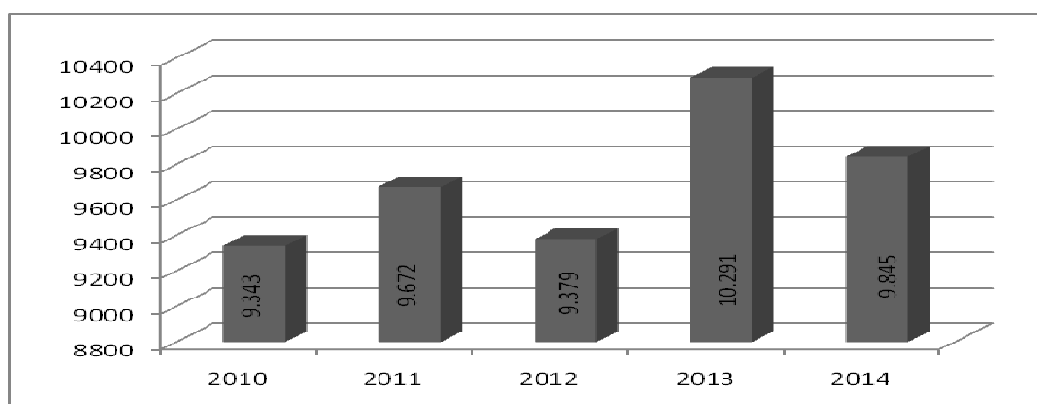
Source: created by the authors based on data published by N.A.F.A.

Based on the information presented we can determine the fact that between 01.01.2010 – 31.12.2014, the costs incurred for collecting 1 million lei in net budget revenues has risen by 5.62%, which represents an increase of 592 lei.



Moreover, the personnel costs incurred for collecting 1 million lei in net budget revenues has faced the following evolution:

**Figure no. 5 – Level of personnel costs incurred for collecting 1 million lei in net budget revenues**



Source: created by the authors based on data published by N.A.F.A.

By analyzing the data presented above, one can conclude that between 01.01.2010 – 31.12.2014 the personnel costs incurred for collecting 1 million lei in net budget revenues has increased by 502 lei, which represents a rise of 5.37%.

To conclude, whilst the budget revenues collected have increased by 36,78% for the time period 01.01.2010 – 31.12.2014, whilst the total costs incurred (excluding the capital expenditure) have risen by 44.46% and the personnel costs have risen by 44.13%.

#### **4. PROPOSALS REGARDING THE IMPLEMENTATION OF THE NEW EFFICIENCY AND EFFECTIVENESS INDICATORS**

In our opinion, the measurement of efficiency and effectiveness from the point of view of the collection process should be carried out with a set of indicators which should encompass the value chain.

According to the definition given by Nadia Albu and Catalin Albu in the book “Practical solutions to more efficient activities and growth in the organizational performance” - a process represents an ensemble of activities completed through a global objective. To this end, the evaluation of efficiency from the perspective of processes involves breaking down the main activities of the tax authority in order to determine the costs associated to them.

When inspecting the way in which the performance indicators set by the National Agency for Fiscal Administration were developed and implemented, as well as its responsibilities, the following main activities were identified:

- tax collection;
- fiscal inspection;
- customs and duties activities;
- anti-fraud activity.

An appropriate measuring of the collection cost involves evaluating the efficiency and effectiveness distinctively for each of the main activities stated above, which is the reason behind our proposal to create the following new indicators which meet these requirements:

*A. Collection costs incurred by the fiscal inspection activity*

- total costs of collecting the additional amounts set by the fiscal inspection

(a1) : amount of lei spent for each million lei in budget revenues collected as a result of additional amounts set by the fiscal inspection

$$a1 = b1 / c * 1 \text{ million}$$

where

b1 = total costs (excluding capital expenditure) incurred by the fiscal inspection activity

c = additional amounts set as a result of fiscal inspections

$$b1 = d1 / b * e$$

where

d1 = total costs (excluding capital expenditure) incurred by N.A.F.A.

b = total number of staff employed by N.A.F.A.

e = total number of staff employed by N.A.F.A.'s fiscal inspection department

For example:

$$c = 13.991.100.000 \text{ lei}$$

$$d1 = 2.032.723.063 \text{ lei}$$

$$e = 4.307 \text{ persons}$$

$$b = 24.911 \text{ persons}$$

$$b1 = 2.032.723.063 / 24.911 * 4.307 = 351.448.687 \text{ lei}$$

$$a1 = 351.448.687 / 13.991.100.000 * 1.000.000 = 25.119,45 \text{ lei}$$

- personnel costs incurred by the department of fiscal inspection for 1 million lei in additional amounts set (a2)

$$a2 = b2 / c * 1 \text{ million}$$

where

b2 = total personnel costs incurred by the department of fiscal inspection

$c$  = total additional amounts set by the fiscal inspections  
and

$$b2 = d2 / b * e$$

where

$d2$  = total personnel costs incurred by N.A.F.A.

$b$  = total number of staff employed by N.A.F.A.

$e$  = total number of staff employed by N.A.F.A.'s fiscal inspection department

For example:

$$c = 13.991.100.000 \text{ lei}$$

$$d2 = 1.797.166.356 \text{ lei}$$

$$e = 4.307 \text{ persons}$$

$$b = 24.911 \text{ persons}$$

$$b2 = 1.797.166.356 / 24.911 * 4.307 = 310.721.990$$

$$a2 = 310.721.990 / 13.991.100.000 * 1.000.000 = 22.208,55 \text{ lei}$$

*B. Collection costs incurred by the tax enforcement unit (g1)*

- costs incurred for collecting the amounts received through the enforcement procedure: amount of lei spent for each million lei in budget revenues collected as a result of additional enforcement procedures

$$g1 = h1 / i * 1 \text{ million}$$

where

$h1$  = total costs (excluding capital expenditure) incurred by the tax enforcement activity

$i$  = amounts received by the state budget through enforcement

and

$$h1 = d1 / f * j \text{ in care}$$

$d1$  = total costs incurred by N.A.F.A.

$f$  = total number of staff employed by N.A.F.A.

$j$  = total number of staff employed by N.A.F.A.'s enforcement unit

For example:

$$d1 = 2.032.723.063 \text{ lei}$$

$$f = 24.911 \text{ persons}$$

$$i = 14.520.000.000 \text{ lei}$$

$$j = 1.942 \text{ persons}$$

$$h1 = 2.032.723.063 / 24.911 * 1.942 = 158.466.067$$

$$g1 = 158.466.067 / 14.520.000.000 * 1.000.000 = 10.913,64 \text{ lei}$$

- personnel costs incurred by the enforcement unit for each 1 million lei received by the state budget through enforcement procedures (g2)

$$g2 = h2 / i * 1 \text{ million}$$

where

$h_2$  = total personnel costs incurred by the enforcement unit

$i$  = budget revenues received through enforcement procedures

and

$h_2 = d_2 / f * j$

where

$d_2$  = total personnel costs incurred by N.A.F.A.

$f$  = total number of staff employed by N.A.F.A.

$j$  = total number of staff employed by N.A.F.A.'s enforcement unit

For example:

$d_2 = 1.797.166.356$  lei

$f = 24.911$  persons

$i = 14.520.000.000$  lei

$j = 1.942$  persons

$h_2 = 1.797.166.356 / 24.911 * 1.942 = 140.102.648$

$g_2 = 140.102.648 / 14.520.000.000 * 1.000.000 = 9.648,94$  lei

## CONCLUSIONS

An efficient and effective tax collection process is not solely connected to a rise in the absolute value of the general consolidated budget revenues. The efficiency of internal processes must be processed along the operational flow, which involves the development and implementation of a new set of indicators. These new indicators are built around the concept of collection costs for the tax authority activities which are highly important.

We have selected the components of fiscal inspection and enforcement to serve as the basis for the new indicators as they involve qualitative work, qualitative operations, based on inspection processes. These new indicators can be implemented at a national, regional and local level (county tax authorities, city tax authorities etc.)

By using these indicators we can ensure the analysis of the changes in the values recorded, as well as the possibility to compare the efficiency and effectiveness of specific departments and sub-departments of the tax authority, distinctively for the fiscal inspection department and the tax enforcement unit.

We think that apart from the variables used by our research team in constructing the new indicators, other influencing factors can be identified, which can further contribute to improving the proposed model for measuring the efficiency of the fiscal inspection activity and the tax enforcement task.

Therefore, by using these indicators we can provide a more analytical and transparent measuring of the efficiency and effectiveness, which will offer the tax

authority the opportunity to take cost-cutting actions by clearly identifying the steps to follow.

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# THE IMPLEMENTATION OF THE LEADER APPROACH IN ROMANIA

Raluca PARJOLEANU<sup>1</sup>

## Abstract

*Due to its specificity, the LEADER approach can generate a balanced development of micro-regions. The fact that the local population is involved in the development of the areas in which they operated develops the local governance and contributes to the dynamic development supported by a local development strategy designed, implemented and managed locally by LAG representatives.*

**Keywords:** local initiatives, LEADER, LAG, “bottom up” approach

**JEL Classification:** Q18, R58

## 1. INTRODUCTION

Introduced at European Union level through the Bulletin of the European Communities, Supplement 4/88 – The Future of rural society. Commission communication transmitted to the Council and to the European Parliament on 29 July 1988, the LEADER approach ("Liaison Entre Actions de Développement de l'Economie Rurale") involves using 7 principles for local development: designing a local development strategy focused on area, a "bottom up" approach, the establishment of a Public-Private Partnership called Local Action Group (LAG), encouraging innovation, development of integrated and multi-sectoral actions, networking and co-operation.

## 2. THE BEGINNIG OF THE LEADER APPROACH IN ROMANIA

The Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) stipulated that national rural development programs, must include Axis 4 LEADER to support local development strategies.

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This fact was a major challenge for all Member States and particularly for Romania, as admitted by the Managing Authority of the program.<sup>2</sup> As a new Member State, Romania has faced a series of problems since:

1. Institutions and agencies involved in the management and implementation of the LEADER approach lacked relevant experience,
2. The degree of awareness of local communities about the potential of the LEADER approach was low, only a few partnerships had the potential of future local action groups.

The implementation of LEADER in Romania was to be introduced "step by step" over several years since drafting local development strategies was a challenging and time consuming task.

The concept of the LEADER approach was promoted in Romania in the documents approving the 2007-2013 National Development Plan<sup>3</sup>, which represents the strategic planning and multiannual financial programming document, developed by a broad partnership that guides and stimulates the socio-economic development of Romania in accordance with EU Cohesion Policy.

It specified<sup>4</sup> that the LEADER Community Initiative *"aims to mobilize all actors from the rural areas in designing and implementing local development strategies for the conservation of rural and cultural heritage, the development of the economic environment and the improvement the organizational skills of local communities. In this context it becomes necessary to create public-private partnerships for implementing development strategies, but also to exchange and disseminate information, to encourage the formation of local organizations and to help them stimulate the activities of local communities and the participation of local communities in initiatives aimed at their development. The encouragement of the creation and testing of new approaches to integrated and sustainable development of rural areas as part of the program will open the way to utilise unused reserves of civic actions, will contribute to a rapid development of these areas. The implementation of the measures planned under this program will help improve spatial development and rural infrastructure, including resources related to the economic, social and cultural areas. This sub-priority will aim at stimulating local initiatives that will boost the capacity of rural communities to develop business initiatives based on partnership and projects for the protection of local cultural and natural heritage. It will also encourage and support involvement of local communities in the process of drafting and promoting the documentations of spatial and urban planning. Thus, this*

<sup>2</sup><http://www.madr.ro/axa-leader/leader-2007-2013/legislatie-axa-leader.html> taken on 01.12.2015, at 20.00

<sup>3</sup>Planului Național de Dezvoltare 2007-2013<sup>3</sup> approved in december 2005 (page 325, Section 5.3.4 *Promovarea inițiativelor locale de tip LEADER*)

<sup>4</sup>Planului Național de Dezvoltare 2007-2013 approved in december 2005 (page 325, Section 5.3.4 *Promovarea inițiativelor locale de tip LEADER*)

*type of local initiatives will meet exactly the requirements and needs of local actors in a particular rural area. In this way, the "bottom-up" approach will allow each representative of rural areas, together with the community, to benefit from the knowledge necessary to carry out various activities of common interest. These strategic elements will be implemented by the LAGs (Local Action Groups)."*

Subsequently, the theme was taken up in the National Strategic Plan for Rural Development 2007-2013 (NSP) and the National Rural Development Programme 2007-2013 (NRDP).

The National Strategic Plan for Rural Development 2007-2013 (NSP) specifies for Axis 4 LEADER<sup>5</sup>:

Objective: Implementation of a pilot LEADER program.

Sub-objectives: LEADER implementation through a bottom-up approach at local level to implement the rural development program.

Measures Objectives:

- Improving the competitiveness of agriculture and forestry sector by supporting restructuring, development and innovation
- Using natural and cultural resources in a rational and balanced way through the use of agricultural good practices and the increase of the importance and value of community interest areas selected as Natura 2000 sites
- Improving the quality of life in rural areas and encouraging economic activity
- Increasing the added value of local products by facilitating access to markets for small production units.

According to article 54 of the Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005, each Member State shall establish a national rural network, which groups the organisations and administrations involved in rural development. The operation of the National Network for Rural Development was funded through the Technical Assistance component of the National Rural Development Program, according to art. 66 (3) of Council Regulation (EC) no.1698/2005.

Taking into account the main strategic guidelines set by Romania with regard to rural development for the period 2007 - 2013 and strengthening these guidelines through facilitating their learning and understanding by the rural actors, the National Network for Rural Development has the overall objective to enlist the energy of all actors in the rural development process and promote an effective flow

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<sup>5</sup>Planul Național Strategic pentru Dezvoltare Rurală 2007-2013 (PNS), page 51



of information, exchange of ideas and best practices and cooperation, bringing together all the organizations and institutions that are involved in rural development in order to:

- Creating an economy based on agricultural and forestry holdings that must undertake modernization;
- Development of an agriculture that promotes biodiversity and environment conservation;
- Improving the quality of life and economic development in rural areas;
- Improving local governance in order to create and implement local development strategies.<sup>6</sup>

The National Network for Rural Development was recommended to be first created through the Leader program because it is the best starting point due to the existence of a network of NGOs active in local development and to be extended afterwards to other rural development issues. Thus, the first beneficiaries of the network would be the local action groups.<sup>7</sup>

Although in the 2000-2006 programming period, Romania did not implement Leader actions, a number of development initiatives were identified at country level, such as Local Initiative Groups (LIG), Micro-regions and other LEADER-like partnerships. These were partnerships between non-governmental organizations (NGOs), local public administration, church, school, medical and dental offices, micro-regions, etc. Some LIGs have reached an organizational maturity and were transformed into Community Associations with legal personality, while others have dissolved after achieving their objective. In 2006, the Ministry of Agriculture and Rural Development selected a total of 120 representatives of sub-regional territories (areas), with a population between 10,000 and 100,000, territories which covered 37 counties out of 42, in pursuit of LEADER structures and activities. These representatives have been appointed by informal partnerships between public, private and civil society, in order to be trained on the following topics: building partnerships, diagnostic analysis, local development strategy, the action plan of the territory, animation activities, monitoring and evaluation of the Action Plan, all these actions being necessary to prepare the Leader axis implementation in Romania.<sup>8</sup>

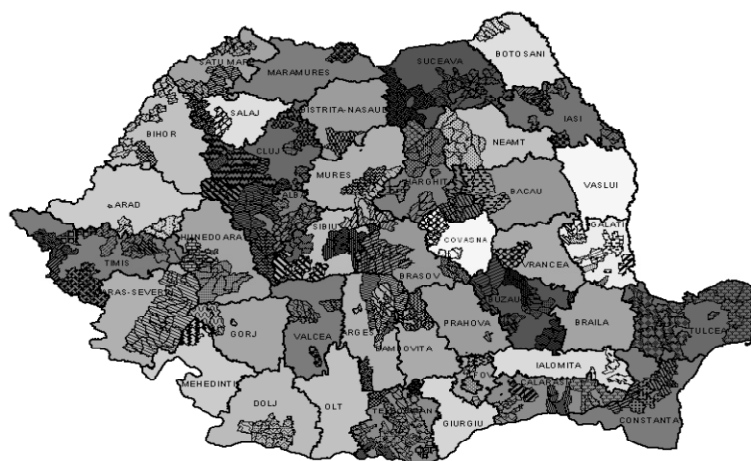
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<sup>6</sup>Programul Național de Dezvoltare Rurală 2007-2013, VIIIth version, march 2012, page 486

<sup>7</sup>Planul Național Strategic pentru Dezvoltare Rurală 2007-2013 (PNS), page 69

<sup>8</sup>Programul Național de Dezvoltare Rurală 2007-2013, VIIIth version, march 2012, page 56

### Map of the territories selected for the training of representatives of public-private partnerships (LEADER)



*Source: 2007-2013 National Rural Development Programme, VIIIth version, march 2012, page 532*

The evaluation study *"Methods for and Success of Mainstreaming Leader Innovations and Approach into Rural Development Programmes"*<sup>9</sup> (April 2004), conducted by ÖIR-Managementdienste GmbH, contracted by DG Agri defines the concepts of "strategic vertical / top down mainstreaming" and "mainstreaming on demand". The study noted the need for a critical mass of key players among senior administration and political actors interested in introducing the LEADER approach and able to formulate and implement a comprehensive approach. The study called it "strategic vertical mainstreaming" because it starts from the top of the hierarchy and is translated down and spread to other authorities. Integration can also be induced from the bottom up through political lobbying of local and regional stakeholders, who convey a demand of the people and local institutions: "mainstreaming on demand" appears after previous successful experiences with LEADER approaches, which should be intensified based on local people.

### LEADER Axis in the National Program for Rural Development 2007-2013

National Rural Development Programme 2007-2013 stated that because in Romania there is a lack of experience in connection with the Leader Axis, 120 local experts were selected to be trained. In selecting LAGs by the MA, the responsibility

<sup>9</sup><http://ec.europa.eu/agriculture/eval/reports/leader/full.pdf> taken on 02.12.2015, at 10.00

of project selection will be given to them and the eligibility checking, approval, implementation of payments the responsibility of the Payment Agency for Rural Development and Fisheries (APDRP).

Thus, in Romania, the LEADER axis during the 2007-2013 period included the following measures:

4.1 Implementation of local development strategies:

*411 Increasing the competitiveness of agriculture and forestry*

*412 Improving the environment and the countryside*

*413 Quality of life and diversification of the rural economy*

4.21 Implementing cooperation projects

4.31 Operation of Local Action Groups, skills acquisition and animation

*431.1. Establishing public-private partnerships*

*431.2. Operation of Local Action Groups, skills acquisition and animation*

Romania's priority in the 2007-2009 period was the implementation of Measure 431.1 on establishing public-private partnerships (potential LAGs) with a set of clearly oriented objectives:

1. Effective introduction of the LEADER "bottom up" planning approach and development through a gradual process of training (learning by doing) and interconnection.

2. Preparation for the expansion of LEADER in the next programming period.

The 431.1 sub-measure was implemented in 3 successive phases as follows:

- Phase 1 - This phase raising awareness of local actors about the LEADER approach was done through information and training sessions regarding the National Rural Development Programme, local development, Axis 4 LEADER, examples of concrete actions in rural areas;
- Phase 2 - In this phase the training of representatives of potential LAGs was done regarding local development strategies (diagnose analysis and SWOT analysis, strategy development, program actions, partnership formation, etc.);
- Phase 3 - In this stage financial support was provided for the preparation of local development plans for LAG selection, based on projects designed by the partnerships concerned. These had to include the objectives, the duration of planned actions, the strategy and budget for the preparation of the strategy and local development plans for the selection of LAGs. The final product of this project had to be the local development plan for the selection of LAGs.

Public-Private Partnerships established as LAGs had to cover a territory of the eligible area for the implementation of the Leader axis, mainly the rural area, defined by the Romanian legislation, plus a number of 206 small towns (not

exceeding 20,000 inhabitants). At the same time, the urban population could not exceed 25% of the total number of inhabitants in a LAG.

The number of people that should have been covered by LAGs amounted to about 11.7 million., of which about 2 million from the small town and the area eligible for LEADER axis implementation was 227,000 km<sup>2</sup> (207,000 km<sup>2</sup> of rural areas defined according to the national definition, plus approximately 20,000 km<sup>2</sup> urban area owned by towns with up to 20,000 inhabitants).

The maximum amount that could be requested by a potential Local Action Group was 2,850,000 Euro.

The selection criteria for the local development strategies were<sup>10</sup>:

*Criteria regarding the territory* – Priority selection was given to:

- ✓ Territories with a population between 30,000 and 70,000;
- ✓ Territories with a population density below 75 inh. /Km<sup>2</sup>;
- ✓ Territories include areas poor / disadvantaged Natura 2000 areas with high natural value (HNV) areas affected by industrial restructuring;
- ✓ Territories include portions of different counties.

*Criteria regarding the partnership* - Priority in selection has been granted to the following groups:

- ✓ Ethnic minority groups;
- ✓ Groups with a balanced representation of young people;
- ✓ Groups with a balanced representation of women;
- ✓ Groups that include representatives of agricultural organizations / groups of producers
- ✓ Forestry sector representatives, representatives from the economic / environmental organizations, etc.;
- ✓ Groups in which private partners and civil society represent more than 65% of all partners.

*Criteria regarding the strategy* - The quality of the following items was considered in the selection process:

- ✓ initial situation assessment and analysis of needs and potential of the area (diagnostic analysis and SWOT analysis);
- ✓ objectives for implementing the local development plan; (set in correlation with the diagnosis and SWOT analysis/ clear and measurable);
- ✓ actions / methods proposed to achieve the objectives;
- ✓ complementarity with other development programs;
- ✓ LAG criteria used for selection of projects;
- ✓ administrative procedures, rules and detailed audit trail;

<sup>10</sup>Ghidul solicitantului pentru participarea la selecția grupurilor de acțiune locală, martie 2012

- ✓ assessment procedures - Monitoring development strategies;
- ✓ effective local partners consultation in developing the strategy
- ✓ effective informing of potential beneficiaries about the LAG activities.

*Criteria related to the strategy components* - Priority in selection has been granted to the following strategies:

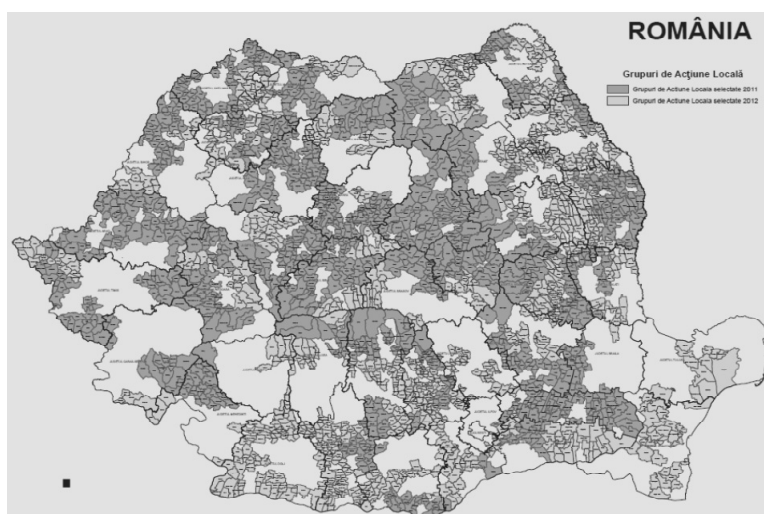
- ✓ strategies including innovative actions;
- ✓ strategies including cooperative actions;
- ✓ strategies combining several axes of the NRDP objectives;
- ✓ strategies addressing semi-subsistence farmers (diversification or development);
- ✓ strategies targeting young people;
- ✓ strategies integrating environmental issues;
- ✓ strategies aimed at facilitating the implementation of those measures that will address the NRDP beneficiaries: producer groups, associations, partnerships, other associative forms recognized by national law.

The first selection session of LAGs in Romania took place in the period 01.09-29.10.2010. There were selected and financed a number of 82 local action groups. The second session of the LAG selection took place during 01.03-02.05.2012. There were selected and financed a number of 81 local action groups. By the end of 2012, only 87 LAGs had signed the grant contracts under the sub-measure 431.2 *Operation of Local Action Groups, skills acquisition and animation*, totaling € 44,465,611, thus being able to start conducting the activities for the implementation of their strategies. The 163 LAGs brought up to their micro-regions until November 2015 a total funding of € 385,762,868, according to available official data.<sup>11</sup> After completing the selection of local development strategies, the territory covered by the LAGs was approx. 14,398 km<sup>2</sup> (comprising 1,805 villages and 79 town under 20,000 inhabitants), attended by 58% of the LEADER eligible population and representing about 63% of the LEADER eligible territory)<sup>12</sup>.

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<sup>11</sup> According to the information letter sent by the Managing Authority on my request for information

<sup>12</sup> Programul National de Dezvoltare Rurala 2014-2020, page 62



Source: [http://www.madr.ro/docs/dezvoltare-rurala/Axa\\_LEADER/harta-gal-romania-update-2013.pdf](http://www.madr.ro/docs/dezvoltare-rurala/Axa_LEADER/harta-gal-romania-update-2013.pdf) taken on 24.10.2015, 17.00

Local development strategies implemented few atypical measures (non-specific to the National Programme for Rural Development), the financing contracted by LAGs' beneficiaries being mostly on measures specific to Axis 1 and 3 of the National Rural Development Programme. This was mainly due to the fact that LAGs have had short periods available to implement their strategies, but also due to repeated changes of procedures manual for implementing the strategies, made by MA NRDP and the Rural Investment Funding Agency. Another problem that local action groups faced in the selection and evaluation of projects, was the introduction and evolution of the concept of "creating artificial conditions" for financing. Identifying these artificial conditions led to the rejection of some of their beneficiaries' projects.

The Council Regulation (EC, EURATOM) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests stipulates in article 4, (3): „Acts which are established to have as their purpose the obtaining of an advantage contrary to the objectives of the Community law applicable in the case by artificially creating the conditions required for obtaining that advantage shall result, as the case shall be, either in failure to obtain the advantage or in its withdrawal.” This condition was acquired in subsequent regulations.

Thus, firstly the following filter for the identification of artificial conditions was introduced<sup>13</sup>:

1. *The same title of the project identified in two or more proposals?*
2. *The same head office is found in two or more proposals?*

<sup>13</sup>Formular E 3.1 - Fișa de verificare a criteriilor de eligibilitate, specifica masurii 312 din PNDR 2007-2013

3. *The same site of the project (village) is found in two or more proposals?*
4. *The same legal representative of the project is found in two or more proposals?*
5. *The same project consultant is found in two or more proposals?*

Accumulation of three positive responses, would have resulted in the project's dismissal. Rejection of projects under artificial conditions caused a large number of complaints from the potential beneficiaries. Subsequently, the Rural Investment Funding Agency (RIFA) published in November 2015 the "Guidelines for the prevention of irregularities creating artificial conditions in accessing funds granted by the NRDP 2014-2020".

LAGs selected in the first session had some difficulties in identifying the amounts of money required for starting the implementation of their activities, staffing and to cover operating costs. This problem has found its solution in granting an advance for the LAG activities, starting with 2013, the amount being secured by a promissory note issued personally by the legal representative of each LAG.

In Romania, although almost all local development strategies of LAGs included co-operation actions, inexperience and reluctance of the Rural Investment Funding Agency (in the absence of very precise criteria of defining this type of projects) and the MANRDP towards financing cooperation projects, but also the lack of experience of local action groups, led to an extremely low implementation degree of cooperation activities in the 2007-2013 programming period. Also a factor that led in the same direction was the economic crisis, which severely limited financial capacity of the national and European partners to carry out such projects.

Innovation is also one of the main features of LEADER. However, in Romania, the lack of experience of LAGs, RIFA and MA NRDP made innovation to be found in a very low measure in the projects selected in local development strategies.

### **LEADER in the 2014-2020 National Rural Development Programme**

In accordance with the Council Regulation 1303/2013<sup>14</sup>, Article 33 - Community-led local development strategies:

*"1. A community-led local development strategy shall contain at least the following elements:*

*(a) the definition of the area and population covered by the strategy;*

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<sup>14</sup>REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006

*(b) an analysis of the development needs and potential of the area, including an analysis of strengths, weaknesses, opportunities and threats;*

*(c) a description of the strategy and its objectives, a description of the integrated and innovative features of the strategy and a hierarchy of objectives, including measurable targets for outputs or results. In relation to results, targets may be expressed in quantitative or qualitative terms. The strategy shall be consistent with the relevant programmes of all the ESI Funds concerned that are involved;*

*(d) a description of the community involvement process in the development of the strategy;*

*(e) an action plan demonstrating how objectives are translated into actions;*

*(f) a description of the management and monitoring arrangements of the strategy, demonstrating the capacity of the local action group to implement the strategy and a description of specific arrangements for evaluation;*

*(g) the financial plan for the strategy, including the planned allocation from each of the ESI Funds concerned.*

2. Member States shall define criteria for the selection of community-led local development strategies.

3. Community-led local development strategies shall be selected by a committee set up for that purpose by the managing authority or authorities responsible and approved by the managing authority or authorities responsible.”

In accordance with the same Council Regulation 1303/2013<sup>15</sup>, Article 34 - Local action groups:

„1. Local action groups shall design and implement the community-led local development strategies. [...]

3. The tasks of local action groups shall include the following:

*(a) building the capacity of local actors to develop and implement operations including fostering their project management capabilities;*

*(b) drawing up a non-discriminatory and transparent selection procedure and objective criteria for the selection of operations, which avoid conflicts of interest, ensure that at least 50 % of the votes in selection decisions are cast by partners which are not public authorities, and allow selection by written procedure;*

*(c) ensuring coherence with the community-led local development strategy when selecting operations, by prioritising those operations according to their contribution to meeting that strategy's objectives and targets;*

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<sup>15</sup>REGULATION (EU) No 1303/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006



- (d) preparing and publishing calls for proposals or an ongoing project submission procedure, including defining selection criteria;*
- (e) receiving and assessing applications for support;*
- (f) selecting operations and fixing the amount of support and, where relevant, presenting the proposals to the body responsible for final verification of eligibility before approval;*
- (g) monitoring the implementation of the community-led local development strategy and the operations supported and carrying out specific evaluation activities linked to that strategy.”*

For the 2014-2020 programming period, the Leader approach has been introduced in the National Rural Development Programme by Measure 19 "LEADER local development", which includes the following sub-measures<sup>16</sup>:

- *19.1 – Preparatory support for the local development strategies.*  
The purpose of investments in this sub-measure is to support local public-private partnerships in designing their local development strategy.
- *19.2 - Support for the implementation of actions within the local development strategy.* The strategies developed will present types of actions that are found in specific categories of eligible actions in the NRDP and / or innovative actions. The Local Action Group through the Project Selection Committee will select the projects it will fund.
- *19.3. Preparation and implementation of cooperation activities of the Local Action Group.* This sub-measure will fund the transnational cooperation projects (between Romania and other EU Member States and inter-territorial cooperation (within the territory of Romania) among Local Action Groups.
- *19.4. Support for operating expenses and animation.* The sub-measure aims to reimburse the operating expenses based on the performance of the LAG in the implementation of the strategy.

Putting into practice of the Measure 19 "LEADER Local Development" started through the call for proposals for funding under sub-measure 19.1 in the period 25 March - 5 June 2015. According to the evaluation report<sup>17</sup> of this first call for proposals there were submitted 175 eligible projects, 1 ineligible project, and 4 projects were withdrawn. The total public value of eligible projects was 2,376,835.85 EUR, and the total public value of projects submitted: 2,380,302.89 EUR. Grant support intensity for this sub-measure is 100% and the budget available was 2,400,000 Euro. Eligible projects are in the contracting process. Support for technical assistance will be provided in accordance with the Regulation no.1303 / 2013, up to a

<sup>16</sup>[http://www.madr.ro/docs/dezvoltare-rurala/programare-2014-2020/dezbatere/fise-masuri/Fisa\\_masurii\\_Leader\\_draft\\_v3.pdf](http://www.madr.ro/docs/dezvoltare-rurala/programare-2014-2020/dezbatere/fise-masuri/Fisa_masurii_Leader_draft_v3.pdf), taken on 05.12.2015, at 12.00

<sup>17</sup>[www.apdrp.ro](http://www.apdrp.ro) taken on 12.12.2015, at 16.00

maximum of 20,000 Euro for LDS (local development strategy) submitted by a Partnership as follows:<sup>18</sup>

- Expenditure on animation will be a maximum of 10,000 EUR given in proportion to the number of inhabitants covered by the Local Development Strategy (maximum 100,000 inhabitants). Therefore, the financial allocation will be 0,1euro / capita;
- Expenses related to the development of the strategy will be in the maximum amount of 10,000 EUR, regardless of the size of territory and population covered by LDS.

In order to be eligible, the local development strategy must be developed based on a bottom-up approach. LEADER activities can and should meet the different types of eligible activities of the rural development program, including those pertaining to social inclusion and poverty reduction. The types of investments that are not financed by traditional measures of the NRDP 2014-2020, will bridge the gaps between rural and urban areas while preserving local identity and stimulating the clotting of local interests. Local Action Groups will elaborate their strategy according to the needs identified in the diagnostic analysis of their own areas, but also based on the key priorities identified in the 2014 – 2020 NRDP.

## CONCLUSIONS

Due to its specificity, the LEADER approach can generate a balanced development of micro-regions. The fact that the local population is involved in the development of the areas in which they operate develops the local governance and contributes to the dynamic development supported by a local development strategy designed, implemented and managed locally by LAG representatives.

LEADER is an important approach for Romania in the struggle for economic and social imbalances and disparities between urban and rural areas. The experience gained so far reflects a capacity for development that does not entirely respond to local needs, particularly in terms of collaboration between public and private partners, therefore the strategic approach should be encouraged and developed.

In the short period of implementation of local development strategies and operation of LAGs selected in the 2007-2014 programming period, it was shown that on the basis of its specificity, the LEADER approach can contribute to balanced regional development and can accelerate their structural progress. The involvement of local actors in the development of the areas in which they operate, will contribute to local development and will lead to a dynamic development, based on a local

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<sup>18</sup>Ghidul Solicitantului pentru Accesarea Submăsurii 19.1 ”Sprijin Pregătitor pentru Elaborarea Strategiilor de Dezvoltare Locală”, page 5

development strategy designed, implemented and managed by representatives of the LAGs.<sup>19</sup>

LEADER is an important tool for rural development for Romania, given that the current basic services do not meet the needs of the local population, nor the social conditions, which can be seen in the poor economic development of the areas.

Given the specific needs of local communities and their endogenous potential, it is relevant to continue to use this tool for bottom up rural development for the promotion of initiatives and development activities by local communities, in an integrated and innovative, but also balanced manner, in order to accelerate the structural development of these communities.

Also, the management capacity of local governance needs to be strengthened in order to inform stakeholders and stimulate rural areas to get involved to a greater extent in the process of developing their own micro-region.

Innovation remains key to LEADER, and in the 2014-2020 period, the support for a wide range of innovative actions, identified on the principle of the bottom up approach, based on community needs, will be revived and strengthened. Therefore, Measure 19 “LEADER local development” will encourage the promotion of innovative projects in the local development strategies, with particular emphasis on identifying innovative solutions tailored to local needs.

The Cooperation component will generate added value in the micro-regions, particularly through the involvement of local people and representatives of various economic sectors. For the Romanian LAGs, cooperation will represent an important opportunity to have direct contact with examples of best practices in other EU Member States and to connect and integrate into the European LEADER community. Therefore, LEADER is not simply a funding source, but rather constitutes the best form of stimulating local and regional development of the LEADER areas.

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<sup>19</sup>Programul National de Dezvoltare Rurala 2014-2020

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[10] Rural Investment Funding Agency website: [www.apdrp.ro](http://www.apdrp.ro) ;

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# GENERAL ASPECTS REGARDING FRAUD AS A MEAN TO PREJUDICE THE FINANCIAL INTERESTS OF THE EUROPEAN UNION

Valentin DIMON<sup>1</sup>

## Abstract

*For the European Union (EU) - perhaps more than other countries - optimizing the activity of anti-fraud institutions and their management is more difficult and raises more complex problems to solve than in other states. The need to mitigate and control the financial crime phenomenon that the EU institutions are facing, depends mainly on how they master the information about stocks, sources of their formation, their cost, the allocation and use of stocks, the efficiency of budget allocation, etc. Moreover, taking into account the specific aspects of the problems the European Union is facing, the approach to optimize the activity of anti-fraud institutions and thus their management, with the shown risks, is an absolute and unequivocal necessity.*

**Key words:** *fraud, anti-fraud fight, OLAF.*

**JEL Classification:** G31, G32.

## 1. INTRODUCTION

The Association of Certified Fraud Examiners (ACFE) in USA<sup>2</sup> uses a specific taxonomy of the types of the fraud that an organisation can encounter. ACFE divides fraud into three types, as a starting point in identifying areas vulnerable to fraud:

- Intentional manipulation of financial statements;
- Embezzlement of tangible and intangible assets;
- Corruption of the following nature: bribery, manipulation of procurement procedures, non-declaration of conflicts of interest, embezzlement of funds.

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<sup>1</sup>Drd. Valahia University of Targoviste, e-mail: valentin.dimon@gmail.com,

<sup>2</sup>*Managing the Business Risk of Fraud – A Practical Guide*, Institute of Internal Auditors, the American Institute of Certified Public Accountants and the Association of Certified Fraud Examiners, 2008. <http://www.ifa-iaf.be/v1/frontEnd/libraryIfa/index.php?action=detail&id=29>.

In specialized literature, the fraud researcher Donald R. Cressey identifies three reasons underlying the commission of fraud, which can be summarized as a "fraud triangle" as it follows:



*Opportunity:* Even if a person has a reason, there should be an opportunity. Deficient internal control systems may lead to an opportunity (the presumed likelihood of the fraud not being detected is a crucial consideration for the fraud perpetrator). Fraud can also occur, if controls are not applied or if the persons / institutions with positions of authority create the opportunities that the existing controls are not taken into account. Examples of weaknesses in internal control systems are the deficiencies related to:

- Supervision and review;
- Separation of functions;
- Approval by the governing bodies;
- Control systems.

*Rationalization:* A person can formulate a justification by rationalising their acts, e.g. "It is only fair that I do this - I deserve this money" or "They owe me" or "I am only taking a loan – I will pay them back".

*Financial pressure:* the "Need or Greed" Factor. Pure greed can often be a strong reason. Other pressure can arise due to personal financial problems or personal vices.

According to some specialists such as Harry Cendrowski, James P. Martin and Louis W. Petro "the demolition of the fraud triangle" is key to fraud prevention. Of the three elements, opportunity is the most directly affected by strong internal control systems and therefore is the most manageable.

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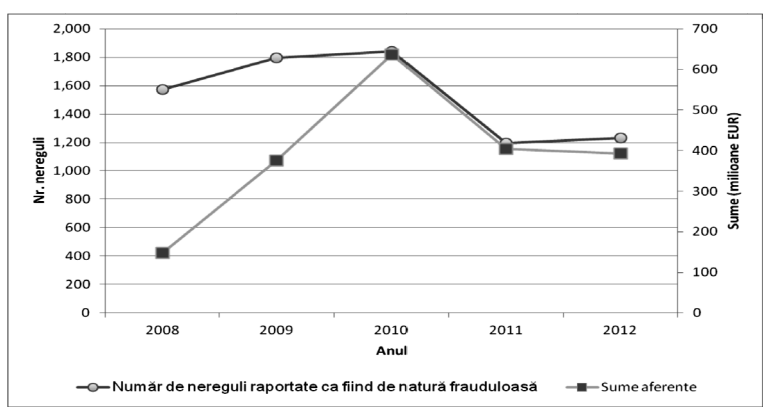
<sup>3</sup>Harry Cendrowski, James P. Martin și Louis W. Petro, *The Handbook of Fraud Deterrence*, 2007, pg. 41, quoted in: [www.fonduri.mcsi.ro](http://www.fonduri.mcsi.ro), "Notă informativă privind indicatorii de fraudă pentru FEDR, FSE și FC"

## 2. OVERVIEW OF THE ANTI-FRAUD FIGHT IN THE EU

One of the major problems that the European Union is confronted with, from the financial point of view, is embezzlement of the community budget<sup>4</sup>.

Research conducted in this regard revealed that the EU budget is profoundly affected by the phenomena of fraud and tax evasion, both in terms of budgetary resources (revenues) and in terms of how these budget resources are used (expenditure). In other words, the EU budget gets paid much less than normally due and in terms of expenditure it is found that some amounts granted by the European institutions, in the form of grants and aid often end up taking other destinations than those consistent with the purposes for which they were granted and with the EU interests<sup>5</sup>.

The highest number of irregularities of a fraudulent nature were reported by Spain, Italy, Germany and Greece, while Spain ranks first in terms of the amounts involved, followed by Belgium and Italy.<sup>6</sup>



Given the fact that fraud affecting the Community budget is often committed by criminal organizations operating throughout the EU, it has become necessary for the European Union, through its institutions, to incriminate these actions that bring

<sup>4</sup>Antoniou G., *Protecția penală a intereselor financiare ale Comunităților Europene*, RDP issue: 2, 2002, page 9.

<sup>5</sup>Fourgoux J.C., *Un espace judiciaire contre la fraude communautaire: un corpus iuris entre reve et realite*, 1997, Chron.349 (nr.40), quoted by Ghinea, N., *Unele considerații privitoare la fraudă care prejudiciază interesele financiare ale Comunităților Europene*, Public Security Studies, issue: 4/2012, page 15-21, www.ceeol.com.

<sup>6</sup>www.ipex.eu, REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND TO THE COUNCIL Protection of the European Union's financial interests-Fight against fraud Annual Report 2012

<sup>7</sup>www.ipex.eu, REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND TO THE COUNCIL Protection of the European Union's financial interests-Fight against fraud Annual Report 2012

significant financial damage to the community's interests and to adopt a coherent and effective set of measures enabling Member States to cooperate in preventing and combating fraud.<sup>8</sup>

A first step was made in 1995 by adopting the Convention on the protection of the European Communities' financial interests which, among other things, defines the fraudulent conduct both in terms of revenue and expenditure.

<b>The definition of fraud in respect of revenue and expenditure according to the Convention on the protection of the European Communities' financial interests<sup>9</sup></b>	
<b>Fraud in respect of revenue consists in:</b>	<b>1.</b> the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities,
	<b>2.</b> non-disclosure of information in violation of a specific obligation, with the same effect;
	<b>3.</b> the misapplication of such funds for purposes other than those for which they were originally granted.
<b>Fraud in respect of expenditure consists in:</b>	<b>1.</b> the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the illegal diminution of the resources of the general budget of the European Communities or budgets managed by , or on behalf of, the European Communities;
	<b>2.</b> non-disclosure of information in violation of a specific obligation, with the same effect;
	<b>3.</b> misapplication of a legally obtained benefit, with the same effect.

Thus, the Convention on the protection of the European Communities' financial interests adopted having regarding to the Treaty on European Union regarding the protection of the European Communities' financial interests defines "fraud" as being an intentional act or omission relating to:<sup>10</sup>

<sup>8</sup>Ghinea, N., *Unele considerații privitoare la fraudă care prejudiciază interesele financiare ale Comunităților Europene*, Public Security Studies, issue: 4/2012, page 15-21, www.ceeol.com.

<sup>9</sup>Ghinea, N., *Unele considerații privitoare la fraudă care prejudiciază interesele financiare ale Comunităților Europene*, Public Security Studies, issue: 4/2012, page 15-21, www.ceeol.com.

<sup>10</sup> Official Journal of the European Communities No C 316/49 - COUNCIL ACT of 26 July 1995 drawing up the Convention on the protection of the European Communities' financial interests ( 95/C 316/03 ).



- the use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by, or on behalf of, the European Communities;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they were originally granted.

According to Regulation (EC) No 1681/94 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the structural policies and the organisation of an information system in this field, since 2006, Member States are required to identify, when they notify irregularities to the Commission, whether the those irregularities involve "suspected fraud"<sup>11</sup>.

The Treaty on the Functioning of the European Union stipulates that the EU and Member States have a shared responsibility to protect EU financial interests and to combat fraud. Annually, in accordance with Article 325 paragraph 5 of the Treaty on the Functioning of the European Union, the European Commission, in cooperation with Member States, present the European Parliament and the Council a report on measures taken to combat fraud and any other illegal activities affecting the financial interests of EU.

Since the primary responsibility for fraud prevention at EU level lies with the European Commission, fraud deterrence success depends largely on optimizing the management of Community antifraud institutions subordinated to it.

An important aspect of protecting the EU's financial interests requires the use of mechanisms for the prevention and correction of fraud and other irregularities so as to ensure the budget implementation in accordance with the principles of sound financial management.

Under shared management, the Commission may adopt the following measures:

- Preventive measures: cuts in payments or full/partial suspension of intermediate payments to a Member State , applied in three cases :
  - Evidence of serious deficiency in the management and control system and not adopting any corrective measures;
  - Certified expenditure associated with serious irregularities;
  - Serious breach by a Member State of its obligations of management and control;

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<sup>11</sup> Article 1a (4) of the Regulation (EC) No 1681/94 defines „suspected fraud” as „an irregularity giving rise to the initiation of administrative or judicial proceedings at national level in order to establish the presence of intentional behaviour, in particular fraud”. This definition is reproduced in article 27 section c of the Regulation (EC) no. 1828/2006.

- Corrective measures: where the necessary measures are not taken by the Member State concerned, the Commission may decide to impose a **financial correction** that follows three main stages:
- Ongoing: subject to modifications not formally by the Member State;
  - Confirmed / decided : approved by the Member State or decided by a Commission decision;
  - Implemented: the financial correction is made and unjustified expenses are corrected. Expenditure that are not in accordance with the applicable rules, become the subject of either a **recovery order** or of a **deduction** from subsequent payment requests.

In the Community legislation, the term of fraud is used both in relation to international crimes committed in the EU (international fraud) and in relation to transnational crime, against the interests of the EU (Community financial fraud). This last typology of fraud has several meanings under Community law. Thus, the European Anti-Fraud Office (OLAF) has jurisdiction to prosecute acts which prejudice the Community's financial interests, including fraud relating to bank cards ( through theft, counterfeiting, cloning them), counterfeit of currency, and specific offense of fraud affecting the financial interests of the Community, set out in the Convention on the protection of the European Communities.<sup>12</sup>

In terms of the legal framework, in the European Union a series of measures have adopted to improve the legal and administrative framework for the protection of the member states.

### **Antifraud policy initiatives taken by European Commission**

*The proposal for reform of OLAF (Regulation no. 1073/1999) concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (Euratom) No. 1074/1999* focuses on clarifying the procedural rights of persons under investigation by OLAF, increasing the efficiency of its investigations and enhanced cooperation with other EU institutions and bodies, Member States and international organizations. The proposal also seeks to clarify the role of the OLAF Supervisory Committee and to establish a regular exchange of views with EU institutions to discuss OLAF's strategic priorities.

The proposal for a directive on combating fraud against the Union's financial interests through criminal law: This document aims at strengthening the legal framework for protecting the EU budget against misuse. The draft directive aims to clarify, harmonize and strengthen the criminal law in the Member States regarding offenses relating to the EU budget. There are considerable differences between Member States regarding the level of protection (through criminal law) of the EU budget. One of the reasons is that the existing legislation did not ensure a sufficient

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<sup>12</sup>Ghinea, N., *Unele considerații privitoare la fraudă care prejudiciază interesele financiare ale Comunităților Europene*, Public Security Studies, issue: 4/2012, page 15-21, [www.cceol.com](http://www.cceol.com).

level of harmonization and implementation in Member States. The proposal promotes deterring fraud through initiatives to harmonize crime definitions and levels of material criminal sanctions to protect EU financial interests. These include:

- defining crimes - fraud, corruption, money laundering - based on the Convention on the protection of the European Communities' financial interests and its protocols;
- harmonization of definitions of other crimes (dishonest actions of tenderers in public procurement, embezzlement contrary to the authorized purposes) ;
- providing rules on minimum prison sentences for particularly serious offenses, based on thresholds to ensure the proportionality of the measure;
- harmonize the period in which the investigation, prosecution, trial and judgment for an offense must occur;
- establishing accompanying measures for the protection of EU financial interests through criminal law, including rules on jurisdiction and liability of legal entities.

*Establishing a European Public Prosecutor's Office (EPPO):* OLAF and the European Commission Directorate-General for Justice and Consumers carried out a broad consultation with Member States, experts and stakeholders on the possible creation of a European Public Prosecutor's Office for the protection of EU financial interests. OLAF's experience in cases demonstrates the need for establishing a European body to improve prosecution in cases of fraud investigations in the EU and to speed up prosecution.

A centrally placed body can better ensure continuity and efficiency in the investigation and prosecution. EPPO will be a real body of investigation and prosecution, which at EU level, will increase the efficiency of the fight against crime affecting the EU budget. This will remedy the low level of investigation and prosecution currently impeding the effective protection of the financial interests of the Union.

*Initiatives to combat corruption in the EU:* The Commission has presented a comprehensive EU anti-corruption policy and called for a greater focus on corruption in a number of policy areas outlining closer cooperation, updated rules on confiscation of assets derived from criminal activities, a revised legislation on public procurement, better statistics on crime and rigorous use of conditionality in cooperation and development policies.

The report will seek to intensify anti-corruption measures in the EU and to strengthen mutual trust between Member States. It will also identify trends at EU level, facilitate the exchange of best practices and prepare the ground for future EU policy measures.

*Commission Anti-Fraud Strategy (CAFS)* is mainly addressed to Commission directorates. It aims to strike a balance between simplification and cost efficiency and

the ability to adapt existing anti-fraud measures to counter new schemes of fraud. The Commission relies on the experience of OLAF investigations into alleged fraud.

### 3. ASPECTS OF COMBATTING FRAUD IN ROMANIA

In the Romanian national legislation, the term fraud was first used within the definition given by the GO 79/2003 regarding the control and recovery of Community funds and of misused co-financing funds.

In Romanian legislation, crimes affecting the financial interests of the Community can be found in Law 78/2000, which divides these offenses as follows: <sup>13</sup>	
Fraud in respect of revenue consists in:	The first two ways of committing fraud in respect of revenue according to the Convention on the protection of the European Communities' financial interests constitute a distinct crime – namely <i>thereduction of European funds</i> .
	The third way of committing fraud in respect of revenue is <i>the missaplication of a legally obtained benefit</i> .
Fraud in respect of expenditure consists in:	The first two ways of committing fraud in respect of expenditure according to the Convention on the protection of the European Communities' financial interests constitute a distinct crime, namely <i>illegally obtaining EU funds</i> .
	The third way of committing fraud in respect of expenditure is the <i>misapplication of funds</i> .

The GEO 49/2005 establishing measures to reorganize the central administration, the Anti-Fraud Fight Department (DLAF) was established as an institution of contact with the European Anti-Fraud Office, which has the following tasks:

- to ensure coordination of anti-fraud fight and to effectively and equivalently protect the financial interests of the EU in Romania;
- to inspect the obtaining, carrying or use of funds from the EU budget, having the quality of finding body regarding possible irregularities and/or fraud affecting EU's financial interests in Romania;
- to ensure and facilitate cooperation between national institutions involved in the protection of EU financial interests in Romania, and between them and the European Anti-Fraud Office and EU Member States;

<sup>13</sup>Ghinea, N., *Unele considerații privitoare la fraudă care prejudiciază interesele financiare ale Comunităților Europene*, Public Security Studies, issue: 4/2012, page 15-21, www.cceol.com.

- to initiate and approve draft laws regarding the protection of EU financial interests in Romania in order to harmonize the legal framework;
- to collect, analyze and process the data in order to achieve relevant analyzes in the field of protection of EU financial interests in Romania;
- to develop and coordinate training programs, apprenticeships and training in the fight anti-fraud field.

*Also, the Anti-Fraud Fight Department receives the complaints from the European Anti-Fraud Office or from other sources or takes notice on irregularities affecting the financial interests of the EU, carries out appropriate checks and delivers the control report including its findings and all data and information required to the European Anti-Fraud Office.<sup>14</sup>*

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- [7] Law 78/2000 on preventing, detecting and punishing corruption, as amended and supplemented

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<sup>14</sup>Ghinea, N., *Unele considerații privitoare la fraudă care prejudiciază interesele financiare ale Comunităților Europene*, Public Security Studies, issue: 4/2012, page 15-21, [www.ceeol.com](http://www.ceeol.com).

- [8] GO 79/2003 regarding the control and recovery of Community funds and of co-financing misused funds
- [9] GEO 49/2005 establishing measures to reorganize the central public administration
- [10] Law 205/2007 regarding approval of Ordinance 12/2007 amending and supplementing Government Ordinance 79/2003 regarding the control and recovery of Community funds and co-financing misused funds.

# ASSESSMENT OF THE SERVICE QUALITY IN THE PREPARATORY SCHOOL OF ECONOMICS THROUGH SERVPERF MODEL

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## Abstract

*The aim of this study is to apply the SERVPERF scale to measure student's perceived quality in preparatory school of economics. The SERVPERF model is based on five dimensions: tangibility, reliability, responsiveness, assurance and empathy. Operational measures of the quality service were collected from a sample of students at the preparatory school of economics in Tlemcen city.*

*Results revealed that service quality in the preparatory school of economics was more than moderate level based on SERVPERF model. The student perceived that the most important dimensions were responsiveness, empathy and assurance, followed by reliability and tangibility.*

**Keywords:** Service quality, higher education, SERVPERF, preparatory school of economics, Algeria

**JELClassification:** L2

## 1. INTRODUCTION

A number of environmental forces are driving change within and across countries and their higher education. These changes have served to put the issue of service quality firmly on the agenda of many higher education institutions (Brooks & Becket, 2008). The student's perceived service quality in higher education is one of the most important issues in higher education institutions. Those institutions have to constantly monitor the higher education services in order to continuous improvements (Kontic, 2014).

In the context of globalization, the challenge for Algerian higher education system is to do more than dispense knowledge, to go further by introducing the

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quality dimension focused on satisfying the needs of the labour market. One of the objectives of the Algerian higher education is to establish an efficient quality assurance system of education and research (MHESR, 2015).

The Algerian higher education system is constituted of institutions spread over the 48 provinces covering the entire country. This system comprises: (MHESR, 2015)

- 48 state owned universities.
- 10 university centers.
- 20 higher education national schools.
- 07 teacher training colleges.
- 12 preparatory schools.
- 04 integrated preparatory classes.
- 02 university annexes.

The aim of this study is to measure service quality by SEVPERF at the preparatory school of economics. This paper is organized as follows. Initially the review of literature on measuring service quality in higher education is presented, which is followed by an overview of the research methodology and finally, the research findings are then presented.

### **Measurement of Service Quality in higher education**

There most popular models for measuring service quality in higher education are: SERVQUAL, SERVPERF and HedPERF. The SERVQUAL model was developed by Parasuraman et al (1988). This scale compares the level of perception against expectation; therefore, the service quality is gap between customer's expectations and performance perceptions. SERVQUAL has two parts that assess service quality: 22 items to measure customer's expectations and 22 items to measure perceptions. The items in the two parts have the same phrases divided into five dimensions:

- Tangibility: physical facilities, equipment and appearance of personnel.
- Reliability: ability to perform the promised service dependability and accurately.
- Responsiveness: willingness to help and provide prompt service.
- Assurance: knowledge and courtesy of employees and their ability to convey trust and confidence.
- Empathy: caring, individualized attention that a firm provides to its customers.

SERVQUAL model has been used in measuring service quality in higher education (Cuthbert, 1996; Oldfield & Baron, 2000; Snipes et al , 2006; Yeo, 2008; Zafiropoulos and Vrana, 2008; Çerri, 2012; Cheruiyot and Maru, 2013; Yousapronpaiboom, 2014). SERVQUAL instrument has received criticisms. First, the 44 items of SERVQUAL increase the questionnaire's length. Second, the two administrations of the instrument cause boredom and confusion (Buttle, 1996).



The second model, Known as SERVPERF was developed by Cronin and Taylor (1992) in response to the criticism of the SERVQUAL model. The SERVPERF scale is simpler to manage which just measure the current level of quality service performance. This scale has 22 items divided into five dimensions: tangibility, reliability, responsiveness, assurance and empathy. Many researchers have preferred and used the SERVPERF in measuring service quality in higher education (Oldfield and Baron, 2000; Faganel, 2010; Kontic, 2014).

The third model, known as HEdPERF was developed by Firdaus (2005). This scale attempts to capture the authentic determinants of service quality within higher education sector. HEdPERF model consists of 41 items, 13 items adapted from SERVPERF, and 28 items generated from literature review (Firdaus, 2005). HEdPERF model has four factors as follows (Firdaus, 2006):

- Non-academic aspects: This factor contains variables that are essential to enable students fulfil their study obligations, and it relates to duties and responsibilities carried out by non-academic staff.
- Academic aspects: This factor represents the responsibilities of academics, and it highlights key attributes such as having positive attitude, good communication skill, allowing sufficient consultation, and being able to provide regular feedback to students.
- Reliability: This factor consists of items that put emphasis on the ability to provide the pledged service on time, accurately and dependably.
- Empathy: This factor relates to the provision of individualized and personalized attention to students with clear understanding of their specific and growing needs while keeping their best interest at heart.

## 2. METHODOLOGY

Our literature review on measuring quality in higher education revealed that the SERVPERF and HEdPERF are the most appropriate models to measure the quality in higher education. In this study, we choose the SERVPERF instrument to measure quality service for several raisons: first, the SERVPERF model is simpler and easy to use. Second, the students may become tired and non-objective when completing questionnaire with 41 items.

The study was conducted at the preparatory school of economics in Tlemcen city. The preparatory school of economics is public institution created in 2008 by the ministry of higher education. The aim of the school is to prepare students for their high academic studies. The quality of education is the most important objective in the preparatory school of economics. Table 1 shows the number of students.

Table 1. Number of students

Year of study	Number of students	Percentage %
First year	168	56.57
Second year	129	43.43
Total	297	100

The population of the study was the second year students of the preparatory school of economics, this choice is because the second year students have the sufficient experience in the school and they can appreciate the quality. The research instrument is a questionnaire, a total of 129 questionnaires were distributed to second year students. The response rate was 50.39 % .

The questionnaire was consisted of 22 items in five dimensions: tangibility, reliability, responsiveness, assurance and empathy. However, the 22 items included in the study have been pilot tested and reduced from 22 to 19 ( table 2) . Students were asked to rate their perceptions of the items listed on a five-point likert scale from strongly disagree (1) to strongly agree (5).

Table 2 . Number of items

Dimension	Number of items
Tangibility	04
Reliability	03
Responsiveness	04
Assurance	04
Empathy	04
Total	19

The five categories of likert scale are represented by value of means, this representation is displayed in Table 3.

Table 3. Representation of the ranges of means

Range of Mean	Representation
[1 ;1.80 [	Strongly Disagree
[1.80 ; 2.60 [	Disagree
[2.60 ; 3.40 [	Neutral
[3.40 ; 4.20 [	Agree
[4.20 ; 5]	Strongly Agree

Internal consistency was examined by cronbach's alpha .Cronbach alpha was 0.74, which suggests that there is reasonable degree of internal consistency. Data analysis was conducting using SPSS software. Descriptive statistics were computed.

### 3. RESULTS AND DISCUSSION

Table 4. Means and ranks of serviceperformance

Dimension	Mean	SD	Overall Response (in Mean)	Rank
Tangibility	3.26	0.70	Neutral	5
Reliability	3.34	0.96	Neutral	4
Responsiveness	3.82	0.74	Agree	1
Assurance	3.46	0.68	Agree	3
Empathy	3.53	0.66	Agree	2

Table 4 shows that the mean values ranged from 3.26 to 3.82. It appeared that not all the quality dimensions have the same degree. The level of quality service of preparatory school of economics is mid-high (agree) in responsiveness, empathy and assurance ranging from means of 3.53 to 3.82. On the other hand, the level of service quality is average (neutral) in reliability and tangibility. Respondents cited "Responsiveness" as the most important quality performance, and they cited "Tangibility" as the lowest quality performance.

The second year students ranked service quality dimension in following manner:

- Responsiveness
- Empathy
- Assurance
- Reliability
- Tangibility
- 

Table 5 shows the detailed quality performance levels.

Table 5. Mean scores of items of service quality

Dimensions and items	Mean	SD	Overall Response (in Mean)
<b>Tangibility</b>			
The school has modern and latest equipment.	3.52	1.30	Agree
The appearance of the physical facilities of the school is attractive.	2.29	1.11	Disagree
Staff is well dressed and neat in appearance.	3.55	1.23	Agree
Library has the latest literature in your area of interest.	3.69	1.10	Agree
<b>Reliability</b>			
When something is promised by a certain time, it always is provided by staff.	3.43	1.31	Agree
When students have problems, staff is courteous, even if not able to help.	3.35	1.26	Neutral
Staff carried out the services right at the first time.	3.23	1.04	Neutral
<b>Responsiveness</b>			
Staff is able to give response to student requests.	3.62	1.29	Agree
Service hours of learning facilities accommodate all students.	3.58	1.07	Agree
Staff is always willing to help you.	3.84	1.19	Agree
Administrative staff are never too busy respond to student requests promptly.	4.20	1.05	Strongly Agree

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<b>Assurance</b>			
Students trust staffs.	2.93	1.21	Neutral
Students feel safe while receiving services.	3.30	1.14	Neutral
Staffs are courteous with students.	3.60	1.11	Agree
Professors have the knowledge to answer students.	3.98	0.89	Agree

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<b>Empathy</b>			
Professors have convenient office- hours to advise student.	3.07	1.25	Neutral
School provides personal attention to every student.	3.03	1.13	Neutral
School has student's best interest as a major objective.	3.90	1.26	Agree
School understands the specific needs of students.	4.09	1.14	Agree

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The three first items of “responsiveness” have mid-high (agree) and the last item has high level (strongly agree), this means that the school staff is perceived to be willing to assist and help students, this could be attributed to that the school is recently created and the managers are faced to a great challenge to success .

The two first items of “empathy” have average (neutral) and the two last items have mid-high (agree) , this means that the school staff is perceived to recognize the needs of its students and to have their best interests as a major objective , this could be attributed to that school receives excellent students and recognizes their specific needs.

The two first items of “assurance” have average (neutral) and the two last items have mid-high (agree), this means that the school personnel cannot be fully trusted but they are particularly polite and the professors have the knowledge to answer students. This could be explained by the rigorous selection in staff recruitment.

The first item of “reliability” has mid-high (agree) and the other items have average (neutral), this means that school staff can be trusted to do what it has promised correctly and timeously, but the culture of doing right for the first time is

not fully developed .This could be explained by the recent creation of the school and the implementation of quality culture require more time.

The second item of “tangibility” has mid-low (disagree) and the other items have mid-high (agree), this means that the school has modern and latest equipment , staff well dressed and the library has the latest literature ; but the appearance of the physical facilities is not perceived as attractive, this could be attributed that the school building is in renovation.

## CONCLUSIONS

The aim of this study was to apply the SERVPERF model to measure the service quality in the preparatory school of economics .The results showed that the service quality at the preparatory school of economics was more than moderate level (mid-high) from student’s perceptions. This means there is a space for improvements.

The study revealed that not all the quality dimensions have the same degree. The level of quality service of preparatory school of economics was mid-high (agree) in responsiveness, empathy and assurance. On the other hand, the level of service quality was average (neutral) in reliability and tangibility. According to the students’ perceptions, the most important quality performance was “Responsiveness” and the lowest quality performance was ” Tangibility”.

The second year students ranked service quality dimension in following manner:

- Responsiveness
- Empathy
- Assurance
- Reliability
- Tangibility

The school management team should use the results of this study and the SERVPERF model to improve on their service offering .Therefore, the school administration should focus their efforts on improving their reliability and empathy in order to increase the quality service performance. The SERVPERF instrument can be used by other Algerian higher education institutions to measure and monitor their quality performances.

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### Author’s Contributions

**Yahia-BerrouiguetAbdelkrim:** is the main contributor of the paper.

**BensmainAbdessalem Salim:** collected data.

### Ethics

No ethical conflicts will arise after publication of the paper.

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# GLOBALIZATION' S INFLUENCE ON CULTURAL IDENTITY AND ITS IMPACT ON THE ROMANIAN CONSUMPTION BEHAVIOR

Alexandru IONESCU<sup>1</sup>, Nicoleta Rossela DUMITRU<sup>2</sup>

## Abstract

*Globalization is the stage constituting the world economy as a whole, a process that consists of open borders, the general trade and behaves several dimensions: political, economic, spiritual, cultural, etc. Regarding the cultural aspect, globalization includes export and imposition of cultural patterns and socio-economic Western, being defined as a new situation that leads to a new planetary system characterized by a great ability to communicate and exchange information on a global scale. In terms of preserving cultural identity values, globalization has a decisive impact on crops, with the dominant culture tend to impose upon the other, resulting in a homogenization process, the intensity of which is given each country's economic power. Mass culture, well-known symbols (McDonald's, Coca-Cola, etc.) acquire planetary dimensions, becoming a subculture of all, embraced particularly by young people.*

**Keywords:** globalization, cultural identity, dominant culture tend

**JEL classification:** F62, F29, M30

## 1. INTRODUCTION

Complex and controversial, the phenomena of globalization is difficult to contain in only one universallyaccepted definition, but seen in the economic dimension, it can be described as a process where the national markets become more

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and more interconnected, where the allocation mechanisms on the factors, goods and services markets operate on an increasingly worldwide level. The production gains a globalized span, and the relations between the actors present on the international markets are more and more influenced by institutions, regulations, agreements, policies that are agreed upon and applied on supranational and suprastate level.

Due to globalization, a “smaller”, more dynamic, and in certain circumstances, more complex world has been created, with markets more tightly integrated, with a worldwide economy dominated in almost all of its areas by the activity of mostly the same large transnational companies, large retailers, large brand owners and global suppliers that control the international production, the international investment flows, the technology, know-how, the goods and services that, while aiming to maximize the efficiency and own profit, compose, decompose and recompose the global value chains, thus generating a process of vertical disintegration of the production and of its rearrangement, at a global level, in new, more flexible, more performant and more efficient new structures.

Under the influence of globalization, the world economy has changed significantly in the past decades, especially in regard to international trading and industrial organization. Out of the total of goods and services achieved annually at a global level, the proportion of those whose design, production and consumption is achieved in only one country, or in only one company, is rapidly decreasing under the impact of two independent and complementary driving forces, born as an answer to the increase of international competition: the *reorganization* of activities at company level and the *relocation* of a part of the production of goods and services in locations that ensure a competitive advantage<sup>3</sup>.

## 2. GLOBALIZATION

Globalization is not just a controversial public debate subject, but also a notion often contested in the academic disputes, some ideologists advocate, among others, the fact that there is nothing like a “global” economy, since approximately 90% of the world trading involve only the countries from the three main developed blocks: EU, North America and Japan, leaving on the outside the other parts of the

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<sup>3</sup>Pencea S., *Chipurinoi ale globalizării: integrareapietelor, dezintegrareaproducției, nașterea a noi structuri organizaționale globale pentru producție și comerț*, pp. 11

world. This is why it is necessary to have a stricter definition for globalization if we want to understand its essential characteristics and implications for business ethics.

- Globalization as *internationalization*—the recent increase of cross-border commercial transactions represents the defining element of globalization.

- Globalization as *liberalization*—the recent globalization coincides with an increased liberalization of trade and with various forms of regulation in this field.

- Globalization as *universalization*—this process leads to an increased global propagation of products, life styles and ideas.

- Globalization as *westernization*—many of the criticism made towards globalization regard the fact that it carries the effect of exporting the Western culture to the rest of the world. All of these superficial definitions which clog the public rhetoric require to be replaced by a more strict definition.

All of these perspectives on globalization describe certain more easily seen features of the phenomenon but if it is desired to observe the fundamental characteristics of the phenomenon, the effects of the amplification of two processes in the last two decades should be analyzed:

- the first process is *technologic* in nature; modern means of communication, from telephones to radio, television and, more recently, the Internet, open the possibility of connection and interaction between people across great geographical distances. Moreover, the rapid development of means of transport allows people to interact at a planetary scale. The territorial distances play an increasingly lower role today.

- the second process is *political* in nature; borders have represented the main obstacles for planetary interactions between people.

These two processes explain in a great measure the massive proliferation and the prevalence of over or extra-territorial interactions between people, the fully new aspect of these interpersonal relations is the fact that they do not require a defined geographical territory for them to take place anymore and they are not restricted anymore by distances or borders.

This is why Scholte<sup>4</sup> characterizes globalization as *detrterritorialization*, suggesting the following definition: „*globalization is the progressive erosion of the relevance of territorial bases for social, economic and political relations and processes*”.

Global communications, global products and financial systems or global capital markets are only a few examples of the detrterritorialization of the current economy. There are many other fields of activity in which globalization as presented here is a significant social, economic and political process, globalization having also significant implications for business ethics.

### **Relevance of globalization for business ethics**

Defined in the first place as the detrterritorialization of economic activities, globalization is especially relevant in business ethics in at least three aspects – cultural, legal and those related to the responsibility of corporations operating on international markets.

#### ***Cultural aspects***

As businesses become less and less fixed in a certain perimeter, corporations are becoming more actively involved in the markets of other countries and other continents, being suddenly confronted with new and diverse ethical requirements, sometimes even in contradiction. The established moral values of the “home” markets can be brought into discussion as soon as a corporation enters foreign markets. For example, attitudes in Europe regarding racial and gender diversity are very different from the ones of Middle Eastern countries. Also, while Europeans consider the work of minors as being fully immoral, some Asian countries observe this issue with more moderation. But such differences do not appear only at the contact of profoundly different cultures and civilizations. Such problems can appear because, while globalization leads to the detrterritorialization of economic processes and activities, in many cases there is still a strong tie between the local culture, which the moral values are part of, and a certain geographical area.

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<sup>4</sup>Scholte J. A., *Globalization a critical introduction*, Published Palgrave Macmillian, 2005

For example, most Europeans disapprove of the capital punishment while many Americans consider it to be acceptable. This is one of the contradictions of globalization: on one hand, globalization makes regional differences lose their importance, encouraging the emergence and distribution of a uniform “global culture”, on the other hand, by eroding the geographical distances which separated cultures and civilizations before, globalization highlights the economic, political and cultural differences that they had, often putting them in confrontation<sup>5</sup>.

### 3. GLOBALIZATION AND THE NATIONAL IDENTITY

Globalization appeared as a solution to some problems which were considered to be global: the process of functionalization of the global economy which becomes in the global society capable of creating global decision structures for solving global problems, but no economic or social definition of globalization asserts that it is a replacement or synonym of national identity.

Furthermore, in a global structure, a state must be capable of maintaining its own «personality». Globalization does not substitute itself to the culture, traditions and customs of peoples and these must not prevent the globalization phenomenon as well.

Globalization means a generally prosperous business environment. The objective reality is that the English language, culture and civilization of the West in general, and especially the American ones, gain more and more ground. The solution is to preserve whatever is possible from the national cultural identity, to establish certain limits of accepting the Americanization. The resistance to Americanization has subtle forms. The example of the Dracula myth, which Westerners use in their own interest – but which Romanians, paradoxically cannot embrace, although the historical character which inspires it is part of the historical and cultural Romanian heritage – is only one of the many possible examples.

A solid example in this regard is the fact that we do not have a product brand powerful enough to represent us. For example, the Americans have: Coca-Cola,

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<sup>5</sup>Craciun D., *Etica in afaceri - Globalizareacatemă de reflecție teoretică*, pp. 2

Pepsi, McDonald's and other well-known ones, the French have expensive perfumes and designer clothing, the Swiss are renowned for chocolate brands that they export and also through their watches. Question: these products are strongly identified with the specifics of these nations, these products define these countries, which product defines us the best? The answer is that there is no such product or if there was, it was not turned to our advantage until now. Thus, this globalization actually raises another major problem: that of having a strongly defined national identity which would define our personality among other countries exactly in the way we are, and not « losing » ourselves by borrowing one from others<sup>6</sup>.

### **The influence of consumption habits through tactics of localizing global brands<sup>7</sup>**

#### **- Product-based tactics:**

✓ **McDonald's**—a stereotype of globalization—adapted its global marketing strategy to various regions or countries. For example, the fast-food chain brought beer in Germany's menu, wine in France, sheep pie in Australia and McSpaghetti in the Philippines, Maharaja Mac and Veggie McNuggets in India, McLobster in Canada and recently McMici in Romania.

✓ **Fanta** offers flavors specific to each country, such as "Fanta Shokata" in Romania (with elderberry flavor), Fanta with green apple in China, while in Spain and Portugal we find watermelon flavored Fanta.

✓ For the market in China, **Danone** had to change its global products into ones with less lactose since it seems Chinese people suffer of lactose intolerance.

✓ Few people know that there is a **Volkswagen** fitted with a compass pointing towards Mecca and a special space for the Quran; thus, Volkswagen is a very popular car inside the Muslim community.

✓ **PepsiCo** has various types of snacks in its portfolio, these being in total harmony with the various local cultures such as: cheese and onion based snacks in Great Britain, Lemon Lays in Thailand, Paprika Lays in Germany and Sea-food Lays in China.

<sup>6</sup>Mateescu I., *Globalizarea si identitatea nationala*

<sup>7</sup>Niculae V., *"Glocalizarea"- un compromis al globalizarii?*, 2013

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- **Price-based tactics:**

✓ **Spar** uses as a glocalization strategy price positioning; this brand is positioned as a low-cost supermarket in Germany while in Great Britain and Ireland, through its excellent services policy and an elegant design of the stores it is positioned as a high-cost proximity store.

- **Promotion-based strategies:**

✓ **The McDonald's** company had to change its promotion campaign and to replace Ronald McDonald the clown because his white face suggests death in China, thus reducing the appetite.

✓ **Tesco**, also adopts a very careful local approach in its transnational expansion. Although it did not have any problem in expanding under its own brand in countries such as Thailand, Hungary and the Czech Republic, when entering the US it chose the name "Fresh & Easy Neighborhood Market", as a strong local testimonial.

- **Placement-based tactics:**

✓ **The Louis Vuitton** handbags are sold at stalls in shopping centers in Hong Kong, the United Arab Emirates and recently, in Romania, because these markets accept this distribution method. But, if Louis Vuitton would have acted similarly in countries such as Great Britain or in continental Europe, it would have surely compromised its luxury brand status.

✓ When **H&M** entered the US, it realized that through locating its stores in the suburbs it faces a very tough competition in regard to prices. This is why it adapted its glocal strategy and currently, the stores are located in much more central locations, continuing to offer lower prices.

**In the case of Romania<sup>8</sup>...**

✓ **Whirlpool** is one of the most well known brands in the world, even in the Romanian market and it had the largest advertising expenses out of all the similar

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<sup>8</sup>Secară O. M., Planificarea strategică în marketingul global. standardizare versus adaptare, pp. 337

companies. As a global brand, the success of Whirlpool can be attributed to a good understanding of the market as well as of the behavior of the consumer.

✓ Coca-Cola dominates the Romanian market of carbonated drinks. The company modified its advertising policy, product and packaging to meet the requirements of the market. As in many countries in Europe (France), the word “diet” is not used, thus Coca-Cola Light was introduced to the Romanian market together with the classic Coca-Cola. The packaging of the product was modified to include the Romanian language in its specifications but also because most Romanians prefer to buy bottles of 1 or 2 liters.

✓ McDonald's, although it is a company known for its product standardization strategy, had to adapt to the Romanian market. For example, its slogan is not a simple translation but one with which Romanians can identify with. The coffee is adapted to the taste and size accepted by the majority of the population. Romanians prefer a strong coffee and order a small or large coffee. Moreover, on the McDonald's menu one can find beer just like in Germany but not as in the US.

✓ The producers of the Dove brand, Levers Faberge, are in very fierce competition with the German Nivea brand. Dove became strong in Romania, extending its product line more than on the American market. The product is similar in quality but it is packaged in smaller quantities, specially designed for the “pockets” of Romanians. Furthermore, compared to products from Germany and the US, which have light-blue packaging, the ones in Romania have the top colored in dark blue because they have a positive significance for this market.

✓ Johnson&Johnson, known in the US as manufacturers of products for baby care products, extended their product line in Romania introducing products for the whole family. Thus, they created also special products for adults such as tonic lotions. L'Oreal is a brand strongly present in the Romanian market. For products designed for personal care, L'Oreal studied the preferences of consumers regarding make-up removers.

## CONCLUSIONS

However, the greatest contemporary threat is the ideological-religious conflict. The last decades have been dominated by the violence created by religious



groups which oppose some forms of globalization while wanting to impose other forms of it themselves. But the most visible, the most acute conflicts, in a multitude of forms and actions are cultural conflicts. From simple customs to sophisticated artistic expressions, the culture specific to a human group made the difference between the reach of the action and thinking model of that group and the rest of the world. It is about the way of living and as it is considered that the rights and liberties of each human being must be respected, in the same way. The specific cultures of human groups, however small or different they are, have the right to exist, making up mankind in all its diversity and splendor. All cultural differences make up the huge, inexhaustible spiritual and creativity resource of humankind.

It is more difficult to find the ways through which diversity would not fuel conflicts but would define the harmony of the human existence. An easy observation is that as the regulations regarding the production and trade of material goods is relaxed and harmonized, the regulations regarding immaterial values are multiplied and becoming more rigid. The conventions and laws regarding copyright and its use are currently the battleground of larger and smaller powers, a general interest area which is related more to retractility than expansion.

Each part of the global game tries to protect its own values, which are related firstly to creation and secondly to production. The technological revolution transformed production, something that belonged to developed countries, into an activity available for almost any nation, the production means becoming the vectors of globalizaton.

From this point of view, Romania, although being in the same interest family, civilization and culture model, does less, although it is needed to do more in the case of small and medium sized countries, because they are confronted with difficulties in communicating and imposing their own cultural product. The visible reduction of the share of written culture in Romania, the chaos of many radio and TV programs, the application of market economy rules in the cultural field – all these but more as well – represent inconveniences from the point of view of protecting and developing the national culture.<sup>9</sup>

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# SOCIO – ECONOMIC DRIVERS OF JAPAN’S DEVELOPMENT IN POST-WAR ERA

Andreea DRĂGOI<sup>1</sup>, Cristina BĂLGĂR<sup>2</sup>

## Abstract

*The impact of Japan's post-war evolution on the modern world is significant. Although the country has not a large territory and it is affected by demographic challenges related to an aging population, being also exposed to high risk of occurrence of natural disasters, it is still a global economic force and an example of successfully overcoming the economic crises. Our research proposes a brief analysis of the main drivers of Japanese economic development in post-war era following the main theoretical approaches. The analysis that we propose is focused on explaining the specific economic context of Japan, in the post-war years, the causes of so called “Japanese miracle” and the controversial theory of “Japan’s lost decades”. Finally, our analytical approach aims to highlight if and how the experience of Japanese economy is relevant for the current economic context, especially for EU economies.*

**Keywords:** post-war economic development, “Japanese miracle”, “Lost Decades”, economic crisis

**JEL Classification:** B22, D03, H, P, E

## 1. INTRODUCTION

Recently, due to the global economic crisis impact on worldwide economies, international policymakers and prestigious economists (Krugman, 2013) started to turn to the Japanese economic model that allowed the transformation of Japan in the post-war period from a country with a “ruined” economy to a great economic power, a trend called in the specialized literature “the Japanese miracle”, a historical phenomenon that can be a positive example worldwide.

Furthermore, some analysts (Wakatabe, 2012) are even suggesting the “Japanization” of other economies as a solution for overcoming crises. In our

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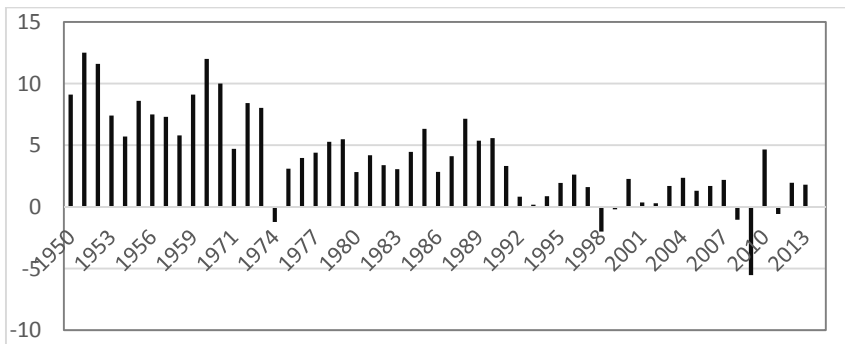
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research, we focus on the Japan's historical responses to crises, on the main issues that the country has been facing all along, the causes that have been generating them and on the measures proposed by the New Abenomics Strategy in order to revitalize the Japanese economy.

## 2. "JAPANESE MIRACLE"- ECONOMIC AND CULTURAL FACTORS

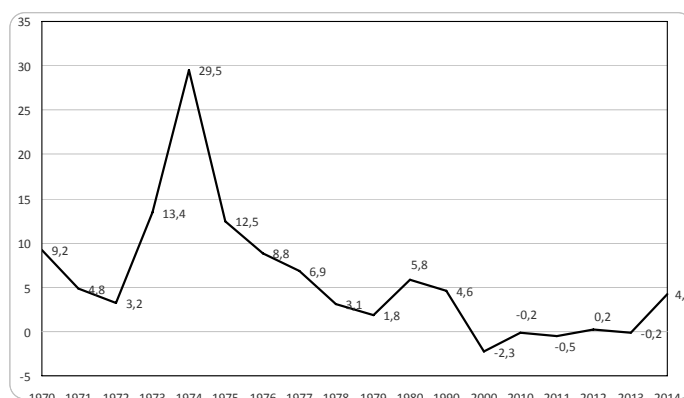
World War II left Japan destroyed but the country undertook the opportunity to restart its entire economy from scratch by allowing investment to be focused on the industry sector. Japan was hence able to advance its economy at an incredible rate from the 1950s to the 1960s by investing wisely and substantially in its manufacturing sector. Accordingly, in the post-war era, Japan's economy grew rapidly, averaging an annual growth rate of 10% (Harari, 2013), as shown in Graph 1.

**Graph 1: GDP growth in Japan during 1950 – 2014 (%)**



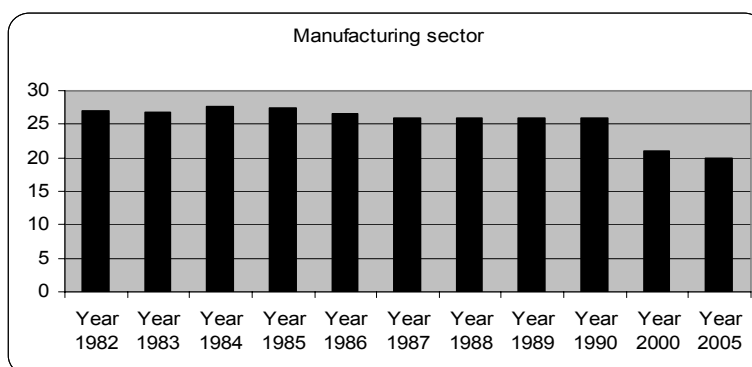
Source: Authors, based on UNCTAD (2014), Eurostat (2015) and FMI (2015) data.

The oil shock (1973) had a profound and lasting impact on the economic condition of Japan (as could be seen in Graph 1), having also a devastating effect on accelerating price inflation, proving the vulnerability of Japanese economy to the external shocks.

**Graph 2: Inflation rate in Japan during 1970 – 2014 (%)**

Source: OECD. Stat (2015) – *Country statistical profiles: Japan*

However, Japan managed to turn the oil crisis into a positive factor by using it as the impetus to improve conservation and cultivate other sources of energy, particularly nuclear. During '70s, the economic performance of the country was around 5%. Hence, in that period when the world was under the great changes of international economic environments such as a transition to the floating exchange rate system and an occurrence of the oil crisis, the Japanese economy maintained the growth largely based on the advances of the industrial technology. By the early '80s, it aggressively adopted new technologies in order to create a range of electronic consumer goods for export, such as cameras and video cassette recorders (VCRs). At that point, Japan had also moved beyond importing innovative technology from the West to exporting its own innovations, such as just-in-time manufacturing techniques. More important, the range and quality of goods offered by Japanese firms forced Western companies to remain dynamic and competitive.

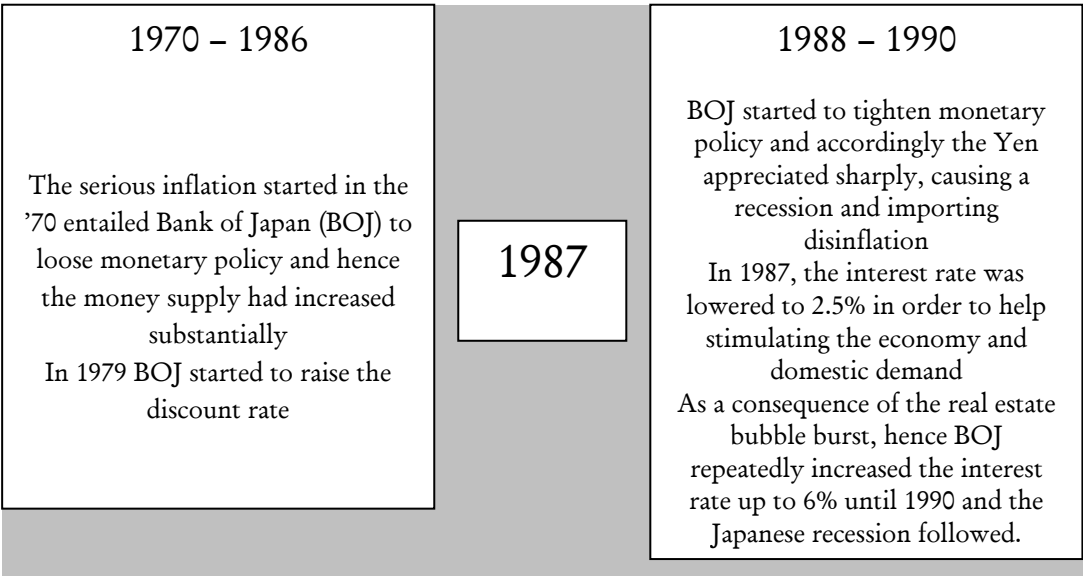
**Graph 3: Contribution of manufacturing sector (value added) on economic activity in Japan during 1981 – 2014 (%)**

Source: OECD. Stat (2015) – *Country statistical profiles: Japan*

Accordingly, in 1987, Japan almost caught up with and seemed to get ahead of the United States in terms of per capita national income. This made much of it as “Japan as number one economy.” (Takashima, 2007).

Consequently, over the post–World War II period, Japan has implemented a variety of monetary regimes. The world can learn valuable economic lessons from Japan by studying its monetary history. Japanese monetary policy divides naturally into two time periods separated by 1987 (As shown in Figure 1). The first part includes the high inflation of the early 1970s and the establishment of price stability by the mid-1980s. The second part includes the boom-bust episode known as the bubble.

**Figure 1: Japan’s monetary policy between 1970 -1990**



Source: Authors’ synthesis, based on the literature in the field (Metzer, 2002).

Besides all these undertaken economic measures illustrated above, we should mention the strong relationship between culture and economy in Japan. In this regard, culture which encompasses that middle ground between universal characteristics of human species and the individual’s idiosyncratic characteristics, applying to the traits, behaviour and models of thinking shared by the members of the Japanese nation-state. In this context, the term culture refers also to the Japanese model of patient unremitting work, studious and creative efforts and respect for the whole economy, for a company, co-workers, costumers with an incredibly powerful indoctrination (Tabb, 1995). Hence, it could be relevant the usage of the term *culture* in order to describe the Japanese economic behaviour, considering the national manner of combining an incomparable traditionalism with a ready adaptability to

extreme innovation. Also, the Japanese restraint during the post-war period was embedded in a larger sense of hierarchy and proper relationships that allowed a development based upon a symbolic collectively of a nation.

Accordingly, we could also consider the dynamic advantage of embodying organizational-specific capital, human and physical that is uniquely appropriable by the firms that give cohesiveness to the Japanese enterprises as a competitive unit in relational transactions worldwide.

### **3. “THE LOST DECADE”- A MYTH OR AN ECONOMIC SCENARIO THAT CAN BE REFLECTED IN THE EVOLUTION OF THE EU ECONOMY DURING POST-CRISIS PERIOD?**

#### **3.1. What caused the '90 recession?**

During 1988-1989 the yen demand collapsed and Japanese currency was devaluated 16% against the dollar. Besides, asset prices in the real estate and stock market were highly inflated hence a boom-bust economic cycle was set in motion. In response, BOJ tightened monetary policy raising the discount rate five times up to 6% during 1989-1990. After this episode, the Japanese market collapsed. During 1990s and even after the first decade following the stock market collapse, GDP had a rather flat evolution from 3,103 USD billion to 3,180 USD billion in 2002 (UNCTAD Database, 2015).

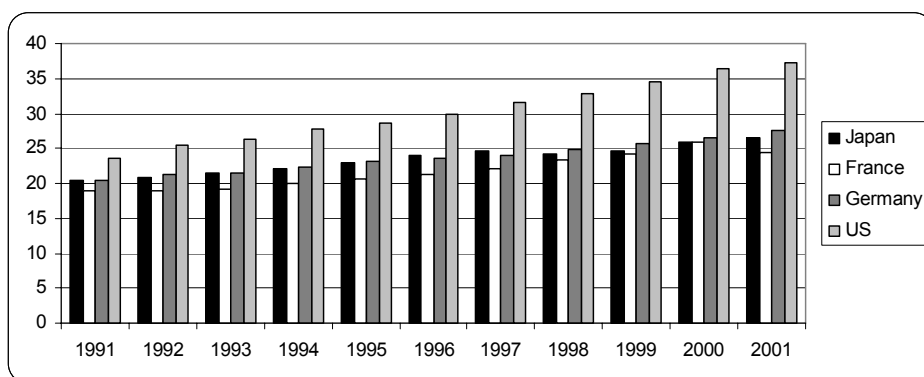
Unemployment rate rose from 2.1% in 1991 to 4.7% at the end of 2000. Although an unemployment rate of 4.7% may seem unimportant, nevertheless it is significant for Japan, given the cultural and historical precedent of lifetime employment and given the fact that it was never above 2.8 in the 1980s (Powel 2002). In our opinion, it should be noted that the tendency of the Japanese people to build their savings meant that Japanese banks were flushed with funds, and credit flowed freely. At the same time, Japan's booming export sector was creating enormous trade surpluses, causing the value of the yen to rise. This meant that Japanese companies could invest even more in themselves. In most cases, this conducted to a further increase of exports, widening those trade surpluses even higher.

#### **3.2. Are the “lost decades” really lost?**

During 1991-2001, Japanese asset bubble burst and because Japan's GDP growth in that era was virtually flat, those years are commonly considered to be a “lost decade” for Japan economy. However, there are analysts that challenge this characterization of Japanese economy, pointing that during the so-called “lost decades” Japanese economy performed similar with other advanced economies concerning the evolution of GDP per capita (Fingleton 2012).

Kelly (2011) sustains that although there is evidence that there was a decline in Japan's money supply and therefore in consumer prices, asset markets and GDP growth, these economic indicators are not relevant for real economic growth of Japan. While Japan's GDP has grown at a snail's pace, real economic growth has been rather robust, approximating real economic growth in other developed countries, as Kelly explains (2011). If Japan's economy has truly remain mostly flat compared with most of the Western countries that have mostly risen, then Japan's GDP per capita *as measured in dollars at purchasing-power parity (PPP)* should be almost at the same level as it was in 1990 at the beginning of the so-called "lost decade(s)" and above the level of other western countries. But in fact, Japan's GDP per capita at PPP (as illustrated in Graph 4) has increased consistently (Kelly 2011).

**Graph 4: GDP per capita during 1991 – 2001 in Japan, comparing with other advanced economies (10 000 USD)**



Source: OECD. Stat (2015) – *Country statistical profiles: Japan*

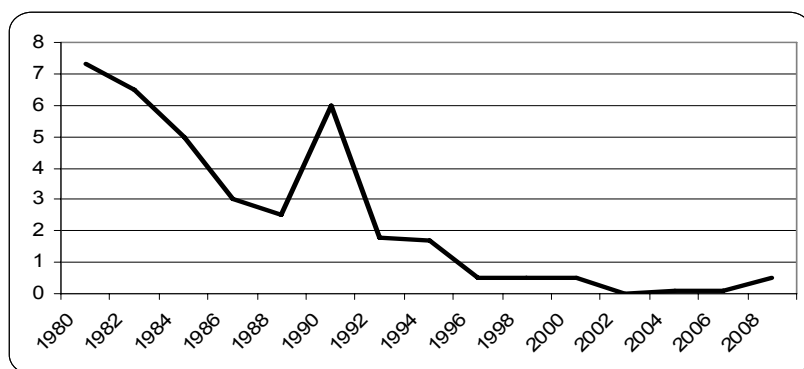
### 3.3. Is the Japanese experience relevant for European countries?

We consider that the experience of Japanese response to the economic stagnation of the lost decades could show to other economies the dangers of interventionism. As it is well known, during 1992-2000, Japan applied 10 fiscal stimulus packages, totalling more than 100 trillion yen: 1992-1995 – 6 spending programs of 65.5 trillion yen; April 1998 – stimulus package of 16.7 trillion yen; November 1998 - stimulus package of 23.9 trillion yen; November 1999 - stimulus package of 18 trillion yen; October 2000 - stimulus package of 11 trillion yen.

During the same period 1992-2001 (as shown in Graph 5), Bank of Japan lowered progressively the discount rate. Thus, the official discount rate was lowered from a high of 6% in 1990, to 4.5% in 1991, to 3.25% in 1992, to 1.75% during 1993-1994, to 0.5 during 1995-2000, and to 0.25% after 2001.



Graph 5: Japanese central bank's interest rate, 1980-2008



Source: BOJ, 2008

Unfortunately, all those policy measures failed to powerfully boost the economic growth. The latest estimations (2015) of International Monetary Fund, European Commission and World Bank related to the evolution of Japan's GDP for 2015-2016 show a relatively modest evolution (1.1% for 2015 and 1.4% for 2016).

The failure of these policies of stimulating Japan's economic growth was explained by some Keynesian economist by the so-called "*liquidity trap*" concept: a "liquidity trap" appears, according to Keynesians, when injection of liquidity into the banking system by the central bank's policies fails to lower interest rate and to stimulate investments and GDP growth.

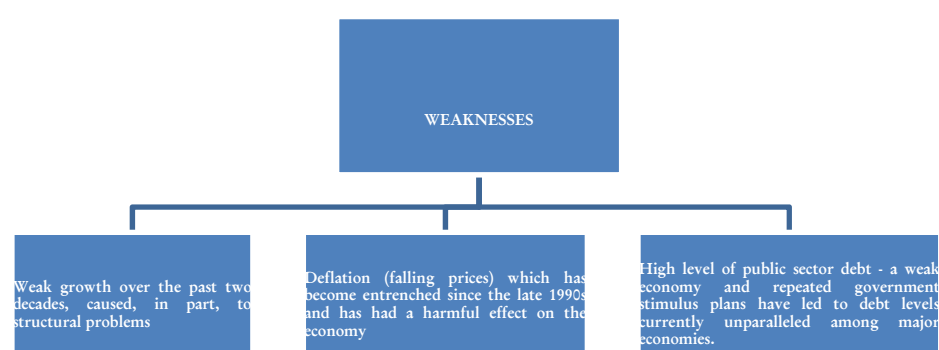
Keynesian policy solution for the "liquidity trap" problem is *direct government lending to businesses* (instead of creating liquidity in the banking system). Therefore, to solve the "liquidity trap" problem, Japan created the Federal Investment and Loan Programme (FILP). The funds of the program were allocated to borrowers through the Ministry of Finance Trust Fund Bureau and the bureau's various agencies, but funds were not allocated according to market-based consumer preferences (i.e. to the most efficient projects) but to the most politically connected businessmen and this led to a higher cost of borrowing for all those seeking private funds. The Japanese policymakers undertook gradual but persistent reductions in money growth in order to lower inflation, approach that is much closer to the monetarist prescription (Melzer, 1993) for policy based on rules than to Keynesian activist meddling. Consequently, the Great Inflation in Japan was suppressed rather quickly because BOJ used the monetarist rhetoric in the late '70s, preventing another round of inflation (Asada, 2014). Furthermore, as the specialists have concluded (Miwa&Ramseyer, 2006), the story of Japanese industrial policy was not at all about an interventionist bureaucratic policy. Among the advanced capitalist economies, it was the norm, because the policymakers never empowered an interventionist

bureaucratic policy to grow the economy through interventions, even though they implemented the pork barrel<sup>3</sup> programs as well.

**4. THE FUTURE OF THE JAPANESE ECONOMY- ESTIMATED IMPACT OF ABENOMICS**

Currently, Japanese economy is confronted with some structural weaknesses (as it is illustrated in Figure 2), the most important ones being the deflation and the weak economic grow

**Figure 2: Structural weaknesses of Japanese economy**

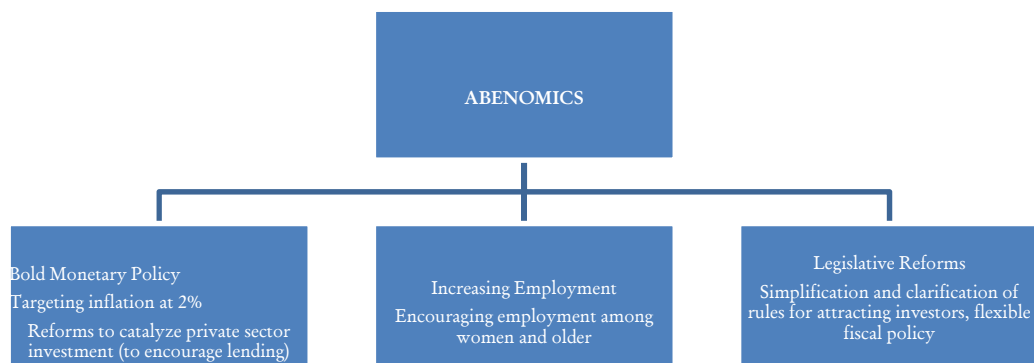


Source: Authors’ synthesis, based on the specialized literature in the field.

In order to address these structural weaknesses, the Japanese government has implemented a strategy (Abenomics Program, named after the prime minister who initiated it, Shinto Abe) based on three levels: fiscal pillar, the monetary and labour (as it is illustrated in Figure 3).

<sup>3</sup> Term used in reference to the utilization of government funds for projects.

Figure 3: National Strategy Abenomics



Source: Authors' synthesis, based on the specialized literature in the field.

The aggregation of the three components - monetary policy, the fiscal and labour market represents the very essence of Japan's strategy to stimulate economic growth and draws on the example from the parable told by Mori Motonari (Japanese feudal "daimyo", 1497-1571) to his three sons<sup>4</sup>. This parable has inspired other expression – the symbolic "three arrows" that defines philosophy of "Abenomics". In our opinion, in terms of monetary policy, the measures proposed by the government should focus on government spending and a weaker yen, in order to compensate high costs of labour force and regulatory barriers. Moreover, Japan's government should encourage foreign investments by providing short-term fiscal stimulus necessary to make up for the fall in demand while broader structural reforms are still needed.

An important and little noted component of Abenomics, Japan's information and communications technology (ICT) growth strategy propounded on June 2013, ostensibly aims at the evolution of a new model of efficient, resilient and green urban and rural infrastructures. Together with domestic businesses, Japan's central agencies, big local governments, and the Abe regime's regulatory and fiscal initiatives have been working to deploy cutting-edge innovation in a swath of smart city initiatives as well as special zones.

Abenomics also aims to reduce corporate taxes, ease regulations, relax labour law and sign free trade agreements to revitalize industries and create new markets for ICT and other sectors. Some analysts (Mitchel, 2013) have noted that most of Abenomics measures are expected to boost the demand for ICT specialists (9,000-

<sup>4</sup> After urge to break one arrow, the father suggests to his three sons to join each other and to find that the three arrows bound together cannot be broken.

11,500 new jobs are expected to be created in ICT services and software development by 2015). Moreover, since Abenomics calls for Japan to raise annual public and private expenditures on R&D to 4% of GDP in five years, foreign ICT players, many of whom are already in the market, should look for regulatory changes to anticipate new business opportunities.

## CONCLUSIONS

Japanese economy has gone through a number of stages since the end of the WWII. After a recovery period during which Japan built its economy back up to the pre-war level, a high growth period followed which was driven by the manufacturing sector, then after the oil crisis, a stable growth period emerged, driven by technology intensive industries. In the 1990s, Japan was confronted with a prolonged recession triggered by the expansion and contraction of an economic bubble in the latter half of the 1980s. It is considered that the evidence of prolonged economic decline lies in Japan's 50-year-old post-war economic system as well as in an increasing inability to respond flexibly to internal and external changes. Japan's revival was being promoted with policies to improve efficiency in areas such as labour allocation, fund allocation and research and development. Major changes have been taking place in the corporate world as companies strive to increase competitiveness by moving away from traditional employment practices such as lifetime employment and seniority-based wages. Presently, the Japan's Strategy regarding economic development can be summarized by a single word: Abenomics.

Currently, Japan, in spite of the "stagnation" of the '90s, is one of the world's leading economies. The Japanese miracle, based on economic development focused on knowledge and investment in ICT, led to an unprecedented advance of high technologies development. Given the government support for developing the ICT sector, Japan is now among the leading countries in the field of ICT with high rates of connectivity and utilization of computers and smart devices. Japan has a good world market share of home appliances and audio-visual equipment, although progress can be made regarding PC and related equipment and mobile telephone terminals.

The experience of Japan's recession is highly relevant for current economic situation because it offers an unexpected counterexample that challenges the conventional opinions of mainstream economists and conventional opinions of policymakers. Further economic and historical research may be needed to take into account all relevant factors that influenced Japan's economy, but the bottom line is that Japan's experience could illustrate how economic growth in real terms is

possible without bank loans and credit growth and considering the actual conditions of falling prices. Nominal GDP growth in the short term may entail boom-bust business cycles, capital misallocation, malinvestment and hence losses in the long run. It follows that the key for growth in real terms and in the long run is to avoid capital destruction (misallocations of capital, malinvestment) rather than to rely on fiscal stimulus, credit expansion and inflation that ultimately erode real savings and lead to capital consumption.

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# THE CULTURAL COMPONENT OF LITERARY TRANSLATIONS:

"With her new *yukata* on, she left her *geta* in the *genkan*, opened the *shôji* and went in to sit under the *kotatsu*".

Andreea SION<sup>1</sup>

## Abstract

*It is generally considered that, especially in the case of culturally distant translations, cultural elements that are present in the source text cannot be completely and accurately conveyed into the target text. This paper aims to present several translation techniques that could help preserving cultural information through translation, and to discuss each one's advantages and disadvantages. Examples are given from published Romanian translations of Japanese literary works.*

**Keywords:** faithfulness, cultural component, adaptation, compensation, explication

## 1. INTRODUCTION

Faithfulness in translation includes several components and has been long debated. While early criticism revolves around the idea that the accurate translation of a content into another language and culture is an impossible task<sup>2</sup>, newer approaches start giving greater attention to the cultural component, thus making an important step towards improving the faithfulness of translations. It is now generally considered that "anything that can be said in one language can be said in another"<sup>3</sup>, but, if the two languages and cultures involved (such as, for instance, Japanese and Romanian) show significant dissimilarities, the translation process is more difficult and complex. While the statement of the renowned Japanologist E. Seidensticker,

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<sup>2</sup> See, for instance, Wilhelm von Humboldt, in his letter to A. W. Schlegel (1796): "All translation seems to me simply an attempt to solve an impossible task. Every translator is doomed to be done in by one of two stumbling blocks: he will either stay too close to the original, at the cost of taste and the language of his nation, or he will adhere too closely to the characteristics peculiar to his nation, at the cost of the original. The medium between the two is not only difficult, but downright impossible. [...] Despite the fact that translation brings cultures nearer, in each translation, there will be a definite deformation between cultures."

<sup>3</sup> Nida & Taber (1982:4).

that “a total and exact literal translation of a text from an Eastern language, such as Japanese, into the linguistic structures of a Western language, is impossible”<sup>4</sup>, may be somewhat exaggerated, it seems reasonable to accept that at least some cultural aspects may be lost in the process of translation, due to the translator’s (lack of) abilities but also to the limited knowledge of the target readers. If a literary translator does not have, besides a profound acquaintance with the grammar, syntax and vocabulary of a foreign language, a comprehensive knowledge of the *culture* that produced the work, he may fail to recognize some cultural elements and thus he may be unable to faithfully convey them into the target text. On the other hand, a reader that has limited or no knowledge about the source culture<sup>5</sup> is less likely to be able to create an exact mental representation of the information (faithfully) conveyed by the translation.

For these reasons, the main issue that cultural translations must solve is to respect the source culture and show the cultural differences in a text, in a manner that is easily understandable to the target readers and does not diminish the literary qualities of the source text. In order to achieve faithfulness in the case of culturally distant translations, the translator must clarify concepts to compensate for the inevitable cultural asymmetries and, at times, make adaptations, bring innovations or use any forms of re-creation whenever the element referred to in the original text does not exist in the culture of the target text<sup>6</sup>.

## 2. JAPANESE CULTURAL ELEMENTS

If we consider culture in its broad sense, as a complex encompassing a range of phenomena that have been transmitted through social learning, over a considerable period of time, in human societies, including knowledge, values, beliefs, customs, social practices, as well as material expressions such as technology, art etc., then the range of elements that may be called “cultural” is very wide. To give only a few and disparate examples, Japanese cultural elements that may be difficult to convey to a foreign public could belong to one of the following categories:

– **cultural elements from the historical past:** such as noble titles and various civil, court or military ranks (*shōgun*, *daimyō*, *batamoto* etc.), the Japanese historical periods (*Genroku*, *Man’en*, *Taishō* etc.), historical provinces (*Ōmi*, *Echizen*, *Izumo*, *Bizen* etc.)

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<sup>4</sup> Seidenticker (1989).

<sup>5</sup> Sometimes basic *visual* knowledge (acquired from TV documentaries, movies etc. or personal experience) is crucial for creating a correct mental representation of the content, as many very common objects present in the everyday life, such as bread or trains, may differ from the target culture to the source culture – as we will further discuss in Section 2.

<sup>6</sup> Baker (2001).



– **general cultural elements:** such as literary works, dialects, writing systems, beliefs (the mischievous *kitsune* and *tanuki*; *rokuyō*, the 6 kinds of auspicious or inauspicious days of the traditional calendar), etiquette, ritual exchanges, codes of conduct (*shochū mimai* etc.), formulaic expressions (*okagesama de, itadakimasu* etc.)

– **facts of everyday life** – such as family bathing customs, beginning of the fiscal/academic year in April, using the personal seal instead of name signing, food (*chawan mushi*), clothing (*yukata, monpe, hakama, zōri* etc.), elements of modern reality (*tsūkin densha, manga, anime, kosupure, ganguro, yankī, bōkaroido* etc.)

Of course, the **degree of familiarity** of the target audience with the elements of the source culture may vary: while *kimono, samurai, geisha, shōgun* are Japanese cultural specific elements that are nowadays known worldwide, while *sushi, tempura, wasabi, kaki, shiitake* are found on many continents, and *manga* or *anime* are loved by young people everywhere and therefore explanations or translations of the terms may no longer be necessary, *o-mikoshi, monpe, or buppan* are most certainly not known to the average reader.

The translator must also keep in mind the fact that even if, for some concepts belonging to the source culture, a linguistic equivalent seems to exist in the target language and culture, this equivalent may in fact convey a slightly different reality and thus create an inaccurate image in the mind of the reader. Two very simple examples are (*tsūkin*) *densha* – ‘(commuter) train’ and *pan* – ‘bread’. For most Romanians, the word ‘train’ refers to the railroad vehicles used to travel from one city to another, as in Romania commuter trains circulating within a city, similar to the JR trains in Tokyo, are inexistent. Similarly, for Romanian readers, the word ‘bread’ normally evokes the oblong or round bread *loaf*, and not the square-shaped, 6- or 8-sliced bread sealed in a plastic bag, so familiar in Japan. In these cases, the translator must find ways to compensate for the cultural gap, by adding explanations about the concept translated, without compromising the naturalness and style of the original text. For (*tsūkin*) *densha* for instance, a simple solution would be to use the syntagm ‘tren urban’ (‘urban train’), which is understandable for the Romanian readers, even if not widespread.

### 3. TRANSLATING STRATEGIES

When faced with cultural elements, the translator may apply different strategies in order to convey their meaning in the target text. In this section, we will discuss those that are most frequently seen in published Romanian translations of Japanese literary works.

### 3.1 NO TRANSLATION

Leaving a Japanese specific term untranslated, for stylistic reasons, may work only in the case of widely known concepts that have long entered the target culture and ideally are also present in the language dictionaries of the target language, such as *sake*, *kimono* or *sushi*<sup>7</sup>.

Less known terms, if left untranslated, may fail to convey their meaning. Such an example as (1) (created for illustration purposes, hopefully never to be seen in a published translation), while creating some kind of specific Japanese atmosphere, would not be entirely comprehensible to the readers, even if they could infer from the context that *yukata* is a type of garment or hat, that *genkan* refers to a space, and that *shōji* is some kind of access point to an inner space.

(1) With her new *yukata* on, she left her *geta* in the *genkan*, opened the *shōji* and went in to sit under the *kotatsu*.

### 3.2 FOOTNOTES

Leaving the term untranslated in the text and explaining it in a footnote, at its first mention, is a useful strategy especially when that term will continue to appear throughout the text, and is frequently seen in Romanian translations.

(2) La masa de seară bunicul a mâncat *norimaki*<sup>8</sup>.

Interestingly enough, in this example *norimaki* is explained in the footnote as “*sushi* rolled in dried pressed algae strips”, but the term *sushi* did not appear and hence was not explained, in its turn, earlier in the book – a proof that the translator and/or the editor considered that the word is already well known by the Romanian readers.

One problem arises when there are many unfamiliar Japanese terms close in the text, such as in example (3). Giving footnotes for all of them (instead of, for example, explaining them within the text) preserves the rhythm of the story, but at the same time interrupts the flow of reading, as the reader must leave the text and consult the notes at the bottom of the page.

(3) Utajima<sup>9</sup> este o insulă mică, a cărei circumferință nu depășește un *ri*<sup>10</sup>, și are o mie patru sute de locuitori. [...] Dacă urci cele două sute de trepte de piatră spre

<sup>7</sup> For the word *sushi*, see the explanation of the footnote of example (2) below.

<sup>8</sup> 1. *Sushi* rulat în fâșii de alge uscate și presate. (Kawabata – *Jurnal de la șaisprezece ani* p. 13)

templu și privești înapoi, de lângă poarta *tori-i*<sup>11</sup> străjuită de cei doi lei din piatră – paznicii templului –, înaintea ochilor ți se deschide întinderea golfului, neschimbată de trecerea secolelor.

In the case of large literary works, very dense in cultural specific elements such as historical terms etc., a glossary following the translation would be perhaps the best solution instead of footnotes or other explanatory strategies.

### 3.3 JAPANESE TERM + EXPLANATION WITHIN THE TEXT

Another current translation strategy leaves the Japanese term in the text and adds a short explanation in the target language.

- (4) a. păstăile *edamame* – “*edamame* pods” (Kawakami – *Vreme ciudată la Tokio* p. 27)
- b. ciuperci *matsutake* – “*matsutake* mushrooms” (Kawakami – *Vreme ciudată la Tokio* p. 27)
- c. ridiche *daikon* – “*daikon* radish” (Mishima – *Tumultul valurilor*, p. 21)
- d. carte cu *manga*, benzi desenate – “*manga* comic strips” (Mishima – *Tumultul valurilor*, p. 21)

This strategy helps maintaining the flow of reading, as opposed to footnotes. Also, if the explanatory word represents a hypernym of the Japanese term, the naturalness of the text is preserved even for those readers who may have some cultural knowledge and may understand the Japanese term. In other cases, however, when the Japanese term and the explanatory term in the target language have exactly the same meaning, they might be felt somewhat redundant, such as in example (5):

- (5) a. camera de ceai *chashitsu* – “the *chashitsu* tea room”
  - b. bolul de ceai *chawan* – “the *chawan* tea bowl”
- (Inoue – *Maestrul de ceai*, p. 10)

### 3.4 DEFINITION WITHOUT THE JAPANESE TERM

Another translation technique is finding the equivalent in the target language of the original Japanese term, without leaving the Japanese term in the text. It may simplify the reading process and prevent the reader from meeting yet another

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<sup>9</sup> „Insula Cântecului”.

<sup>10</sup> Unitate de lungime tradițională japoneză, reprezentând aproximativ 3,9 km.

<sup>11</sup> Poartă înălțată la intrarea în incinta unui templu șintoist, în general vopsită în portocaliu aprins, compusă din doi stâlpi groși înclinați spre interior, care susțin orizontal o grindă arcuită cu capetele ridicate. (Mishima – *Tumultul valurilor*, p. 5-6)

unfamiliar word, but at the same time it de-culturalizes a cultural word and some of the original atmosphere is lost.

(6) Dacă urci cele două sute de trepte de piatră spre templu și privești înapoi, de lângă poarta *tori-i*<sup>3</sup> străjuită de cei doi lei din piatră – paznicii templului –, înaintea ochilor ți se deschide întinderea golfului, neschimbată de trecerea secolelor.

(Mishima – *Tumultul valurilor*, p. 6)

In this particular example, the original Japanese term was *karajishi*, a type of *shishi*, the legendary lion-like creature. In order to avoid too many footnotes on the same page (see example (3) above), the translator chose to replace the Japanese word with an explanatory segment, “the two stone lions, guardians of the temple”.

(7) Bătrânul și-a întins marfa la umbra stâncilor. [...] Erau acolo chimonouri de vară din bumbac, îmbrăcămințe ușoară, hăinuțe pentru copii, brâuri pentru chimonouri, șireturi pentru împodobit brăurile, cămăși, lenjerie...

(Mishima – *Tumultul valurilor*, p. 146)

In the paragraph of example (7), the Japanese specific terms are related to clothing – *yukata*, *hitoeobi* (one-layer sash) and *obijime* (sash string). In the Romanian version, they are all explained rather than translated: *yukata* becomes a “summer cotton kimono<sup>12</sup>”, *hitoeobi*, “sashes for kimonos”, and *obijime*, “decorative strings for sashes”.

### 3.5 ADAPTATIONS

A particular kind of translation strategy, less used and more demanding, involves adapting the Japanese specific elements to the cultural context that is familiar to the target readers, sometimes with the risk of losing the cultural content in the process, and/or of adding too much of the target culture to the original text.

(8) — Acestea sunt sărățele Soka<sup>13</sup> și *nori* de Asakusa, a zis patronul, arătând spre pungile de hârtie.

<sup>12</sup> Note that the term used in the translation, “kimono”, obviously derived from the Japanese word *kimono*, has long been used in the Romanian language. It already has a spelling adapted to the Romanian orthography and appears in the language dictionaries.

<sup>13</sup> Una dintre cele mai populare mărci de sărățele din orez din Japonia. Sunt obținute prin coacere, au formă rotundă și sunt crocante.

(Kawakami – *Vreme ciudată la Tokio* p. 43)

In this example, the Japanese specific term in question is *Sōka senbei*. *Senbei* is translated with the Romanian word “sărățele” – salty crackers, and thus adapted to the Romanian reality, but the Romanian traditional salty crackers are very different from the Japanese *senbei* and they certainly evoke a very different image in the mind of the Romanian reader. Probably for this reason, the translator chooses to also add a footnote, giving explanations not only about the *Sōka* brand, but also about the making of the Japanese traditional *senbei*.

The following example, taken from Haruki Murakami's short story *Yesterday*, is more complex. One of the main characters of the story, Kitaru, speaks in the Kansai dialect:

- (9) a. 昨日は / あしたのおとといで / おとといのあしたや  
 b. 「木棺というのは珍しい名前だよね」と僕は言った。  
 「ああ、そやな、かなり珍しいやろ」と木棺は言った。  
 「ロッテに同じ名前のピッチャーがいた」  
 「ああ、あれな、うちとは関係ないねん。あんまりない名前やから、まあどっかでちょこっと繋がってるのかもしれないけどな」

The Romanian translator chooses to transform all instances of the Kansai dialect into the Romanian northern (Moldavian) dialect, as shown below. The idea is interesting, but unfortunately, because of the density of dialectal instances throughout the text, and probably also due to the fact that the Romanian readers are not accustomed to decipher the Moldavian dialect *in writing*, the result is rather heavy and difficult to follow:

(9') a. Nu știu să mai fi existat, în afară de Kitaru, cineva care să scornească versuri în japoneză (și încă în dialect!) la cântecul “Yesterday” al Beatleșilor.

Ieri / Alaltăieriu' lu' mâini / Îi mâinili lu' alaltăieeeri  
 (Murakami – *Bărbați fără femei* p. 37)

b. — E neobișnuit numele Kitaru, i-am zis.

— Da, așa-i. Îi distul di neobișnuit, a spus.

— În echipa Lotte era un jucător cu numele ăsta.

— Aa, n-am niși o treabă cu dânsul. Sau, mă rog, fiindcă-i un numi așa di rar poati cî o fi vreo legătură îndepărtată.

(Murakami – *Bărbați fără femei* p. 38)

In contrast, the English translation only mentions the Kansai dialect, but the character's utterances, though in the colloquial style, do not show any conspicuous dialectal marks:

(9") a. As far as I know, the only person ever to put Japanese lyrics to the Beatles song "Yesterday" (and to do so in the distinctive Kansai dialect, no less) was a guy named Kitaru. He used to belt out his own version when he was taking a bath.

*Yesterday / Is two days before tomorrow, / The day after two days ago.*

b. "Kitaru is an unusual last name," I said one day.

"Yeah, for sure," Kitaru replied in his heavy Kansai accent.

"The Lotte baseball team had a pitcher with the same name."

"The two of us aren't related. Not so common a name, though, so who knows? Maybe there's a connection somewhere."

## CONCLUSIONS

In his aim to achieve faithfulness in the case of culturally distant translations, the translator has several strategies at hand, which he can use to clarify concepts and to compensate for the inevitable cultural asymmetries. If the context allows it, he can also attempt to make adaptations or use any forms of re-creation whenever the element referred to in the original text does not exist in the culture of the target text, but all strategies should be applied in a harmonious way, so that the literary qualities of the source text are not diminished and, simultaneously, the naturalness of the target language in the translation is preserved.

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# SANTŌ KYŌDEN AND YOSHIWARA

Angela Drăgan<sup>1</sup>

## Abstract

*The relationship between the artistic world and the literary world of the Edo period(1600-1868) Japan, on one hand and the Yoshiwara, the licensed quarter from Edo, nowadays Tōkyō, is well-known. My paper will discuss how this relationship developed in SantōKyōden's case.*

**Keywords:** Kyōden, Yoshiwara, *kibyōshi*, *ukiyo-e*

## 1. INTRODUCTION

SantōKyōden山東京伝 (1761-1816) is today a well-known *kibyōshi* writer and illustrator. *Kibyōshi* is part of a genre named *kusazōshi* 草双紙. It refers to woodblock-printed illustrated popular fiction. This was a genre that developed from the middle of Edo period (1600-1868) to the beginning of Meiji period (1868-1912). The text in a *kusazōshi* together with the illustrations are enclosed within the space of a page. *Kibyōshi* 黄表紙, also called yellow booklets because of their yellow covers, along with *akahon* 赤本, red booklets, *aohon* 青本, blue booklets, *kurohon* 黒本, black booklets and *gōkan* 合巻 is part of this genre of illustrated literature.

However, he started his career as an *ukiyo-e*<sup>2</sup> artist under the name of Kitao Masanobu 北尾 政信. In the beginning, he illustrated *kibyōshi* (illustration 1), under his brush name, Kitao Masanobu for other writers, but in 1780 he illustrated and signed the text of two *kibyōshi* under his artistic pseudonym. Both his careers, as a writer and illustrator, had a close connection to Yoshiwara.

Yoshiwara was the red light district from Edo<sup>3</sup>, present day Tōkyō. It was a regulated center for prostitution in Japan from the early Edo period until 1958. It was a walled-in structure with only one access point. Yoshiwara was founded in Edo, in 1617 when the shogunate granted a license for a piece of land situated outside the city

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<sup>2</sup> Woodblock prints or paintings which first started being produced in Edo period (1600-1868)

<sup>3</sup> Edo refers to the city of Edo, but also to Edo period (1600-1868) that was named after it. The same period has another name Tokugawa period, referring to the shogunate. The *shogun*, Tokugawa Ieyasu, chose this place to be his new headquarters and the city practically grew around his castle.



of Edo. Strict rules were imposed on the owners of the brothels as part of a control dominated society. The *bakufu*<sup>4</sup> kept a close watch on all the activities in Japan and rule-breaking was severely punished. Cecilia SegawaSeigle (1993, 8) explains that the construction of such a place was made possible because of a “background of wide acceptance of prostitution prior to the seventeenth century”. Moreover, “the appearance of the Yoshiwara in the burgeoning community of Edo, the new seat of the shogun’s government, was a natural and predictable development” (SegawaSeigle, 1993, 9). In time, it proved to be more than a brothel: “isolated in a small walled-in world, assured of government protection and special privileges, the Yoshiwara developed a strong sense of pride in its identity. It nurtured its own unique customs, traditions language, fashion” (SegawaSeigle, 1993, 9). All these helped to develop a special culture that shaped certain aspects of Japanese society. One of these aspects concerned *ukiyo-e* and its artists. Courtesans were often a favorite theme along with scenes from the licensed quarter. Artists were customers who enjoyed their company and the entertainment they provided.

But, art was not the only thing that found its inspiration in the Yoshiwara. Woodblock-printed illustrated popular fiction like *kibyōshi* or *sharebon* also drew on it. *Sharebon* described the manners, the clothes and the proper language to be used in the licensed quarter. They had pages that contained hairstyle depictions (illustration 2) and clothing patterns revealing what one should wear in order to be fashionable.

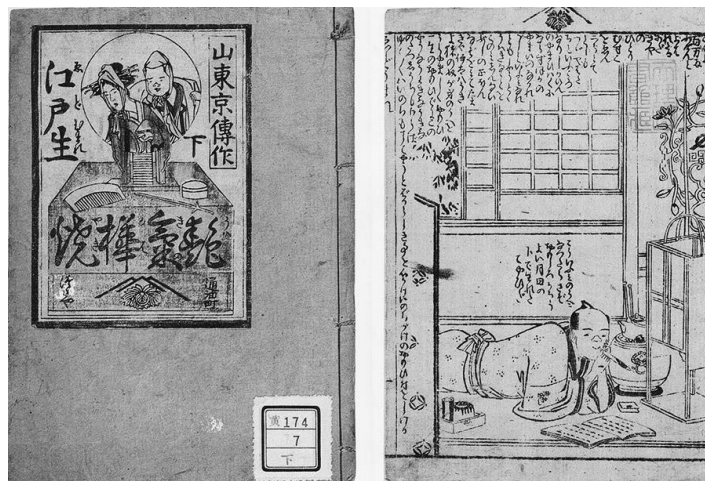


Illustration 1, Santō Kyōden, writer, Kitao Masanobu, illustrator, *Edo umarewaki no kabayaki*, 1785  
(Courtesy of Waseda Library)<sup>5</sup>

<sup>4</sup>*Bakufu* is a term used to refer to the *shogun*’s office or government

<sup>5</sup>[http://www.wul.waseda.ac.jp/kotenseki/html/he13/he13\\_01961\\_0017/index.html](http://www.wul.waseda.ac.jp/kotenseki/html/he13/he13_01961_0017/index.html)

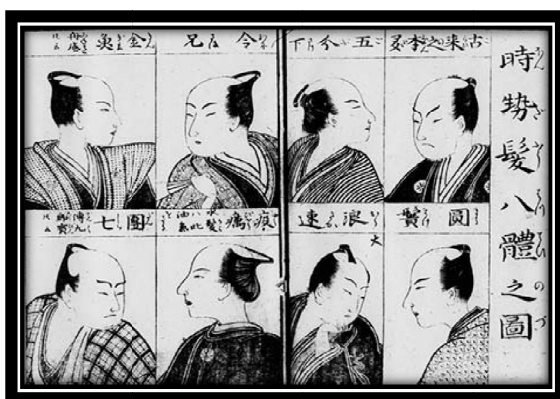


Illustration 2, Koikawa Harumachi, *Tōsei fūzoku tsū* (1773)  
(Courtesy of National Diet Library, the Digital Collection)<sup>6</sup>

Kyōden as *anukiyo-e* artist and as a *kibyōshi* and *sharebon*, had a strong connection to the Yoshiwara. My paper will focus on how this relationship was built.

2.

As it was mentioned earlier, he started his career as an *ukiyo-e* artist. In 1761, he was born in the family of a merchant, in Edo<sup>7</sup> and around 14 years old, in 1775, he started studying wood-block printing with KitaoShigemasa (1739-1820). KitaoShigemasa, though less known today was an influential artist of his time. His school was named Kitao, whose students were-Kitao Masayoshi (1764-1824) and Kubo Shunman (1757-1820)- except Kyōden. His works have two specific characteristics, his large number of book illustrations, on the one hand, and the fact that “Shigemasa concentrated on depicting not the high-class courtesans of the Yoshiwara, but the lower-ranking geisha and female entertainers” on the other hand. “He did this with incomparable verisimilitude, attending to minute details of kimono patterns, crests, and even individual strands of hair flared out by bodkins in the chic *bin* coiffure” (Kern, 1997, 66).

In 1776, Shigemasa's career reached its peak with the publication of *Seiro bijin awase sugata kagami* (*A Mirror of Beautiful Women of the Green Houses Compared*) an illustrated book. The Green Houses referred to the courtesan houses in Edo and the book depicted them in all four seasons (illustration 3). The last volume of the book had verses written by the courtesans themselves on the four

<sup>6</sup> <http://dl.ndl.go.jp/info:ndljp/pid/2534201>

<sup>7</sup> My information related to Kyōden's life draws on Mizuno Minoru *SantōKyōdenennenpukō*( *A Biography of SantōKyōden*) ( Perikansha, 1991)which is to this date the most comprehensive account of his life

seasons<sup>8</sup>. This shows the close relationship among *ukiyo-e* artists and the courtesans, on one hand, and the owners of the brothels, on the other hand. They saw this as a good way to promote their businesses.



**Illustration3, Kitao Shigemasa, *Seiro bijin awase sugata kagami* (A Mirror of Beautiful Women of the Green Houses Compared), 1776 (Courtesy of British Museum, online collection)<sup>9</sup>**

Around the same year, Santō Kyōden starts frequenting Yoshiwara. Mizuno Minoru in *SantōKyōdennenpukō* (A Biography of Santō Kyōden) (1991, 17) does not give this exact year but he writes<sup>10</sup> that it happened from the second half of Anei (1772-1781)<sup>11</sup> period which would be around 1776. Though, the year is not certain, Mizuno explains that from Anei 8 (1779) and Anei 9 (1780) his artistic style and technique had changed and it can be accounted for as a result of his entering the world of the licensed district.

As an *ukiyo-e* artist, the Yoshiwara was a rich source of inspiration. Illustrating beautiful courtesans was more than a paid job. It often happened that artists themselves became customers. Haruko Iwasaki (1984, 283) explains that “Kyōden’s cultural education was completed in Yoshiwara, the most extensive and costly school of Edo culture. He totally submerged himself into the Yoshiwara life, he spent ‘two days out of three’ in the quarter and remained a faithful customer [...]. What Kyōden acquired there, beyond fluency in the art of love, was an extensive knowledge of its cultural complex—its intricate rules, subtle manners, fastidious tastes, and symbolic language”.

<sup>8</sup> [http://www.britishmuseum.org/research/collection\\_online/collection\\_object\\_details/collection\\_image\\_gallery.aspx?partid=1&assetid=1348409001&objectid=779437](http://www.britishmuseum.org/research/collection_online/collection_object_details/collection_image_gallery.aspx?partid=1&assetid=1348409001&objectid=779437)

<sup>9</sup> Id.

<sup>10</sup> Mizuno Minoru quotes Koike Togoro’s study on Kyōden, *SantōKyōden no kenkyū*, from 1935

<sup>11</sup> Anei is the name of a Japanese era. Each Japanese historical period is divided in sub-periods corresponding to the enthronement of a new emperor

Soon after, around 1780, Kyōden meets Kikuzono 菊園 or Okiku お菊, a *shinzō* 新造 (Mizuno, 1991, 15). Each high-ranking courtesan had several attendants called *shinzō*, who were practically trained to become courtesans. There could be two types: *furisode-shinzō* (*furi-shin*) and *tomesode-shinzō* (*tome-shin*). The first ones had “long-sleeved (*furisode*) kimono. Their ages ranged from thirteen to eighteen, and they were full-fledged prostitutes” (Segawa Seigle, 1993, 273). The second ones had short-sleeved kimonos as they were promoted from *furishin* with a sponsor. The change in clothing was considered a “sign of maturity” (Segawa Seigle, 1993, 277).

The same year, Kyōden publishes the *kibyōshi*: *Yonemanjū no hajimari* 米饅頭始 (*The Origin of Yone Dumplings*) as its illustrator and writer of the text. It has been assumed that he used her as the main character, as Yone. Nevertheless, Mizuno Minoru (1991, 15) writes that this is rather difficult to prove.



Illustration 4, Santō Kyōden - *Yonemanjū no hajimari*,  
1780, Santō Kyōden Zenshū 1, Perikansha 1992

One detail that could bring light into this matter, as I reckon, could be the patten on Yone's kimono. In illustration 5, the name of Yone, marked by the Chinese character, 米 *kome* (rice), is placed on her left shoulder so that the readers identify her. In the next illustration, we have the flower patten that can be observed all over her kimono. The patten, as I believe it to be, is that of a *kiku*, a chrysanthemum. A rather similar design is to be observed, for example, in another *kibyōshi* by Kyōden, *Gozonji no shōbaimono* (illustration 7), published in 1785. The text, here, clearly refers to this patten as that of a chrysanthemum. Even if this kind of proof is put forward, it is still debatable whether Yone is Kikuzono/Okiku or not.

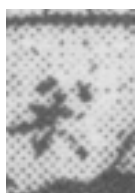


Illustration 5, Yone, お米, SantōKyōden- *Yonemanjū no hajimari*, 1780 (detail)



Illustration 6, SantōKyōden- *Yonemanjū no hajimari*, 1780 (detail)



Illustration 7, SantōKyōden- *Gozonji no shōbaimono*, 1781(detail), (Courtesy of Waseda Library)

However, a stronger proof of the influence of Yoshiwara on Kyōden is more visible in an exquisite *ukiyo-e* album: *Shin bijinawasejihitsukagami* 吉原傾城新美人合自筆鏡 produced in 1784. It was an album of seven large courtesan portraits. Each portrait was accompanied by a poem in a courtesan's own hand writing.



Illustration 8, *Shin bijinawasejihitsukagami* 吉原傾城新美人合自筆鏡, 1784 (Courtesy of British Museum)<sup>12</sup>

<sup>12</sup>[http://www.britishmuseum.org/research/collection\\_online/collection\\_object\\_details.aspx?objectId=779415&partId=1](http://www.britishmuseum.org/research/collection_online/collection_object_details.aspx?objectId=779415&partId=1)

Two years later, in 1786, Kyōden mentions Kikuzono in one *kibyōshi*: *Akushichibenmekagekiyo* 明矣七変目景清 and a *sharebon*: *Kyakushūkimokagami* 客衆肝照子.

In 1788, he mentions her name again in his *kibyōshi*: *Fuji no hitoanakenbutsu* 富士之人穴見物 (Mizuno, 1992, 30). The same year, he publishes *Keisei kei* 傾城觴, a guide to thirty courtesans. Knowing more about the Yoshiwara and being known, by now, for his knowledge of the licensed quarter “Kyōden assures his readers in the forward that these are courtesans that he knows very well from their temperaments, likes and dislikes, accomplishments and even childhood names and that the illustrations were copied exactly from life” (Iwasaki, 1984, 299). Contemporary readers were avid of learners about the courtesans and a guide like this with what appeared to be truthful information, proved to be a great accomplishment.

Two years later, he finally marries Kikuzono. Marrying someone from Yoshiwara was not unusual but it did not happen very often. Social in 1793, in his *kibyōshi* *Kanninbukuroojime no zendama* 堪忍袋緒 善玉 (illustration 9), in an illustration at the beginning of the book, there is a woman who serves tea and the *kiku* 菊 pattern is visible, again, on her kimono (Kern, 1997, 89). Kern believes that this type of “references, while not advertisements in the strict sense of the word, must have provided Kikuzono with a certain pride, the pride of knowing that her husband was plugging her, so to speak, in his writings” (1997, 89). Unfortunately, the same year Okiku/Kikuzono dies.

A few years later, in 1797, Kyōden meets Tamanoi 玉の井, later known as Yuri and she was also a *shinzō*. In 1800, he marries for the second time to someone from the Yoshiwara. An illustration of the couple remains in a *kibyōshi* from 1804, *Sakusha tainai totsuki no zu* 作者胎内十月図 (illustration 10). The scene is a domestic one, he, the writer and illustrator, at his desk working and she, a faithful wife, sewing.

If we assume that Kyōden did refer to his wives in his written works, both Kikuzono and Tamanoi are portrayed as married women, not as women from the Yoshiwara. They seemed to have embraced their status and to have enjoyed it. His relationship to the licensed quarter of Edo is a much deeper one and it provided him with a certain inside view.



Illustration 9, SantōKyōden, *Kanninbukuroojime no zendama*, 1793 (Courtesy of Waseda University)



Illustration 10, *Sakusha tainai totsuki no zu* 作者胎内十月図, 1804 (Courtesy of Waseda University)

## CONCLUSIONS

Kyōden had started his career in the same way as many young artists and writers of his time did. As an apprentice for an *ukiyo-e* master, he stepped into the world of courtesans first, to observe them and draw them, then as a costumer. He deepened this relationship which developed into a life-long one. He did take advantage of it in promoting his works, being *ukiyo-e*, *kibyōshiorsharebon*.

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# TRADITION ACROSS BORDERS

Angela HONDRU

## Abstract

*The recognition of things in the past that tell their story should be known and possibly enriched by successive generations. A major resource in the pursuit of this objective is the effort into making traditional customs successful and strong through the sacred dimension of celebration. Important alike is awareness of others. It is a well-known fact that knowing others you come to know yourself better (E.g. Călușul versus Kagura) or, at least, you understand more easily that the forces of uniformity threaten national cultures leading to anonymous culture. Global culture is a force that is eroding and dissolving tradition entailing loss of cultural identity (E.g. Dragobetele and Tanabata versus Valentine's Day). But if in a global cultural event we come across at least one mark specifically national, meager though it may be, it could help us recognize part of that cultural identity within the large ocean of global culture (E.g. the Japanese Giryō).*

I am not going to focus upon terminology such as internationalization or globalization, but upon concrete examples of what cultural identity means and how important the conservation of traditional customs through the sacred dimension of celebration is, such as I felt it during my fieldwork trips both in Romania and in Japan.

With this aim in view I am approaching the Japanese *Hayachine-kagura* and the Romanian *Căluș* – dances that are distinctive marks of national identity.

**Keywords:** traditional customs, celebration, cultural identity, awareness of others, global culture

## 1. INTRODUCTION

Before the advent of Buddhism in the 6<sup>th</sup> century, the early Shinto consisted of a bunch of animistic beliefs according to which there was a *kami* („deity”) in everything that was animate or inanimate. Besides the deities in the Japanese pantheon, the spirit of the wind, of the storm, of rivers and mountains, etc. as well as real and imaginary ancestors could fill the Japanese soul with respect and fear and became *kami*. Towards all this, the Japanese felt love and gratitude and the urge to

soothe their souls. Hence, the genuine traditional Japan is the country of the *kami* and of the festivals dedicated to them, resulting in a unique cultural model. It is a living tradition to which each generation came to add a distinctive feature through intensely emotional participation. It belongs to eternity, re-creating the past which becomes present.

According to folk belief, all deities should be periodically given offerings and special rituals because they are considered to grow old like human beings and if they are neglected, they might extinguish. Lest this should happen, they are to be subjected to renewal rituals at certain points of time.

This is the background of all folk observances and *kagura* – the sacred dance – could not have deviated from it. *Kagura* dances are in fact a way of actively perpetuating mythical symbols and rituals. *Kagura* claims a mythological origin, all the more the myth of Japan's creation tells less of the islands' physical formation than their ritual creation. Rituals speak about important events, they tell stories Japanese tell themselves about themselves.

*Kagura* are considered to be either offerings of music and dance brought to the *kami* by people or music and dance performed by the *kami* who descend among the parishioners. The offering of songs and dances functions as a mediator between *kami* and man, acts as a go-between that answers both for enduring the relationship with superior spirits and for strong social bonds. The offering can be considered one of man's efforts to draw closer to the sacred. The gesture of offering is connected with two planes of existence: the festive one and that of the recollection. Through the permanence of the recollection, through this feeling of cosmic essence, Japanese go beyond terrestrial familiar solidarity and acquire that ancestral solidarity which is eminently sacred and which has taken deep roots in their spirituality.

The uniqueness of *Kagura* dances is given not only by their way of conveying old Shinto beliefs, authentically Japanese, but also by the manner in which they have absorbed Buddhist and Taoist elements, merging them all into a coherent and complex story line. In other words, the home-grown mythical structures and scenarios fused with Buddhist and Taoist elements to create a distinct and complex cultural legacy.

Japanese are connected to the sacred dimension of life through celebration. There are around three thousand *kagura* troupes all over Japan, out of which over one hundred are considered regional or national Intangible Cultural Properties. *Hayachine-kagura* was also inscribed on the UNESCO Intangible Cultural Heritage list in 2009.

*Kagura* performances have a rich repertoire. Each dance tells a story that delights the spectators and makes them feel, even if only for a few hours (most often than not, more than twenty), liberated from the daily grind of everyday life. During such celebratory moments, emotions spring up in the very corners of the soul,

shaping a warm and lively world reigned over by the mirth of the event. In *Kagura* dances we do not speak about a typical actor-spectator connection, but rather about a fluid exchange that wraps them up in shared emotion.

The rhythm is not of a lower rank than that of any modern dance. The latter changes according to the current preference and influences and therefore does not have time to crystallize in a fixed pattern, not even for a brief instance. Modern dances are like flaring flames that go out having used up their fuel. It is not the fate of *Kagura* dances, since they have been for many ages an important source of entertainment for traditional communities. It is exactly this function that has dictated the guidelines for celebration events.

In group dances the performers conjoin and seem to share a single heartbeat. In solo dances the rhythm allows each performer to unveil his own spirituality, eager to bring forth the message of his dance. Gentle torso twists, knee bends, and the more important hand movements which sign different layers of gracefulness – all talk about the Japanese unique way of interpreting beauty. If we add to this the diversity of exquisite costumes, we will come to envision the Japanese aesthetic values surviving over generations.

Besides, we should not leave out the humorous remarks and situations found in most *Kagura* performances, which make the audience burst into laughter. The product of the ancient effort into making Japanese traditional culture successful and strong, is a mixture of joking and dancing which proves that, when intertwined, the two attitudes result in true, simple, and refined art.

To give only one example of *Kagura* spectacle that came to be known in France (1983 and 2013) and in the United States (1976 and 1994), *Hayachine-kagura* in Iwate Prefecture was highly appreciated not only as a ritual performance dedicated to *Gongen* (the guardian deity of the Hayachine Mountain) but as refined art as well, being imbued with *yamabushi*'s ("people who lie in the mountains") energy and strong sense of humor. Originally, such ascetics would go round villages between November and January or February, carrying a *lion head* in order to practice a purification ritual. In the evenings they would stop at a house, enclose the place with sacred rope (*shimenawa*), improvise a stage and dance *kagura* all through the night. Nowadays the spectacle consists of forty dances performed on July 31<sup>st</sup> and August 1<sup>st</sup>. Beside the first six ritualistic dances (the first always being *The Dance of the Birds*, a re-enactment of an auspicious portion of the myth according to which the primordial couple – Izanagi and Izanami – gave birth to the Japanese islands), there are humorous dances as well as dances looked upon as an artistic response to the prevailing feuds and battles between powerful clans along the centuries, or sensitive "women's dances".

*Gongen-mai* (Gongen-dance) is always closing such types of *kagura*. Like other dances that characterize *Hayachine-kagura*, *Gongen-mai* has two parts. The first half features a solemn dance, in fact a prayer piece, while the second half represents a symbolic possession of the dancer by the deity. The dance begins slowly and reaches intense movements in order to indicate the possessing presence of the deity. The possession takes place while the dancer manipulates the *lion head* mask. The second part is performed by two dancers. The first manipulates the *lion head* with both hands and performs a series of turns that are interrupted by a snapping movement of the lion's jaw. This snapping motion symbolizes the removal of evil from the community. The second dancer assists by holding the *lion's body* – a long cloth attached to the head. The dance reaches its climax when the dancer manipulating the *lion head* enacts having taken over the attributes of the deity. In becoming *Gongen*, the performer raises the *lion head* above his own and lets the attached cloth body fall around him. The performance ends with a mighty clapping of the jaws and quick movements of the head to show the deity's joy at having been entertained by all of the dances that were brought as offerings. If we are to judge the *lion head* in Mircea Eliade's words, we can consider it a clear example of theophany, namely a visible manifestation of the deity through the mask of an imaginary animal.

Not only *Hayachine-kagura* but all *Kagura* dances make one feel that rituals are endless realities; they look like eternal occurrences which belong not only to the past, but to the present and the future as well. Thanks to the items in the program, they cast performers and participants onto a plane which goes beyond history, enabling them to assume a reality hardly to be attained on the individual profane plane. It is a plane beyond temporality – that of Japanese traditional communities which apparently live according to perennial co-ordinates, but in which the present is nevertheless intensely felt through people's creativity ready to meet their up-to-date spiritual needs.

The same holds good for the Romanian traditional dance *Căluș*, which crossed the borders of Romania for the first time in 1935, when the troupe from Pădureți, Argeș County, performed it at the International Folk Festival in Albert Hall in London. The Romanian dance *Căluș* impressed Spanish spectators in 2003, and the French ones in 2005 and 2008. Mention should be made of the presence of *Căluș* in Japan, at Aichi EXPO 2005, where Romania participated with the message "Heritage for the Future". The *Căluș* dance attracted Japanese and foreign spectators, being one of the most looked for events of the exhibition. Diana Tihan, Secretary II in the Ministry for Foreign Affairs, at that time translator for the Expo, said the Japanese would wait in a line for hours in order to be able to watch the *Căluș*. I was not astonished at the news because during my field work trips I had met quite a lot

of Japanese researchers and photographers trying to understand Romanian spirituality through this dance.

What is special about it?

The ritual dance *Căluș* can be considered first of all an offering to the souls of the dead. The renewal of the communication with ancestors is as important for Romanians as it is for Japanese or for many other peoples all over the world. People cannot live if they don't find an opening to the other world, i.e. they can't live in chaos. It is believed that if they lose the link with the world beyond, life in this world becomes impossible. In order to avoid such a situation they have been practicing ancestor worship since ancient times and Romanians are no exceptions in this respect.

According to Romanian folk belief, ancestral spirits come from the Heavens (i.e. the other world, when the "sky" opens for them to descend) and watch over the life of the descendants, being in constant contact with them (the same holds good for the Japanese). Romanians worship their ancestors on fixed dates, during the four seasons, alongside with the growth and death of vegetation – a definite mark of cultural identity. The ritual offerings given to the ancestors' souls consist of *coliva*, water, bread (usually in special shapes), and food. They are believed to make the connection between the world of the living and that of the dead, thus showing the descendants' concern for their predecessors. *Coliva* (made from wheat, nuts and honey) is the symbol of the mystery of life and eternity. The ritualistic dance performed on Pentecost, in early summer (fifty days after Easter), is considered to be another important offering to the souls of the dead. Before starting for the round of the households in order to perform the dance which carries out the functions we are to discuss below, *călușarii* (the dancers) stop at the cemetery in order to offer to the ancestors' spirits at least one dance.

However, the first important rituals to be performed are raising the flag and making the vows of obedience, which are usually done outside the village at a crossroad, on the bank of a river or at the edge of a marsh, hillock or mound, in a glade, or at one of the village boundaries. Villagers are not allowed to attend these rituals because, according to folk belief, they might attract evil spirits.

The flag is usually made out of hazel-nut tree. Its magical properties are well-known all over the world, to mention only the wizard's wand or the broom handle the witch rides. When the flag is ready, enough garlic and wormwood for each member of the group is tied with a white cloth to its top. The potential of the garlic and wormwood to ward off evil spirits at the turn of the seasons is recorded in many Romanian folk texts. They are also believed to function as effective talismans against malevolent forces. A little piece of wood wrapped in rabbit skin is also added. It is called the "beak" of the flag and is to be buried the following Tuesday. In fact, it is the "beak" that is considered to be the substitute of the deity who revives and dies

every year, at a crucial period of time, and that's why the awe with which the flag is regarded is warranted.

The *călușari* form a circle around their leader and from then on strict silence is maintained. All of them have pieces of garlic and wormwood in their mouths and ears. Each of them makes his vow by coming forward, saying something unintelligible and kissing the flag. It is believed that the dancers take over the force of the deity which resides in the "beak" and become supernatural beings; whereupon they are able to defeat the evil forces that menace the community at this time of the year. Then they cross their wooden clubs on the flag in a radiant way, looking like the rays of the sun, which reminds us of the cult of the great heavenly body.

The *călușari* are bound by ritual law to dance only between sunrise and sunset. They only dance in courtyards or at crossroads, and never enter houses. People gladly receive the dancers in their yards, because they believe that if the *călușari* dance there, they will enjoy good luck and will be spared illness. At the same time, owing to the objects used inside the circle of dancers, the fertility rite is obvious.

The hostess comes out into the courtyard and places the following objects next to the flag in the center of the circle that the *călușari* have formed: stalks of green garlic, wormwood, and salt. She may also place a bowl or a pitch with water and some grains. The garlic and wormwood are attributed healing and prophylactic powers, while salt, water and grains are considered to be fertility symbols.

The musicians who stand either inside or outside the sacred circle (it varies according to village) play the "calling of *Căluș*" as a first tune. Then there follow the other dances. We can divide them in two sequences: the spectacular dances of the *călușari* themselves and the round dance in which the villagers join.

The complex dances performed by the *călușari* who support on their clubs require great dexterity. They consist of jumps, heel clicks, stamps, leaps, cross-steps, knee bends and many other movements. The dancer's club is the symbol of power, like the ruler's scepter. It becomes both the dancer's support for the difficult jumps and leaps he has to perform and the sign of victory over the evil spirits he has to overcome on a supernatural level.

The significance of the round dance in which the villagers join, lies primarily in its prophylactic powers. During this sequence, the villagers are permitted physical contact with the *călușari*, i.e. they can touch the dancers, which means they will be protected from illness, harm, and misfortune. Through the process of contagious magic, unmarried girls believe they will marry soon if they brush against the dancers' shoulders, while mothers will give their young children to the *călușari* to hold in their arms while dancing the round dance. It is believed that if the children are

danced by the *călușari*, and especially if they are placed their hats upon their heads, they will remain healthy and become as strong as the dancers.

The *călușari* then move to the next household and continue like this until sunset. If the village is small, they can go on with their performance to another village or even to big cities, where their dance is no longer ritual, but pure spectacle. Nevertheless, folklorists agree that the space can become easily ritualized by drawing the magic circle inside which the *călușari* perform their dances.

Wherever the *călușari* might dance, they return to their village for the last sequence of the folk observance which is called either the burial of the beak or of the flag.

Though only *călușari* take part in this practice, it looks like being a dynamic counterpart of the binding of the flag. According to Kligman, “this last phase of the *Căluș* constitutes the rite of passage by which the *călușari* are transformed from their ritual supra-normal state back to their normal position within the community. Just as the raising of the flag is the means by which supernatural status is conferred upon the *călușari*, so the unbinding serves to strip them of it and return them to everyday life.” [1999:70]

The burial of the flag or of the beak takes place on the first Tuesday or on the second Tuesday after Pentecost. It can be performed in the same place where the flag was bound or raised, without any eye witness, or in any other “secret” place. The reason why it must remain unknown to non-initiates is attributed to the power associated with the flag and / or with the beak. It is the leader who usually unties the cloth from the top of the flag. He then gives each dancer a piece of the cloth, garlic, and wormwood, which they put in their belts. Pieces of each will also be kept and made into a packet to be buried in the ground, along with a piece of the flagpole and the rabbit skin. The leader himself buries them, while the others join him to stamp on top of the “grave”. Through the burial of the “beak”, the dancers return to their normal state because they lost the direct contact with the deity which died to be reborn the following year. The *călușari* hold their clubs against the vertical flagpole which has been stripped of its “flag” and at a given moment, they drop their clubs and run away without looking back. Their gesture belongs to the ritual of forgetting the vows they had made in the beginning, i.e. of not revealing the secrets of the dance. After a couple of moments they meet again and they greet as if they hadn’t seen one another for a long time.

The dance in itself is really beautiful and it is no wonder it was chosen among the World’s Cultural Properties of UNESCO, in November 2005.

Unlike the dance of *Căluș*, acknowledged as national treasure, *Dragobetele* – the folk observance dedicated to love – didn’t enjoy appreciation during the communist era, though it is strongly connected to nature. As the first signs of spring

show, nature and man restart the cycle of life and love. Olinescu asserts that “February 24<sup>th</sup> is the best day to find the beloved of one’s heart because *Dragobetele* is the spring-head and spring comes in for love”. [2001: 268-9] Irrespective of the controversial origin of *Dragobete* (Ghinoiu and others identify him with the Roman Cupidon or the Greek Eros), young people should be as joyous and eager to celebrate the day like the birds which, around this time, begin to build their nests and mate. “They should do it so that they might be in love throughout the year”, mentions Marian. [1995: 237]

Although eclipsed by *St. Valentine’s Day*, *Dragobete* is still practiced in southern parts of Romania and among the customs still alive, we should mention: melting snow (called “fairy’s snow”) to get water for the ritual washing of the hands, face and hair; gathering vernal flowers in the woods; performing folk songs and dances in the centre of the village. When back from the woods, the maidens run to the village, followed by the young men who try to catch the one each had fallen for, and kiss her in front of everybody present. The kiss seals the two lovers’ open engagement. Young people in towns sniff at such customs saying they are obsolete and no longer practiced, ignoring that they speak for the very nature of Romanians’ attitude towards love.

In Japan, *Tanabata*, the festival dedicated to love, goes hand in hand with *Valentine’s Day*. Origuchi submits that *Tanabata* is an abbreviation of *Tanabata-tsume*, meaning “the weaving maiden”. According to folk belief, the custom originates in a chaste maiden’s weaving attire for the God of Water. A temporary hut would be made near a river or another water flow. The hut was simple, made of elements of nature barely worked upon so that the flavor of the natural world could be exhibited. The maiden was supposed to have pure heart and noble mind, and to weave at the loom in order to meet the God with new garments. She used to be considered the God’s wife for only one night – the night before the celebratory event. The wedding was a “must”, so that the God’s power might remain in human’s world.

The Chinese legend of the two loving stars was taken over against this background. The date is not mentioned by ethnographic studies, but in *Man’yōshū* (759) there are lots of poems speaking about the love of Orihime (Vega) and Kengyū (Altair). Orihime would weave attire for his father, without having time to think of love. The God of Heaven felt sorry for her and arranged a marriage with Kengyū, who lived across the river (the Milky Way). Their marriage was very happy from the start. Little by little the God became angry because Orihime started neglecting her weaving, and he decided to separate the couple. So he placed them back in their original places, separated by the Milky Way, allowing them to meet only one night per year – on the 7<sup>th</sup> of the 7<sup>th</sup> month. When it rained, a group of magpies was believed to fly to the Milky Way to make a bridge for Orihime to cross.



Inevitably, a legend like this spawned a festival, one of the biggest in Japan. Its principal symbol is the bamboo wish tree – a long stalk-like trunk with light, leafy branches protruding from it. Such trees are usually decorated with colorful paper streamers symbolizing the threads woven by Orihime. A popular variation of the streamers are short strips of slightly stiff paper called *tanzaku*, which are tied to trees with string or ribbons, after individuals have inscribed them with wishes. On the following day the decorated trees are floated on a river or in the ocean or, in some places, burned as an offering.

The most opulent celebration of the stars takes place in Sendai, where besides the classical dances on the portable shrines, spectators can admire street performances and all kinds of parades. In Sendai, the colorful bamboo decorations brighten up the shopping arcades to delight the thousands of visitors who come from all over Japan to see the festival.

Since anybody knows what *Valentine's Day* means, I am not going to comment on the way it imposed upon *Dragobete* and *Tanabata*, but I would like to mention the specific mark of the Japanese lovers' day not to be met with in other parts of the world. It refers to the name of the chocolate offered as a present.

### Where does *giri-choko* come from?

*Giri* is a specifically Japanese concept meaning the loyalty a man of honor owes to his superior and to the fellows of his own class. It is identified as the virtue of the samurai. This transcendent samurai virtue of old Japan suffuses great numbers of historical folktales which are known all over Japan and are worked up into *Nō* dramas, *Kabuki* theatre and *Kagura* dances. Nevertheless the old tales of loyalty are pleasant daydreams to the Japanese today for now *giri* is no longer loyalty to one's chieftain, but is fulfilling all sorts of obligations to all sorts of people. For instance, *giri-choko*, the chocolate women give to friends or colleagues on Valentine's Day has no romance involved. It is however unique in the way it revives the old concept of *giri*, so unique that "the Japanese have not tried to expound *giri* to Westerners; their own all-Japanese dictionaries can hardly define it. One of these renders it righteous way; the road human beings should follow; something one does unwillingly to forestall apology to the world." [Benedict, 1979:133-4] I wonder which of these definitions might have brought forth the custom of women's giving *giri-choko* to men. Anyway, the meaning of the word makes us think only of Japan and everybody must admit it leaves its own mark on the globalized Valentine's Day.

Besides *giri-choko* there is *honmei-choko*, too. It is given to a boyfriend, lover, or husband. Japanese women often prepare *honmei-choko* by themselves as many of them think they cannot be "the likely winner" to the man's heart without their own effort (*honmei* literally means "the favorite to win the race").

One more unique thing to add is the *White Day* – March 14<sup>th</sup> – when Japanese men who received *giri-choko* or *honmei-choko* on Valentine's Day are expected to return the gift (traditionally, cookies, white chocolate, jewelry, etc). Again, what is specific of Japan is *sanbai-gaeshi* ("triple returning"), which means that most of times the gift is two or three times worth of Valentine's gifts. The gesture belongs to specific etiquette, and Japanese are paragons of virtue in this respect.

Romanians cannot boast about anything specific on Valentine's Day. They celebrate it by giving gifts to the beloved ones, just like in other countries all over the world. No rituals, no special words, nothing to remind of the traditional *Dragobete*.

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# CHARACTERISTICS OF THE BUYING DECISION PROCESS FOR JAPANESE PRODUCTS – A EUROPEAN CUSTOMER’S MARKET PERSPECTIVE

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## Abstract

*This paper addresses the general characteristics of buying decision process in case of Japanese products on the European market. Building and maintaining a long lasting win-win relation between buyer and seller is the premise for the development of any market activity on national and international market. Knowing the buying behaviour characteristics is an important effort of the organisation to adapt to target market and offer satisfaction to the consumer. Japanese products adaptation to foreign markets is a large process that has started in the 1970s, being focussed on innovation and quality. Here we present a study that emphasises the general process of offer adaptation by the Japanese companies to the foreign market, and the next steps needed for obtaining strategic advantages on the European market.*

**Keywords:** Consumer Behaviour, Consumer Decision-Making, Japanese Products, Buying Behaviour, Marketing Strategy

**JEL Classification:** M31, D10, F20

## 1. INTRODUCTION

The general marketing process focuses on creating customer value and building profitable customer relationships. The ability of an organisation to constantly satisfy the consumer is related, among others, to understanding the buying process and characteristics of consumer’s behaviour in general. The success of a marketing strategy depends on this ability and on creating customised offers for each market. Therefore, Japanese organisations interested in the European market must take into account some internal and external factors that influence consumer’s behaviour, as well as consumer’s social and psychological peculiarities, the impact of

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subcultures on consumption patterns; linguistic and psychographic particular details which refer to aspects of a person's lifestyle and personality.

We consider this study to be a starting point for a comprehensive understanding of how European individual consumers think, what they value and how they decide when acquiring a particular Japanese product or service. The enclosed information is the outcome of a documentary study based on secondary online and offline up-to-date sources.

## **2. CHALLENGE OF A CONTINUOUS AND DIVERSE CONSUMER BEHAVIOUR STUDY**

The buying process study must be considered within a larger process – consumer behaviour study – which integrates the analysis of preceding or subsequent stages of the buying process, including analysis of consumer's states of mind during these stages.

Consumer behaviour is the study of how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and wants [Solomon, (2011)]. Consumer behaviour is a complex process involving the activities people engage in when seeking for, choosing, buying, using, evaluating and disposing of products and services with the goal of satisfying needs, wants and desires [Belch, Belch, (2004)]. Consumer behaviour study is a continuous, dynamic process, which involves data, tools and processes from various disciplines. **Buying behavior** is the decision processes and acts of people involved in buying and using products. **Consumer buying process** refers to buying behavior of ultimate consumers, those who purchase products for personal or household use and not for business purposes [Pride, Ferrell, (2009)]. Understanding the buying decision process is essential, as this decision justifies any product or service.

The consumer has to make lots of decisions daily. The marketing experts study the consumer behaviour in order to understand the dynamics of buying preferences and future decision making motivations. Today we may identify a set of behaviour elements specific to various consumer groups, but tomorrow a new set of evolution lines may appear, that are beyond the known patterns. This is a dynamic process, related to the economic, social, political and technological development, including the individual development of each consumer.

The specialised literature approaches consumer behaviour by studying the individual psychological processes used by consumer to make acquisition, consumption, and disposition decisions, the group behaviors and the symbolic nature of consumer behavior [Hoyer, MacInnis and Pieters, (2013)]. The buying decision may be influenced by cultural, social, personal and psychological factors. Thus, the consumer will rely on his life experience and a set of inner specific elements acquired in time, such as motivation, ability, and opportunity; exposure,

attention, perception, and comprehension; memory and knowledge, and attitudes about an offer. These elements may be influenced by culture, subculture, social class, groups and social networks, family, roles and status of consumer, age and cycle strategy, occupation, economic situation, lifestyle, personality and self-concept [Kotler and Armstrong, (2014)]. The influence of emotions, culture, individual perception and preference is de-emphasized even though human motivations are found to actually determine value and influence of choices and decisions [Ansle, (1982)]. Planned and impulsive purchase decision making is often influenced by emotions.

Economic, social and technological development has determined the consumer to become active and involved into identification and even making of the products he needs. The customer's level of involvement varies depending on the consumer's interest in the product or service. His interest rises with the desire to identify with the product in front of the others and drops with the decrease of social exposure related to the product. Consumer's involvement does not necessarily concern his own consumption, as there are various roles in the purchase decision making process, played by one or more persons. Thus, consumer behaviour should not be approached as if it were isolated; it should be regarded in a wide context of inter-connections and influences. The consumer may be an organisation or a group, the decision being made by one or more persons. One of the important groups considered in our study is the family, in which the members switch roles in the purchase decision making process.

The answers related to various behaviour processes are deeply hidden in the mind of the consumer, and the consumer himself finds it difficult to explain the factors that determined him to make a certain purchase decision. Consumer behaviour study is a complex, long process that involves many resources; the outcome may materialise in many years of brand or store loyalty, strong connections between product or store and consumer that may be very difficult for competitors to break.

### **3. GENERAL CHARACTERISTICS OF EUROPEAN CONSUMER**

#### **3.1 Global consumer versus local consumer**

The organisational offer must be adapted to characteristics of targeted global consumer or local consumer's needs. This is one of controversies debated by specialists who study global consumer behaviour.

Some organisations plan their global market activities taking into consideration the global consumer culture; this trend is mainly due to a high number of online communication soft programs, the use of international languages (mainly English), rise of business mobility, common values and aspirations, adoption of

cultural influences such as the American lifestyle, adoption of some international brands irrespective of demographics and social class, development of some regional groups and a predominant economy and currency. Consumer behaviour convergence means Westernization of society, the term “Western” being related mainly to USA and also some European countries such as Germany, UK or France. Unlike US people and northern Europeans, who tend to be universalistic in their perceptions and assumptions [Adler, (1991)], the Japanese wish to demonstrate the unique character of their culture globally. Usually, the lack of knowledge about some European countries generates the conception that all countries having the same development level are similar. Americans tend to view all Europeans as similar; Europeans tend to view all Asians similar; and Asians, when referring to Western culture, usually mean American culture [Mooij, (2011)].

Transforming the consumer into a global one is in line with the opinion of Brian Salsberg from McKinsey's Tokyo, regarding Japanese consumer behaviour. It seems that after decades of behaving differently, Japanese consumers suddenly look a lot like their counterparts in Europe and the United States. Celebrated for their willingness to pay for quality and convenience and usually uninterested in cheaper products, Japanese consumers are now flocking to discount and online retailers. Sales of relatively affordable private-label foods have increased dramatically, and many consumers, despite small living spaces, are buying in bulk. Instead of eating out, people are entertaining at home. Workers are even packing their own lunches, sparking the nickname *bento-danshi*, or “box-lunch man”. This fundamental shift in the attitudes and behavior of Japanese consumers seems likely to persist, irrespective of any economic recovery. That's because the change stems not just from the recent downturn but also from deep-seated factors ranging from the digital revolution to the emergence of a less materialistic younger generation. [Salsberg, (2010)]. The changes that occur on their own market may determine a better understanding of European consumer by Japanese companies.

Some specialists emphasise the need to adapt the organisational activities to the local target-consumers. Specialists state that global consumer's view is generally based on rational elements, macro-development data evolution, and follow an economic development – number of cell phones, television sets, households penetration of refrigerators or passenger cars per 1.000 population, studying consumer behaviour outside the social context [Mooij, (2011)]. Thus, a set of particular aspects, that could bring organisation's offer closer to consumer by designing some products more suitable for his personal needs, have been omitted.

Consumer behaviour convergence or divergence may be analysed by examining the consumption indicators of various regions. Mooij states that the analysis of data series in time for consumption and acquisition of various products proves that at macro level and at micro level both convergence and divergence take places, but to varying degrees in different regions. Behaviour convergence may be

noticed in regions with similar economic development. Mooij considers that even in homogenous regions, like Europe, few convergence cases may be reported. Generally, although the ownership of products converges, that does not mean that the utilisation converges, the same product being used differently in various regions. Thus, although we may speak about consumer behaviour convergence at macro level, there are differences at micro level.

Differentiation of consumer behaviour triggers the need to adapt the offers to various markets. With regard to the European market, the economic and social evolution have determined situations that support the idea of organisational activities adapted to the specific character of each nation. The differences between European countries are considerable. Marketers must still consider a country's history, national character, and cognitive styles within targeting processes and product placing on various markets. While the European Union is unifying markets, actual developments is showing that it is still a wide divergence in terms of economic development levels, languages, religions, and legal systems. Generalizations are both difficult and dangerous.

### 3.2. European market in figures

With a population over 825 million (over 11% of global population) Europe is one of the highly attractive markets for the international companies. *The EU Explained: Consumers* Report shows that, in 2014, out of the 825 million consumers of Europe, over 507 million live within the European Union, the third largest population of any political entity after China (1 269 million) and India (1 001 million). Eurostat, the statistical office of the European Union, estimated that on 1 January 2015 the population of the 28 EU Member States was 508.2 million, with a growth of 1.3 million against the previous year.

Many Europeans would probably say that while they are comfortable, they don't earn enough money. However, the living standard keeps improving in general. Eurostat estimated that in 2014 consumption per capita (Actual Individual Consumption –AIC) varied from 49% to 140% of the European Union average across the member states. These estimates emphasise outstanding differences between the amount of goods and services consumed by individuals at the EU level. Taking into account the other European countries which are not in the EU, the difference between consumption power of various countries keeps growing.

According to the European Commission [<http://ec.europa.eu>], Japan is the EU's second biggest trade partner in Asia, after China. Japan remains a major trade partner for the EU, and Europe is a very important market for Japan. The total amount of products imported by the EU from Japan in 2014 was 54.6 billion Euro, while the services performed by Japanese companies on the EU market amounted to 14.6 billion Euro in 2013. EU imports from Japan are dominated by machinery,

electrical machinery, motor vehicles, optical and medical instruments and chemicals. EU market ranks the 3rd for the Japanese companies trade. At the same time Japan is a major investor in the EU, with a total amount of 160.5 billion Euro in 2013.

The figures above demonstrate the trade potential and the interest of Japanese organisations in the European market. In this context, knowing the European consumer represents one of the premises for developing strong and long lasting trade relations on this market.

### **3.3. Japanese brands on the European market**

In time, Japanese products have become increasingly appreciated on the European market. The image and reputation of the majority of Japanese products in the 1960s were generally poor, a factor that had implications for distribution and pricing among other things. Throughout the 1970s, 1980s and 1990s, however, the Japanese concentrated on quality and product innovation to the point at which even the most die-hard and conservative European or American was forced to admit that in many markets it is now the Japanese who set the lead [Wilson and Gilligan, (2005)].

The most representative Japanese brands which address the individual consumer, presented in *Interbrand, Japan's Best Global/Domestic Brands 2015* Report operate on the European market as well. We can mention company names that are in global top 10: Toyota, Honda, Canon, Sony, Nissan, Panasonic, Uniqlo, Nintendo, Lexus, Toshiba. Japanese products are represented by famous names in sectors such as automotive, electronics, clothing manufacturing and retail.

Sometimes, Japanese companies' attempt to adapt to the European market and Western market in general involved the use of Western words as a shorthand for anything new and exciting. Thus, the product could be adopted easier and the brand could be better recalled by Western consumer. The resulting phenomenon is known as "Japlish", where new Western-sounding words are merged with Japanese. For instance: Mouth Pet (breath freshener), Pocari Sweat (refreshment water), Armpit (electric razor), Brown Gross Foam (hair-colouring mousse), Virgin Pink Special (skin cream), Cow Brand (beauty soap) and Mymorning Water (canned water) [Solomon et. al., (2006)].

## **4. CONSUMER BUYING DECISION PROCESS**

The successful implementation of a marketing strategy depends on understanding the buying process. Purchasing is just a step towards meeting the consumer's needs. Buying decision process depends on the amount of available information. When the choice of a product requires a big amount of information, the consumer needs more time to make a decision, and most often the number of



purchases is lower. [Lurie, (2004)]. In some cases the consumer decision is a learnt decision or the purchase is made on impulse. Thus, the decision is made with minimum effort or even with no conscious effort, and in this case we speak about automatic choices. Such elements must be identified and the organisation's strategy must be adapted to the particular type of consumer, selling place and time (design, package, selling power) in order to offer favourable experience to potential customers.

Marketers seek to identify the consumer's needs and ways to meet them. The Japanese product may have been adapted to the European market and may bring some characteristics needed on this market, but this does not mean it will generate reasonable sales on the targeted market. Starting with the product launch campaign on the European market, Japanese companies should target the user and also the buyer of the new product. In general, the buying decision may involve several target groups, that may play various roles:

1. The *initiator*, the person who wants a product. For instance, the child of a family wants Wii U Console from Nintendo.
2. The *influencer*, the person who could determine the purchase by his comments, in our case, the mother.
3. The *decider*, the person who makes the decision of buying the console, in this case the father.
4. The *buyer*, the person who performs the purchase of Wii U Console from Nintendo.
5. The *user*, the person who will use the product, in our case the child who wanted the Nintendo console. The parents can be users as well.

Knowing these roles is important for understanding the organisation promotion process; we need to know whom to address and how, in order to increase the campaigns efficiency. There may be switch of roles within the purchase process; in case of solitary consumers, one person may play all five roles.

The **consumer buying decision process** includes five stages: *need recognition, information search, evaluation of alternatives, purchase decision, and postpurchase behavior*. The buying decision process does not always follow all the five stages. Depending on the nature of the buyer, the product and the buying situation, the consumer may follow only part of above mentioned stages. Also, there is no guarantee that, once initiated, the buying process will reach finality.

#### 4.1. Need Recognition

The buying process begins when the buyer recognises the difference between a desired state and an actual condition, due to various internal or external stimuli.

Once recognised, the need may be utilitarian, based on functional characteristics of the product, or hedonic, which emphasises the pleasure or the aesthetic value of the product [Holbrook and Hirschmann, (1982)].

Marketers must examine the consumer needs in order to understand their evolution and how to reflect them. Sales oriented organisations shall use advertising, sales personnel and packaging to help trigger recognition of such needs or problems, or to increase the gap between desired state and an actual condition.

## 4.2. Information Search

After need recognition, the consumer will search more information about means that lead to satisfaction of needs. The information may be obtained by unitary or sporadic consultation of one or several sources. Here are some information sources: *personal sources* - family, friends, colleagues and neighbours; *public sources* - mass media, consumer ratings, online searches; *commercial sources* - advertising, Web sites, sales staff, packaging, brochures and displays; *experiential information sources* - handling, examining or trying the product.

Surveys showed that, surprisingly, the consumers look for small amounts of information. In case of long lasting commodities, half of consumers look for the products in one store, and only 30% look at more than one brand of appliances [Kotler and Keller, (2012)].

Information sources vary depending on the product and the consumer's degree of involvement. For example, as soon as the European consumer has identified the need to buy a new car, he will notice all automotive market messages, he will consult forums and web sites that make comparisons between various brands, will initiate talks with his friends. If there is no affinity for a specific brand, he may have to decide whether it should be a Japanese or European-made car. He will start from a budget and he will try to identify a set of online comparisons and tests in view of selecting the brand by looking at its functional to hedonistic characteristics.

## 4.3. Evaluation of Alternatives

Following information research, the customer will identify a set of brands that could possibly meet the initial need identified based on its attributes. At this stage he will compare the pros and cons of buying a certain brand. We must always be aware that the entire process started from covering a need. The consumer looks for some benefits and the brand chosen due to its characteristics must deliver the expected benefits.

The marketers' role is to understand the nature of competition and strategic market positioning. Consumers' product selection criteria may be the source of understanding the positive differentiation of products on various market segments.

In case of the European consumer, the Japanese car makers should understand consumer's car selection criteria. The comparison may include elements related to characteristics of the car (price, performance, quality, styling, maintenance cost, discounts), their utility, perception of the brand and product design, payment methods and some hidden needs such as perception of the others on him driving that car.

#### **4.4. Purchase Decision**

At this stage the consumer has already expressed his preference for a certain brand out of the many existing offers and can start buying the product. At this stage the consumer will also choose the retailer. The seller may determine the choice of a specific product by customising the offer, granting some benefits related to loans under favourable conditions, warranties, maintenance agreements, installation of product.

#### **4.5 Post-purchase Evaluation**

After the purchase, the product is evaluated during consumption. At this stage the consumer will find out whether the product and all its characteristics meet the expectations that determined the buying decision-making.

The evaluation may lead to post-purchase dissonance, when the product has not met the consumer's expectations (the consumer is disappointed) or post-purchase consonance, when the product has met the expectations and even exceeded them. This will trigger customer satisfaction. Satisfaction represents a function of the closeness between expectations and the product's perceived performance [Oliver, (2006)]. When the initial expectations are exceeded, the consumer becomes delighted.

Many European consumers are satisfied with the Japanese cars because of quite low price, service and low maintenance costs. As they want to please the target groups with higher expectations, the major Japanese automotive companies have each introduced an upscale automobile: Toyota's Lexus, Nissan's Infiniti, and Honda's Acura.

Consumer satisfaction will lead to re-buying the product and/or communication of favourable impression of the product, while consumer disappointment will determine return or product abandonment and possibility of sending unfavourable impressions to other potential consumers. All consumer's states of mind are easily communicated online and the truth will determine rise or drop of sales and image of the product.

The Japanese firms have made consistent efforts to adapt and become recognised on the European and international market, in sectors such automobiles,

motorcycles, watches, cameras, and audio and video equipment. Products from Toyota, Honda, Mitsubishi, Canon, Suzuki, Sony, Sanyo, and Toshiba are sold all over the world and have set standards of quality that other products still strive to reach. This has been a difficult process, which sometimes brought very low profit and required consistent effort toward efficiency and adaptation to the market.

Japanese firms adaptation goes beyond offer adaptation. We should consider the fact that cultural differences between seller and buyer may influence the achievement of satisfaction in cross-national business relationships. Hence the need for adaptation of firm staff, from the management staff to the basic personnel. In Japan young people are working hard to adopt Western values and behaviours – which explains why the current fashion for young people is bleached, blond hair, chalky make-up and a deep tan [Solomon et. all., (2006)].

Recent development has shown that premium brands such as Sony, Panasonic, and Sharp [Cheung, (2012)] have reduced their activity while trying to stay profitable. Various business portfolio and lack of vision, orientation of consumers toward digital media and games, mobile devices, software apps and the Internet have caused the loss of competitive advantages. This evolution shows that consumer orientation is the key element for building a marketing strategy adapted to the market trends.

## CONCLUSIONS

Answers to many Japanese firms' challenges in Europe may be found by understanding the national differences. The European consumer is not a global consumer, as there are many differences between European markets at micro level. We may talk about global brands, but not about the same purchase motivations. When building marketing strategies, we may consider an integrative approach of European markets, but we must be aware that the tactical instruments of strategy implementation must be adapted to specific local markets.

Cultural differences between seller and buyer may influence achievement of satisfaction in cross-national business relationships. Cultural influences are sometimes difficult to analyse as we risk a global short-term or mid-term approach, but they can be more pervasive and reliable on a long term. Standardisation of products and practices can only satisfy the consumer incompletely, while adaptation of offers, communication and interaction methods to the local market has become mandatory for the success of any business.

Understanding the stages and influence factors within the buying decision process is an important step that the Japanese company can take toward understanding and increasing European consumer satisfaction. Consumer behaviour study is a complex, long process, which involves many resources; its results may

materialise in many years of brand or store loyalty, lasting connections between product or store and consumer.

This study provides a platform for future research on the purchase and consumption patterns for Japanese products on European markets.

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# JAPAN IN THE GLOBAL CONTEXT- (SOME) CHALLENGES IN THE 21<sup>st</sup> Century

Griseldis KIRSCH<sup>1</sup>

## Abstract

*This paper will look at some challenges that Japan faces in the 21<sup>st</sup> century. Starting first with a historical perspective, I will look at the role that the nihonjinron played in the global positioning of Japan, before elucidating Japan's position in Asia. By a critical assessment of the Cool Japan policy, I will then analyse to what extent it can be deemed successful, and in how far soft power can be a tool that can help overcome challenges, or whether it posits a challenge in itself.*

## 1. INTRODUCTION

Global Connections- It is hard to deny that in our world today there are global interactions and connections on a scale as never seen before. Add an increased mobility of the people, and it becomes clear that even island nations, such as Japan, will find it very hard to 'pull up the drawbridge'.<sup>2</sup> Thus, the challenges the world faces in the 21<sup>st</sup> century are manifold, because global economic interdependencies and migration have become important characteristics. In this context, Japan also faces a number of challenges within the complex political surroundings of East Asia in the 21<sup>st</sup> century after the end of the Cold War and the rise of China as economic powerhouse. In order to elucidate some of those challenges, I would like to particularly look at Japan's relationship with the People's Republic of China and, to a smaller extent, with South Korea, as well as at how globalization and migration influence Japan, and how Japan represents itself to the outside world. To that end, I will look at the effects, or lack thereof, and dangers of the *Cool Japan* policy and Japan's soft power.

Japan has the reputation of being 'unique' in its combination of tradition and modernity, and this stereotype was sustained through various tourist campaigns as well as in some of the academic literature for most of Japan's post-war history.

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<sup>2</sup> This paper is based on the keynote speech given at the conference "Japan and Romania: Cross-Points in a Global Context" at the Romanian American University Bucharest on 10 May 2015.

Politically, we tend to think of it as part of the West, but equally, somehow as not quite ‘Western’<sup>3</sup> either. This perception of Japan as an ‘Asia-light’ dates back to Cold War *realpolitik*, you were either with the one bloc, or with the other, and although there were many different shades of grey in between, Japan was a firm ally of the Western bloc at that time and America exercised a decisive influence on Japanese domestic, and foreign, politics.<sup>4</sup> Within Japan itself, cultural delimitation to the West, mainly the US, was one of the most important post-war projects.

The so-called *nihonjinron* (literally, theories on the Japanese), helped create a Japanese identity as significantly different from a dominant-hegemonic Other, the West. In the attempt to codify Japanese culture, both sides of the dichotomy were essentialised, and Japan was just as much homogenised as the West. While academia at some point did contribute to the writing of *nihonjinron*, particularly by explaining the Japanese post-war economic miracle, by and large they have faded out of fashion. However, as an attempt to homogenise Japanese culture, the stereotypes conveyed to the rest of the world remain intact and important to this day. In these *nihonjinron* of old, other Asian countries were of little to no significance. Vis-à-vis the West, Japan thus appeared as unique and without any cultural resemblance to its political partners. Cultural similarities that existed – and continue to exist – with other Asian countries such as China and Korea, were ignored, not mentioned, or downplayed (Befu 2001, Kirsch and Martinez forthcoming). Although Asian countries were the prime targets of Japanese imperialist desires during the Asia-Pacific war when Japan considered itself to be firmly “in, but above Asia”, to cite Iwabuchi Koichi (2002, p. 8), they were largely out of the public discourse within Japan in the post-war period. The orientation towards the West led in many ways to askewed representation of Japan even among Western academics, and it tended to be singled out of the Asian context. The most prominent expression of this notion to single out Japan can be found in Samuel Huntington’s “The Clash of Civilisations” which has become famous as Huntington controversially predicted a clash between the Muslim civilisation and the Western/Christian civilization (Huntington 1993). But he also gave Japan as the only nation-state the status of a civilisation, highlighting how far this myth of uniqueness, of cultural incompatibility with the rest of the world, so carefully crafted in the post-war period, had spread around the world. And, what damage had been done to Japan’s position in Asia (Antoni 2000).

<sup>3</sup> I am using the terms West and Western in a constructivist way, well aware that they are politically constructed entities with liquid boundaries, however, both terms have yet to disappear from the academic discourse on Japan. Dichotomies between Japan and the dominant-hegemonic entity that is commonly called the ‘West’ continue to remain important. The West thus remains a powerful imaginary space for Japan – as role-model as well as antithesis.

<sup>4</sup> See, for example, Hook et al. 2001 or McCormack 2007 for a detailed analysis of US-Japan relations.



But it is Asia where Japan's true challenges lie. And due to the *nihonjinron*-based obsession with the West, the emergence of 'Asia' in the 1990s hit Japan somewhat unpreparedly. Asian values that resembled Japanese values in the *nihonjinron* were discussed as contributing to the emergence of the Tiger states. Although by the late 1990s and the end of the Cold War, politicians in Japan – and academics abroad – spoke increasingly about Japan's potential 'return to Asia', Japan never quite made it there. Arguably many a politician in Japan who embraced this 'return' was situated on the right of the political spectrum in Japan, giving it a strongly pan-Asian flavour, so this may have severely hindered a sincere political and cultural rapprochement.<sup>5</sup> In spite of the fact that Japan's political relations with the ASEAN states tend to be better than with South Korea and China, the Asian Values Debate has faded out of the political discourse across the board. However, in the wake of it, cultural, political and economic exchange between Japan and the Asian mainland also intensified in the 1990s. In Japan, this 'return to Asia' also manifested itself in a return of things Asian to the screens at home and in cinemas. Increasing representation of Asia in the media certainly helped re-imagining Asia after the long absence of real engagement with it (Kirsch 2015).

However, as this happened, Asia was beginning to prosper, and Japan was stuck in the first decade of its 'lost two decades'. Thus, China's emergence on the world market, its rise to being the second-largest economy in the world, was looked at with a nostalgic gaze, and dreams of modernisation in which Japan could lead on China, were dreamed in the media. Throughout the 1990s, China, and by extension also the rest of Asia, resembled a pre-modern imaginary space in the Japanese media, representations that permitted Japan, as I argued elsewhere, to "sleep through" (Kirsch 2015, p. 155) China's political and economic ascent, imagining it to be firmly located underneath Japan, in spite of Japanese investment flowing into China, and an increasingly important economic relationship.<sup>6</sup> On the other side, Japanese popular culture was also increasingly received in Asia. As the landmark book *Recentring Globalization* by Koichi Iwabuchi (2002) has proven, throughout the late 1990s, Japanese television drama (and, by extension, also music) was willingly consumed in Taiwan. The FIFA Football World Cup in 2002, co-hosted by Japan and Korea, ended the censorship that South Korea had imposed upon Japanese popular culture, and South Korea became a target market for Japanese creative industries.

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<sup>5</sup> The body of literature on Japan's 'return to Asia' is vast – but exemplary see Antoni 1996 and 2003, Iwabuchi 2002, the papers in Saaler and Kotschmann (eds.) 2007 as well as Kirsch 2015. As an example of right-wing politicians and their involvement in the debate, see Ishihara and Mahathir 1993.

<sup>6</sup> On Sino-Japanese relations and economics, see, for example, Hilpert 2002, Kokubun 2012 and Rose (ed.) 2011.

NissimKadoshOtmazgin argues that the falling of political barriers made Japanese popular culture more widespread across East Asia and contributed to its ascent (Otmazgin 2013). But that same World Cup also paved the way for Korean popular culture to be consumed in Japan – and the handful of Korean-Japanese co-productions prepared the Japanese television drama market for the hitting of the first wave of the Korean Wave only inadequately.<sup>7</sup> But throughout the past twenty years, popular culture across Asia has become increasingly more transnational and the flows are usually in both directions. Yet in spite of the economic intertwining and engagement with Asia in Japan and with Japan in Asia in popular cultural terms, not all is that well.

The relationship with China poses one of the greatest challenges for Japan. Regardless of the close economic ties that both countries entertain, politically they are far from being out of troubled waters. Issues surrounding Yasukuni Shrine, a shrine belonging to the Imperial Household in which all war dead for Japan since the 19<sup>th</sup> century are revered, among them 14 Class-A war criminals, the perceived lack of apologies from the Japanese government, the Diaoyu/Senkaku issue (a group of islands that are disputed between Japan and China) and a perceived turn to the right in Japan which angers and worries China, are but a few problems that prevent an unclouded political partnership. The Japanese, on the other hand, are angered by anti-Japanese protests in China, flash mobs destroying Japanese property, and deeply critical about the political motivations of these outbursts of Chinese nationalism in the People's Republic of China.<sup>8</sup>

This leads us to the issue surrounding Japan's past in Asia. While in the past decades, Japan's closest ally, the USA, have not held Japan accountable for its wartime past to the same extent as Japan's closest neighbours have, particularly those that were at the receiving end of Japan's imperial aspirations, namely China and Korea, history continues to extend its tentacles into the present. And by no means is the past in the past. Because of a perceived lack of apologies and several statements that the current Prime Minister Abe Shinzō has made with regards to changing Japanese policies concerning Japanese atonement for the past in crucial detail, have

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<sup>7</sup>It seems to have led to a visible decline in the number of domestic television dramas, while Korean dramas continue to be broadcast. Already in 2011, protesters marched towards the popular commercial broadcasting station Fuji Television, demanding that they stop broadcasting Korean productions and start doing own productions again (Brasor 2011). This highlights that the Korean Wave was a two-edged sword that brought diversity to the small screens on the one side (Gössmann and Kirsch 2014, Kirsch 2015), but had enormous impact on the domestic market on the other.

<sup>8</sup> See, for example, Rose 2014 and the papers in Kokubun and Swanström (eds.) 2012.

caused uproar in other Asian countries. And Abe's speech on the 15 August 2015 was expected with anxiety and tension, leading to 187 mainly US and UK based historians signing an open letter asking him to accurately address Japan's wartime history,<sup>9</sup> inclusive of all the dark sides. And when the statement was finally released, it was met with scepticism as well as criticism, as Abe acknowledged Japan's responsibility for suffering of other Asian peoples, but did not personally apologise.<sup>10</sup> Due to these issues, if anything at all, China and Japan can be called uneasy bedfellows. While it is hard for both sides to cut back economically, politically the relationship seems stuck in a rut. Similarly, China also appropriates Japan to forge nationalist sentiments at home and the gap between the two countries seems to be widening, even though losing Japan as investor would be equally detrimental for China as losing China as production site would be for Japan. And that is not even mentioning bilateral trade dependencies.<sup>11</sup>

Japan's foreign relations are thus multi-layered and complex; economy, politics and the creative industries all contribute to the challenges that Japan faces in the 21<sup>st</sup> century. Even with the USA, its closest partner, the relationship is far from unclouded. Issues surrounding American military bases in Okinawa are not only a source of much tension within American-Japanese relations, but also within Japan, to allude to just one problem.<sup>12</sup>

However, adding to the complexity of the issue is the fact that in spite of the less than ideal relationship with China and other Asian countries, Japan has seen a lot of migration from China since the 1990s, and the Chinese have replaced the Koreans as the most numerous group of foreigners in Japan. Thus, Japan, although having a percentage of only about 2% of foreign residents and less than any other developed country, is facing increased migration, pre-dominantly into urban communities from a country with which political problems continue to persist (Statistics Bureau, Ministry of the Interior and Communications Japan 2015a). For Japan, this means that the stereotypes of old, such as that of Japanese homogeneity, stemming from the *nihonjinron* of the 1970s, are being called into question, and its

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<sup>9</sup> For the letter see Japan Focus 2015a. As example for media coverage see Kingston 2015. As the letter made headlines (see, for example, Kingston 2015), the call was extended and in the end more than 450 scholars signed, including myself (Selden 2015, Japan Focus 2015b).

<sup>10</sup> The statement can be accessed online. It was published a day ahead of the commemoration ceremony, and it can be accessed in Japanese, English, Chinese and Korean. See Abe 2015 for details. On the reception of the statement see, for example, Tiezzi 2015.

<sup>11</sup> Raw trade data can be accessed in the Statistical Yearbook of Japan. See Statistics Bureau, Ministry of the Interior and Communications Japan 2015b and Statistics Bureau, Ministry of the Interior and Communications Japan 2015c.

<sup>12</sup> See in particular McCormack 2007.

carefully crafted image of an ethnically homogeneous country is constantly being debunked. Japan has become more diverse in every possible aspect of its society.

### **Making Japan Cool**

In this complex situation falls the creation of the *Cool Japan* brand which, essentially, goes back to an article by Douglas McGray of the year 2002, *Japan's Gross National Cool*, in which he elaborated on Japan's cultural coolness and its attractiveness abroad in spite of its ailing economy (McGray 2002). Using the terminology of political scientist Joseph Nye, soft power grants the ability to convince other countries of one's own superiority through cultural means rather than military power. Or, to put it into Nye's own words: "A country may obtain the outcomes it wants in world politics because other countries – admiring its values, emulating its example, aspiring to its level of prosperity and openness – want to follow it. In this sense, it is also important to set the agenda and attract others in world politics, and not only to force them to change by threatening military force or economic sanctions" (Nye 2005, p. 5). In that sense, Japan suddenly emerged as 'cool', as possessing a great deal of soft power, even though it took several years for the government to make this perceived cultural coolness government policy and set aside money to support the propagation of Japanese (popular) culture abroad (Ministry of Economy, Trade and Industry Japan (METI) 2011, Creative Industries Division, Ministry of Economy, Trade and Industry Japan (METI) 2012 and Valaskivi 2013). The idea of soft power has been compelling for many a nation state and its politicians ever since its conception. Nation-branding, namely to convey a certain image of a country to the outside world in order to be more attractive for investors and tourists, has become increasingly prevalent in the 21<sup>st</sup> century. It is arguably also responsible for the consumption of popular culture of said country abroad (Valaskivi 2013, Iwabuchi 2015). *Cool Britannia*, in the case of the UK in the late 1990s, was one such attempt at branding a state to not just forge inner coherence, but also to represent oneself as cool. A country headed by a young, charismatic Prime Minister (Tony Blair), producing great popular culture and always worth a visit was what was being shown to the rest of the world. The rest of Europe was looking forward to a more inclusive Great Britain, happily consuming Britpop and British films. Whether it was this, or using the Union flag as a fashion icon, things British for a short while became more popular in the world (Freedman 1998). Similarly, the Japanese government is aiming to brand the country – and its popular culture – as cool. While, arguably, anyone and anything runs the risk of losing coolness if they self-proclaim to be cool (Graves 2011, cited from Otmazgin 2013, p. 176), at the moment, it is quite a buzzword, particularly with respect to the Tokyo Olympic Games in 2020. Purposefully cashing in on the popularity of Japanese popular culture around the globe, Japan appears as a fascinating country with a rich

traditional culture as well as a vibrant popular culture. Outputs of Japan's creative industries, mainly anime and manga are translated and consumed abroad, and stand alongside Japanese cuisine which is marketed as healthy and delicious, giving longevity. All this contributes to Japan's image abroad. Japanese cuisine has even recently found recognition in the UNESCO accepting *washoku*<sup>13</sup> as World Heritage, giving it the same status as French cuisine. However, it is defined as follows: "Washoku is a social practice based on a set of skills, knowledge, practice and traditions related to the production, processing, preparation and consumption of food. It is associated with an essential spirit of respect for nature that is closely related to the sustainable use of natural resources. The basic knowledge and the social and cultural characteristics associated with Washoku are typically seen during New Year celebrations" (UNESCO 2013, n.p.). Although that definition of *washoku* does not include what most Japanese eat on a daily basis, it still is a major success for Japan. At the same time, this as well as *Cool Japan* as a whole helps people forget about the issues surrounding the Fukushima Dai'ichi nuclear power plant by showing only the glittering *tatema*, or forefront, of Japan (Kirsch et al. forthcoming).

But there are also other considerable disadvantages to *Cool Japan*, not just from the perspective of a critical academic, but also from a Japanese perspective. Once a cultural flow has become established, it becomes hard(er) to control. Looking again at Japanese cuisine, the number of Japanese restaurants around the world is increasing on an annual basis, and they promote more than just the narrowly defined *washoku* image. Yet in spite of the popularity of Japanese food, only a fraction of restaurants is actually run by Japanese nationals. Fusion with local tastes also invariably happens. *Cool Japan* and government guidance on 'authenticity' of Japanese cuisine notwithstanding, people will work with an idea, use it, craft it in their own way. And cash in on it.

The same can be said about the flows of Japanese popular culture. While the number of officially translated manga increases steadily, and more and more book shops around the world display them, the consumption of manga is also happening on the internet in a much less controlled and regulated way. While this is not to condone piracy, the role of not-so-legal outlets still cannot be underestimated. As Otmazgin argues, "piracy has diffused culture into the market and has avoided the state's protective shield, and it has been able to facilitate the dissemination of Japan's popular culture both into and within the market" (Otmazgin, 2013, p. 121). Self-published spin-offs of actual series, fanlations<sup>14</sup> into English or other languages,

<sup>13</sup>*Washoku* literally means Japanese food, but is a term normally employed to distinguish Japanese dishes from Chinese, Korean or 'Western' cuisine. It is actually fairly broad in its day-to-day usage.

<sup>14</sup>Fanlations is a neologism consisting of the word fan and translation. The term fanlation thus refers to translations made by fans and published on the internet.

circulate freely, are negotiated by fans, looked at, scrutinised. It is not unusual for a young non-Japanese fan of Japanese popular culture to be writing a spin-off of a Japanese manga or anime series, and publish it online, for it to be disseminated, consumed and critiqued among like-minded fans.<sup>15</sup> Murkier channels of the internet, as well as legal ones, do also popularise Japanese television dramas and music. In many respects, it would not be a bold statement to make that Japanese popular culture no longer is 'Japanese'. It has become a global commodity, it is consumed globally, sometimes adapted to local markets, sometimes not. And although websites hosting illegally uploaded Japanese popular culture are usually quickly shut down, they mushroom elsewhere. In any case, the consumption of Japanese popular culture steers mostly away from what the Japanese government can control with the *Cool Japan* brand. While *Cool Japan* might help trigger interest, human nature has it that the search for the ever increasing stimulus also leads away from the desired messages. It will, invariably, lead to people making sense of Japan in their own way.

This leads us to one of the outlets of the *Cool Japan* brand, namely NHK World, the only Japanese channel that can be watched around the world for free and online. Aside from informing audiences about Asia in general, a large share of its programmes does propagate the 'rest of the world's' love for Japanese popular culture. Formats like *cool japan* (which is also aired in Japan and dubbed into English for NHK World) and *Kawaii International* (which is not aired in Japan) do highlight precisely these notions. Young people around the world are represented as imitating the Japanese and consuming Japan. It is shown as desirable to a wider world, yet the binary of 'us Japanese' being consumed and made sense of by 'them foreigners' is not dissolved, but carefully maintained. It is almost as if you are welcome to consume *Cool Japan*, but not to become Japanese. This fits neatly within the concept of cosmetic multiculturalism that Tessa Morris-Suzuki established in the early 2000s, difference is valued and acknowledged as long as it stays within certain tightly circumscribed conditions (Morris-Suzuki 2002).

And here already problems with the concept of soft power in general, and *Cool Japan* in particular, do become apparent. While NHK World does show the sparkling, bright side of the consumption of Japanese popular culture abroad, it does leave out the actual channels of consumption of Japanese popular culture, the internet. *Cool Japan* also seems to be supposed to remain within certain tightly circumscribed conditions – in spite of it being a global commodity that is largely upheld by a global online community. While *Cool Japan* has been successful in putting Japan on a general mindmap of the world, student numbers in Japanese courses are increasing, and Japanese culture events are hosted around the world, this brings us back to the starting point, hard politics and the challenges that Japan is

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<sup>15</sup> For this, see particularly the research by Simon Turner – accessible on Academia.edu.

facing. Similarly to *Cool Britannia*, which quickly lost momentum in the wake of the *War on Terror*, and the end of Tony Blair's by then no longer 'cool' time in government,<sup>16</sup> *Cool Japan* might face the same challenge – not to lose momentum in the face of hard politics. Immigration, and the way immigrants are being dealt with, historical and territorial disputes might easily 'cool off' Japan. Although the awarding of the Tokyo Olympic Games does give some recognition to Japan and will potentially also provide momentum for *Cool Japan*, the danger that hard politics might also take over is immanent.

### Maintaining the Coolness

As if to counter those notions, the Japanese government is planning to open 'Japan Houses' around the world in which "Japanese culture such as 'washoku' cuisine, 'washi' handmade paper, manga and anime as well as traditional craft techniques and advanced technologies [are showcased]" (Anon 2014a, n.p.). Significantly, according to the *Japan Times*, London, Los Angeles and São Paulo are the first targets for Japan Houses, cities in countries with which Japan has no major disputes. Even though *Cool Japan* targets the whole world, including Japan's Asian neighbours that have, as Iwabuchi Koichi (2002, 2015) has elucidated, a long history of consumption of the Japanese popular culture, the Japan House seems to be a propaganda mechanism targeted at Western countries, at least in the initial steps. Or, to cite an unnamed ministry official along the *Japan Times*, it is "aimed at laying the groundwork for winning international understanding of Japan" (Anon 2015, n.p.). Should the initiative be successful, Hong Kong, Jakarta and Istanbul are next on the list (Anon 2015). Although the latter batch also includes Asian cities, arguably, Indonesia and Turkey have more friendly relations with Japan, and Hong Kong has long served as a gateway to China and thus proves perfect testing ground for this kind of initiative. Yet, it first has to be successful in Los Angeles, London and São Paulo.

That said, the Japan Houses might also serve the purpose of disseminating desired messages about Japan, linking them in with *Cool Japan* and providing another outlet for Japanese (popular) culture. This brings us back to the consumption of Japanese popular culture – while desired messages, much in line with the now derided *nihonjinron* of the 20<sup>th</sup> century, are definitely put 'out there', it does not always mean that the same stimulus leads to the desired response at the receiving end.<sup>17</sup> While back then, some *nihonjinron* might have been written to explain Japan,

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<sup>16</sup> On the demise of *Cool Britannia* see for example Urban 2004 or Jones and Smith 2006.

<sup>17</sup> The notion of stimulus and response was one of the key theories in media studies at the time of their conception. Harold Lasswell's paper "The Theory of Propaganda" (Lasswell 1927) defined the influence that the media had on a populace of a state in those terms, elucidating that the people could thus be guided. Since then, the theoretical approach to media influenced has changed and it

they also contributed to painting Japan as exclusive and hard to understand. These days, Japan might want to cash in on its perceived uniqueness, but because of the ‘us and them’ dichotomy, the admiration might fade in the face of hard politics. And other media around the world are also not as easily silenced – the way the Abe administration has been dealing with the Japanese media has led to the German chancellor Angela Merkel deliberately addressing Japan’s issues with its wartime past at the headquarters of the left-wing *Asahi Shimbun* during her state visit to Japan in April 2015 – which could thus be perceived as a criticism towards the perceived suppression of Freedom of Press Japan.<sup>18</sup> Also, the Japanese attempt to prevent an American textbook from including a supposedly inaccurate text on comfort women made headlines around the world (McCurry 2015, Yoshida 2015). All this paints a different picture from what *Cool Japan*, NHK World and the Japan Houses of the future may want the world to think about Japan. The Tokyo Olympic Games in 2020, *Cool Japan*, and, although for a different reason, Fukushima, have put Japan firmly on the global map. And being on that map means being subject to international examination. Like with the consumption of *Cool Japan*, messages and outlets cannot be controlled, and people within Japan and outside of Japan will continue making sense of Japan in their own way. As a result of losing a fairly exotic status, the world might stop ‘loving’ Japan if it does not stand up to scrutiny. And particularly other Asian countries might stop ‘loving’ Japan as historical and territorial issues pick up momentum. As soon as hard politics tries to influence soft politics, the soft power initiatives may run the danger of backfiring, risking that Japan might, eventually, become ‘uncool’.

## CONCLUSIONS

So, what are the challenges that Japan faces? In spite of the discovery of soft power, there is actually a soft power war going on, and many countries try to use it for their own ends. South Korea is not asleep either – and often much more relaxed when it comes to making use of the internet. For example, the song *Gangnam Style* by Psy became a world-wide phenomenon that spread initially through *YouTube* before reaching mainstream media, and it contributed greatly to the emergence of South Korea on the global map of popular culture.<sup>19</sup> The internet thus poses challenge and opportunity at the same time. Just as the Korean Wave helps South Korea’s image in the world and is welcomed, furthered and upheld by the economy

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is now established knowledge that there is no direct influence on the audience through media consumption. However, the discourses of stimulus and response will recurrently come up again, particularly if the consumption of the media is seen to have led to criminal acts.

<sup>18</sup> On Angela Merkel’s visit to the *Asahi Shimbun* see Hanefeld 2015.

<sup>19</sup> As of 13 September 2015, 11:52am, *Gangnam Style* has been watched 2,412,242,341 times on *YouTube* (OfficialPsy 2015). In December 2014, *Gangnam Style* also exceeded the click limit on *YouTube*, forcing the provider to up the highest possible number of views possible (Anon 2014b).



as well as the political establishment in South Korea,<sup>20</sup> *Cool Japan* could help Japan. Yet it is also essentially a nationalistic project,<sup>21</sup> with the downside of freezing Japan at a certain point in time, highlighting some aspects of Japanese culture, omitting others, much like the *nihonjinron* of the past century, just with a slightly different image of Japan. While increased immigration provides the opportunity to engage with other Asian countries in a way never possible before, dichotomies continue to persist and remain carefully upheld in programmes such as *cool japan*. Cool or not, Japan remains an exotic, slightly incomprehensible Other.

In addition, historical issues, although so far largely outside of *Cool Japan*, continue to rule the present to a large extent. The world is an ever evolving place, societies change, priorities shift. And the creative industries as well as tourism are fast-moving markets. Should hard politics be too much in the way of soft power, allegiances of fans can quickly shift. *Cool Britannia* faded in the wake of the *War on Terror*. *Cool Japan* might be overshadowed by the historical disputes. South Korea is already at the heels of Japan, overtaking it by the sheer force of its own soft power. With Korea's glittering, modern, image, Japan's old temples and 2D animation may suddenly seem backward and outdated. When long before McGray's paper (McGray 2002), the fashion magazine *Elle Japon* titled in 1997 that "Asia love[d] Japan" (Iwabuchi 2002, p. 190, Anon 1997, p. 40) and meant the sudden increase in the consumption of Japanese popular culture (Anon 1997, Iwabuchi 2002) – this statement does no longer ring true, as the increasing prominence of Korean popular culture shows.<sup>22</sup>

Even though Japan's interaction and position in the world also depends on its neighbours in Asia, it does remain in an insular position within the continent. Literally so, but also figuratively speaking. When Iwabuchi elucidated, "Japan's modern national identity has [...] always been imagined in an asymmetrical totalizing triad between 'Asia', 'the West,' and 'Japan'" (2002, p. 7), this remains true to this day. The target for *Cool Japan* seems to be pre-dominantly the West, and the biggest charm offensive – the Japan Houses will first be tested there. However, Japan's biggest challenge for the 21<sup>st</sup> century seems to be that Japan needs to first and foremost balance its position in Asia, vis-à-vis its giant neighbour China, and vis-à-vis South Korea that is running its own charm offensive. Japan no longer is the most advanced state within Asia, and neither China nor Korea will let it easily off the hook when it comes to tackling issues arising out of the Second World War, no

<sup>20</sup> On the impact of the Korean Wave in Japan see Mōri (ed.) 2004 and Hayashi 2005. On the Korean Wave around the world, see Iwabuchi and Chua (eds.) 2008, Kim 2013 as well as Hong 2014.

<sup>21</sup> The notion that nation branding is as much a domestic project as it is an external relations one has also been raised by Varga 2013.

<sup>22</sup> See Kim 2013 as well as Hong 2014.

matter how long the war is in the past. Because of Japan no longer being the most advanced country in Asia, tropes of superiority and the nostalgic gaze towards modernising Asia mentioned before, do no longer hold true and partners, or opponents, at eye-level will ask more of Japan. It thus needs to find its position in Asia, all the while straddling the gap between an increasing interaction with Asia on all levels and a political gaze into the other direction – the USA. The soft power of *Cool Japan* can help, but it cannot be the only way for Japan to live up to its own aspirations, within Asia, and in the global context.

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# THE TAMING OF THE EARTHQUAKE. CAN ROMANIA LEARN FROM JAPAN?

Raluca NAGY, Horea SIBIȘTEANU

## Abstract

*Japan is the best prepared country when it comes to earthquakes. Things are different in Romania, but the earthquake possibility and debate are always present and reflected in the media and people's narratives. This joined research engages in a thorough understanding of earthquakes and their impact by trying to combine a technical and a cultural approach.*

**Keywords:** earthquake, natural hazards, Romania, Japan, prevention, cultural representations

## 1. INTRODUCTION

In this millennium it is estimated that significant earthquakes will damage several cities and mega-cities located close to regions of known seismic hazard. Several of these estimated earthquakes have already happened, like the Great East Japan Disaster (3.11) or the more recent two in Nepal this spring. A significant body of literature has appeared after and on 3.11 and the reactions to the very recent earthquakes in Nepal make this topic very timely, globally and within the Japan-Romania relations context.

One thing seismology - technology - mainstream theology -and culture - have in common is an insistence on the limits of our knowledge. We still have no way to accurately predict the time of any earthquake before the shaking starts. Expanding on this common point and arguing that there is no action related to earthquakes, if there is no cultural and social understanding of them, the paper is structured into two parts.

The first part is conveying a cultural introduction of the earthquake. In order to ensure an educated Romanian public when it comes to earthquakes, one has to understand how they are represented. Also, to be able to learn from the Japanese example, one has to determine what is transferrable. We shall see for instance that when it comes to fear, different attitudes or beliefs may source from different religious and moral traditions.

The second part discusses the technical management of this natural phenomenon. Vrancea Epicenterranks Romania among the European Countries with the highest seismic activity. Bucharest is considered one of the most vulnerable cities in case of a major earthquake. Public information about shelters, disaster education and retrofiring damaged buildings with a high risk of collapse are projects that the Romanian Government and the civil society invest with significant time and money.

## 2. CULTURAL REPRESENTATIONS

### 2.1. Fearing the Earthquake

*“Earthquake!” she yells. ‘Did you feel it?’ I swear. She curses. Ordinary words fail us: we mouth obscenities in the cause of reassurance. But they are not enough. When I put the phone down I cannot calm myself. I put my hands out flat in front of me, palms down. They are still shaking. Stop freaking out, Helen, I tell myself. It’s OK. Nothing is broken. Everything is fine. But it is not. The earthquake has brought back all those childhood fears of apocalypse: all the expectation that the world would burn and boil. It is a very old, deep terror and it feels now that it has never gone away. The fabric of the world has torn. I cannot stitch it back together.”* (Helen Macdonald – H is for Hawk)

#### 2.1.1. Symbolic Fear

Earthquakes have long been associated with the end of the world in theological and popular imaginations and have held a special significance in Christian apocalyptic tradition. Islamic tradition also has a seismological hint, as earthquakes make several appearances in the Qur’an.

But the association between earthquake and the end of the world is not limited to Western or monotheistic traditions: in Aztec cosmology, the current world is supposed to end with an earthquake, as the previous ones had ended by floods, fire, and storms. A variety of other religious and mythological traditions connect earthquakes with divine anger, indications of doom and cataclysms of the universe.

#### 2.1.2. Statistics Fear

The entire world witnesses an increasing concern about the raising occurrence of natural hazards. The number of related disasters and their impact have increased steadily during the past 20 years. Both are due to increased human exposure (somewhat directly related to the exponential increase in human



population) and to an actual rise in the frequency and magnitude of the hazards (EM-DAT database). The social and economic costs of these natural hazards are substantial, for both damages and recovery (Alexander, 1993; Twigg, 2002; Armaş, 2006).

A proper bearer of the end-of-the-world panic, the largest number of disasters worldwide was registered in the year 2000 (850 events); among these, only 15% were earthquakes and volcanic eruptions. And from the total of 9,270 casualties, earthquakes only caused approximately 5% (EM-DAT database).

Less harmful in a country as well prepared as Japan, such events inflict calamity in developing countries, where the construction of earthquake resistant buildings is not properly accomplished as the capacity of economies to absorb such shocks and costs has been eroded (Blaikie *et al.*, 1994).

It is predicted that the annual fatality rate from earthquakes will rise in the next 30 years, attributable partly to moderate earthquakes near large cities, but mainly from a few catastrophic earthquakes near super-cities (Office of U.S. Foreign Disaster Assistance and the Centre for Research on the Epidemiology of Disasters OFDA/CRED). It is therefore of great urgency to evaluate human perception of seismic risk in assessing social vulnerability in disaster mitigation in large cities. (Armas, 2006)

## 2.2. Taming the Earthquake - Culturalism in Japanese Attitude

The main reason why Japan is so well prepared, is the frequency of earthquakes (and other natural disasters such as typhoons, etc.) activity in this country. The spotless technological preparation for this calamity is not devoid of education and cultural perceptions of this phenomenon, on the contrary, the two go hand in hand.

A great deal of culturalism related to Japanese attitude to earthquakes relates to

*“the extraordinary sense of calm on the Japanese archipelago amid conditions which in perhaps any other place would have led to chaos.”*

*“The Japanese culture encourages a heightened sense of individual responsibility, but also a very powerful sense of solidarity, and that is a very powerful combination”,* considers sociologist Frank Furedi.

*“In Japanese culture, there’s a sort of nobility in suffering with a stiff upper lip, in mustering the spiritual, psychological resources internally”,* explains anthropologist John Nelson. (National Post, 2011)

Theories abound as to what makes the Japanese so resilient and willing to cooperate. Some cite the centuries-old need to work together to grow rice on a crowded archipelago prone to natural disasters. Others point to the hierarchical nature of human relations and a keen fear of shaming oneself before others.

*“It strikes me as a Buddhist attitude,” [...] “Westerners might tend to see it as passivity, but it’s not that. It takes a lot of strength to stay calm in the face of terror.”* anthropologist Glenda Roberts declared back in 2011 (Associated Press).

How Japanese people deal emotionally with earthquakes is reflected in their culture in an abundance of ways; but their composed behaviour does not necessarily mean that they detach it from the idea of horror. Let us take the example of the video game *Siren* (サイレン), which takes place in the fictional village of Hanuda, a remotelocale home to a small group of farmers. At the beginning of the game anearthquake and a strange sound (the siren for which the game is named) signal a change of statein the area: it becomes separated from the rest of the world and the lake that surrounds the village turns pink. (Pruet, 2009)

Or we can take the example of the devastating Kobe earthquake as theprogenitor of modern films like *Ring* and *Ju-on* (titled *The Grudge* in English). References to these events seem obvious, though narratives are immersed in traditional folklore and therefore the productof modern Japanese ideas about horror.

### 3. TECHNICAL MANAGEMENT OF EARTHQUAKES

#### 3.1. Earthquake Education in Japan

In May 2010, the Japanese Ministry of Education, Culture, Sports, Science and Technology (MEXT) reported some valuable results on evacuation behaviour principles assessment in an official document titled “Working Groups report for evacuation behaviour based on earthquake disaster prevention researches”. The study is reviling for principles for Earthquake Evacuation Behaviour, verified for the past earthquakes:

- (a) Seeking sturdy furniture as a refuge,
- (b) Protecting your head and hiding your body,

- (c) Not going out from inside after feeling the earthquake
- (d) Checking fire sources when an earthquake occurs.

(a) “Seeking sturdy furniture as a refuge” shows mixed results. When an earthquake occurs with a magnitude of 5 or 6 degrees on the Richter scale, people find it difficult to seek and move into sturdy furniture due to its big shaking. Also, 10% of the casualties in the 1995 Kobe earthquake were due to collapsed furniture, and people were injured while seeking for safe furniture.

Results are therefore mixed: there are both survivor and non-survivor cases from following the four principles. But what this report does is highlighting the importance of an individual making a proper decision concerning his/her situation. In other words, it is down to each person to take the right decisions based on the evacuation instructions (Yun, 2013).

But how does one reach an informed decision within seconds, under the impact of such fundamental embedded fears and reactions as those generated by an earthquake? By learning and training until a good decision becomes reflex, almost like driving a car.

In Japan there are two programs for Disaster Education in primary school. One of them educates and trains teachers in specially organised classes on how to explain to pupils what they have to do in the case of an Earthquake occurring. The other programme brings speakers from the Disaster Preparation Centre to teach the students about survival techniques during a major disaster.

As a result, while the number of casualties was 1,000 in Kamaishi and Kesennuma, only 5 out of 3,244 children and 12 out of 6,054 students, respectively, were victims of 3.11. There are more evidences to suggest that exposure to education may increase knowledge of the threat and lead to more pre-disaster preparedness. Growing out of indirect experience with disasters, prevention training positively affects preparedness behaviour (Yun, 2013).

Yun and Hamada conducted a survey in Kamaishi and Kesennuma and found out that three out of the five children victims didn't attend the Earthquake Disaster Preparation Class. In the interviews, families with small children declared that they uniquely survived due to their child. When the Disaster Alarm started to ring, they decided not to go the designated Shelter (a blasé attitude can develop when one experiences less important earthquakes daily) but the child insisted.

### 3.2. Earthquake education in Romania

In Romania, the General Inspectorate of Emergency Situations (ISU) is in charge of educational programs. The Inspectorate has partnerships with the Ministry of Education and Research and with other public institutions such as the National Audio-visual Council of Romania which provides material for education and information. On the ISU website one can download flyers and teachers have the duty to inform the students twice during elementary school, once in secondary school and once in high school, as stated by the Order no. 1508/2058/5709 from the 20<sup>th</sup> of November 2006.

But there is no specific programme regarding earthquake education; moreover, the format and input is the teacher's choice. Observing how earthquake prevention is taught, we discovered that the majority of students had no notion of the common things that one has to do during an earthquake or how to be prepared for a major catastrophe in general.

### 3.3. Disaster Prevention Day Japan versus Romania

Every year on the 1<sup>st</sup> of September Japan celebrates Disaster Prevention Day. The date is not chosen by chance: on September 1, 1923 Japan was struck by the Great Kanto Earthquake. With a magnitude of 7.9 it devastated Tokyo, Yokohama and the surrounding prefectures of Chiba, Kanagawa and Shizuoka. It was one of the worst earthquakes in the history of Japan because it coincided with a typhoon that made the fire spread rapidly due to the earthquake. From the 1960, the Japanese Government declared the commemoration of this earthquake an annual Disaster Prevention Day. Emergency drills organised by the local governments are held throughout the country. Some of them consist in ducking under desks to escape falling objects or evacuating buildings. At numerous elementary and middle schools, September 1 is the first day of classes after the summer vacation; the evacuation drill is part of the back-to-school ceremony.

A Disaster Prevention Day is organized every year in Romania, fixed on the first Tuesday 13 of the year. In 2013 it was held on August 13; in 2014 on May 13. This year it will most probably fall on October 13. On the ISU website the event is presented as follows: *"Some superstitious people consider 'Tuesday 13' an unlucky day, but we claim it is not so. Often we create the 'misfortune' ourselves through mere lack of information. We can prevent this by keeping informed, as John Davison Rockefeller famously stated: 'an informed person is a strong man.'*" On the day of the event, ISU is organising workshops for children and parents in order to inform them about earthquakes and other natural disasters (ISU website).

### 3.4. Earthquake Risk Management - Japan versus Romania

Disasters often expose pre-existing societal inequalities that lead to disproportionate loss of property, injury and death (Wisner, Blaikie, Cannon, & Davis, 2004). Some disaster researchers argue that particular groups of people are placed disproportionately at-risk to hazards. Minorities, migrants, women, children, the poor, as well as people with disabilities are among those who have been identified as particularly vulnerable to the impacts of disaster (Cutter et al., 2003; Stough, Sharp, Decker & Wilker, 2010). Seismic Risk is expressed with regard of the vulnerability of a building and the hazard that occurs on that place. Romania has one of the biggest risks in Europe, with several big cities and more than 60% of the population living in high and moderate seismicity areas. More than 460 residential buildings are built prior to 1945 and identified as having 1<sup>st</sup> class risk in case of a strong earthquake. More than 123 of these buildings are situated in the centre of Bucharest, 49 in Iași, 8 in Brașov, Bacău, Bârlad and Vaslui each have 6 vulnerable residential buildings, 4 are in Braila, 2 in Campina and 1 in Buzău, Roman and Târgu-Mureș respectively, as shown in Table (Ministry of Regional Development and Public Administration of Romania).

Table 1: Evaluated Buildings in Romania (according to Ministry of Regional Development and Public Administration of Romania)

County	Seismic Risk Class				Number of evaluated buildings	Total number of buildings	Total number of residents
	I	II	III	IV			
Bacău	6	28	5	2	98	172.612	583.590
Botoșani	36	22	-	-	68	125.215	398.932
Brăila	30	1	-	-	54	76.133	304.925
Brașov	11	8	4	-	48	91.701	505.442
Bucharest	374	302	75	6	2.560	113.863	1.883.425
Călărași	-	1	2	-	4	92.485	285.107
Caras-Severin	9	4	1	-	14	76.349	27.277
Constanța	9	14	3	3	69	126.826	630.679
Covasna	1	1	1	-	3	57.159	206.261
Dâmbovița	-	5	1	-	13	161.455	501.996
Galați	79	34	2	-	115	116.455	507.402
Ialomița	-	-	3	-	5	82.482	258.669
Iași	2	11	6	-	264	172.290	732.553
Mehedinți	1	17	-	-	28	91.553	254.570
Olt	6	-	-	-	6	140.813	415.530
Prahova	41	23	8	-	74	213.052	735.883

Teleorman	1	-	35	-	47	133/611	360.178
Tulcea	3	-	-	-	14	66.446	201.468
Vâlcea	-	1	1	-	33	132.982	355.320
Vrancea	-	6	17	-	23	112.046	323.080

After the technical evaluation of buildings, according to the Earthquake Design Codes, the buildings are assigned to one of the four Seismic Risk Classes. Class I covers buildings with the highest risk of collapse in case of earthquake. Class II represents buildings that can suffer major structural degradations but don't lose stability. Class III represents buildings that would not incur major structural degradation, but the non-structural elements may suffer major degradation during an earthquake. Finally, class IV represents buildings that behave as were designed to (P100-3/2008). After 1998, public authorities marked the Class I Seismic Risk buildings with a red dot.

Hospitals, schools and administrative governmental buildings are designed as Class I and II importance, according to the Earthquake Design Code P100/1-2013. This importance class is given by the importance factor  $\gamma_{I,e}$ , a variable that makes the value of the earthquake force bigger than the real one. The Class I and II buildings can resist to a bigger earthquake force than an ordinary building, as shown in Table 2 (P100-1/2013).

According to the Romanian Ministry of Health there are 68 severely damaged hospitals that require immediate technical assessment. The Ministry of Education and Scientific Research also declared vulnerable 95 schools; only half of them are included in programs for rehabilitation or have been rehabilitated in the last years.

Table 2: The Importance Factor According to P100/1-2013

The importance class	Building type	The importance factor
I	Essential buildings: - hospitals that have an Emergency Room and/or a Surgery Room; - Fire stations, police buildings, garages for Emergency Services and multi-story car parks; - Power Plants; - Buildings that store explosives, toxic gas or other dangerous substances; - The General Inspectorate of Emergency Situations buildings; - Emergency Situations Shelters;	1.4

	<ul style="list-style-type: none"> <li>- Essential buildings for Public Administration;</li> <li>- Essential buildings for National Security;</li> <li>- Water tanks.</li> </ul>	
II	<p>Buildings that represents a major risk for public safety if they are severely damaged or collapse:</p> <ul style="list-style-type: none"> <li>- Hospitals, others than Class I, that have a capacity of more than 100 people;</li> <li>- Schools, high schools and university buildings with a capacity of more than 250 persons;</li> <li>- Apartment or office buildings with a capacity of more than 300 people;</li> <li>- Conference rooms, theatres, cinemas, exhibition halls with a capacity of more than 200 people, stadiums and tribunes;</li> <li>- Museums and National Cultural Heritage buildings;</li> <li>- One-storey buildings, malls or other buildings with a capacity of more than 1000 people;</li> <li>- Multi-stored car parks with a capacity of more than 500 cars, others than Class I;</li> <li>- Jails;</li> <li>- Power plants;</li> <li>- Buildings with a total height larger than 45m;</li> </ul>	1.2
III	Ordinary buildings, other than the other classes.	1.0
IV	Buildings with a low importance in public safety such as agricultural or provisional buildings.	0.8

In the last 10 years, from the 123 highly vulnerable buildings in Bucharest, only less than 15% were fully retrofitted.

Looking at those numbers we can conclude that Romanian authorities lack interest in Earthquake Risk Management. A big earthquake has a 50-year recurrence in Romania, so the Government finds that it's time to take action; but no general or local plan exists, not even micro-planning. People have no idea where to shelter in case their building collapses during an earthquake; schools and public buildings that are officially designated as shelters in case of a natural hazard are not equipped with first aid supplies. Some buildings have an atomic shelter in the basement but usually that shelter is closed and the Building Manager holds the key; there are no provisions or supplies stored in these shelters.

Japan, on the other hand, is famous for prevention programmes. Every neighbourhood has a map with a designated shelter. Supplies such as solar chargers or can food are cheap and easy to buy and store. The “earthquake survival bag” is a common thing that Japanese people carry or store near their beds or within reach. Other than the General Inspectorate of Emergency Situations and the Red Cross, Japan has numerous active volunteers (doctors, engineers or other trained specialists) that can be found in easily accessible databases and they are very well prepared to help in case of an emergency.

## CONCLUSIONS

Romania’s earthquake risk, even though one of the highest in Europe, is far from Japan’s, due to geographical positioning. Nevertheless, the comparison can be extended to a developing versus developed country when it comes to the risks incurred. Even though culturally managing such natural hazards is very different from one case to the other, prevention techniques passed via consistent education from primary school onwards are easily accessible and uncstly. In this respect, Romania has yet a lot to learn from Japan.

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# IS ROMANIA ATTRACTIVE FOR JAPANESE INVESTORS? A COMPARATIVE ANALYSIS AT THE EU LEVEL

Iulia Monica OEHLER- ȘINCAI <sup>1</sup>

## Abstract

*Taking into account Romania's current economic performance and its fundamentals, as well as the common priorities set up in the Joint Declaration on Renewed Partnership signed in February 2013 between our country and Japan, we consider that there is a vast potential to strengthen the bilateral relationship. In 2014, Japan ranked only the 23<sup>th</sup> in the hierarchy of foreign investors in Romania, in spite of the opportunities offered to international companies in fields such as: infrastructure development, competitive services (computer and information services, other business services), agriculture and niche high-tech industries. At the EU level, United Kingdom, followed by Germany and France are the priority hosts for the Japanese investments and even new member states such as Poland, Czech Republic and Hungary attract much larger amounts of FDI than Romania from Japan. In view of the future EU-Japan FTA agreement – opening new opportunities for Romania, but concurrently a harsher competition –, in the present paper we try to answer the following questions: Is Romania attractive for Japanese investors? Which are Romania's strengths and weaknesses as compared to other EU countries? What can be done in order to motivate Japanese companies to invest more in Romania? Our investigation is based on statistics, economic evidences and recent policies influencing the FDI flows and intends to offer new insights into the Japan-Romania relationship.*

## 1. INTRODUCTION

At the beginning of the 1990s, in spite of a new era for our country, the relationship between Romania and Japan faced manifold hardships. Contrasts between the Japanese mentality, corporate ethics, quality standards and expectations, on the one side, and the Romanian realities, on the other side, were tremendous. As underlined by Eugen Dijmărescu, Ambassador of Romania in Japan during 1994-1999, the Nippon authorities considered Romania *delayed, both from the standpoint of economic reforms and democratic mechanisms* (Dijmărescu, 1999). As showed by the

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Japanese struggle on the international markets in the 1950s and 1960s, the endeavours of regaining the lost years are painful (Murgescu, 1985).

In order to accelerate the reform process in Romania, Japan provided financial and technical assistance, by means of development assistance loans (with a duration of 30 to 40 years, interest rates of 0.75% and grace periods of 10 years), for projects in infrastructure and energy<sup>2</sup>, commercial loans, as well as non-repayable aid during 1990-2007 in sectors such as agriculture, health, culture, investment, IT, mass-media and environment (MECT, 2015a).

Nevertheless, the Japanese foreign direct investment (FDI) in Romania was almost inexistent at the end of 1990s, in contrast to other new EU member states (NMS) from Central and Eastern Europe (CEE), such as Poland, Czech Republic and Hungary. And even nowadays Japan is still a marginal partner of Romania.

In order to enhance the bilateral cooperation, the Romanian-Japanese Joint Economic Committee, founded in 1972, was reorganized in the 2000s. In 2008 was launched the Japan-Romania Business Association (JRBA). At the same time, the Romania-Japan Chamber of Commerce and Industry promote bilateral economic cooperation. More recently, in February 2013, it was signed a Joint Declaration on Renewed Partnership between Romania and Japan, meant to adjust the existing partnership signed in 2002 to the current realities and needs and spur cooperation in fields such as infrastructure, energy, agriculture, health care, tourism, IT, culture and education (Romania-Japan Chamber of Commerce and Industry, 2013). On September 1st, 2009, exactly 50 years after the resumption of diplomatic relations between Romania and Japan, it was initiated an experimental two-year visa exemption for Romania citizens (Ministry of Foreign Relations of Japan, 2014). The decision taken by the Japanese Government at the end of 2012, to extend by three years the Visa Waiver programme under which Romanian citizens can travel to Japan without a visa for tourism purposes might open the way for a free movement of Romanian citizens in Japan, as of 2016, with positive effects on the cultural exchanges.

Having all these arguments in mind, our paper has to fulfil three main goals. The first one is to find out which are the main motivations of the Japanese transnational corporations (TNCs) to invest abroad and which are their geographical preferences. The second objective is to identify Romania's position among the CEE countries as a destination for Japanese FDI, answering the following questions: *Is*

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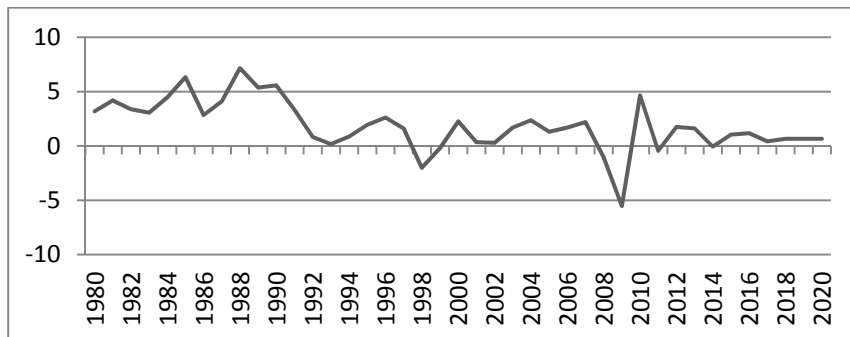
<sup>2</sup> The construction of the freight containers terminal in Constanța South Harbor, a credit of USD 120 million (1998); the rehabilitation of the no. 6 National Road Lugoj-Timisoara, a credit of USD 80 million (1998); the modernization of the Constanța-Fetești railway, a credit of USD 220 million (2001); the rehabilitation of the Turceni thermoelectric plant, a credit of USD 280 million (2005); construction of a subway line (6) connecting Bucharest to the Otopeni International Airport, valued at EUR 1 billion, out of which one third is financed through a credit from the Japanese Bank for International Cooperation (JICA), equal to approximately EUR 320 million (project under development) (Embassy of Romania in Japan, 2015).

*Romania attractive for Japanese investors? And which are Romania's strengths and weaknesses as compared to other CEE countries?* The third aim is to outline what can be done, so that Romania could be more attractive for Japanese investors. Our choice is justified by the absence in the literature of papers addressing such issues in the relationship between Romania and Japan.

## 2. OVERVIEW OF THE JAPANESE OUTWARD FDI STOCK

After two *lost decades*, gloomed by sluggish growth and deflation, the Japanese economy seems to have entered a third lost decade, in spite of the current “Three Arrows” or “Abenomics” program of reforms.<sup>3</sup> According to the projections made by the International Monetary Fund (IMF), Japan's GDP growth remains modest (1% in 2015, 1.2% in 2016 and even lower in the coming years) (Chart 1), regardless of depressed oil and commodity prices, higher real wages and higher equity prices due to the additional quantitative easing. Population ageing, an extremely high debt-to-GDP ratio, excessive fiscal deficit and limited investment opportunities induced by low levels of return on capital and productivity are several of the main challenges facing Japan in the years to come.

Chart 1: Japan's GDP, constant prices, 1980-2020 (percentage change)



Note: Estimations for 2014 and projections for 2015-2020.

Source: Own representation, based on IMF (2015).

During the 1960s-1980s, outward FDI under the lead of TNCs, spurred by the advantages of cheaper labour, land and resources, was considered to have a positive impact on the Japanese economy. However, during the *lost decades*, the decline in the manufacturing sector's shares of gross domestic product and employment became evident (Simeon, Ikeda, 2008).

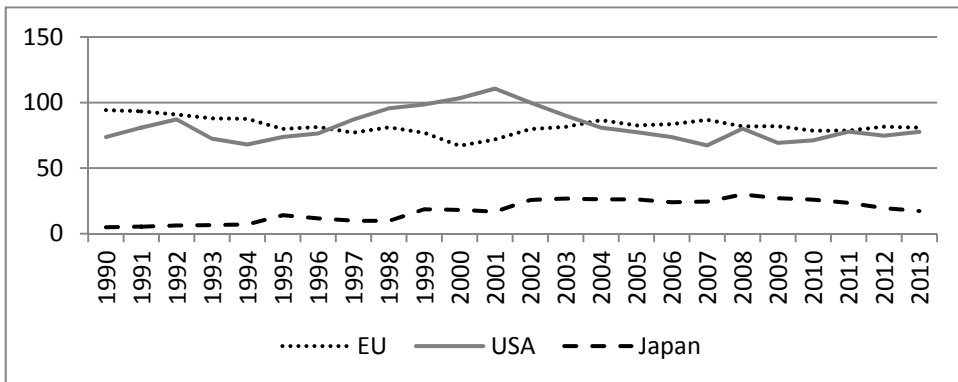
<sup>3</sup> It combines fiscal expansion, monetary easing and structural reforms, with the immediate goal to boost domestic demand and GDP growth, while raising inflation to 2 percent (McBride, Xu, 2015).

Some scholars underscore that the increased participation of the Japanese TNCs at the global value chains diverted new investment from national industrial regions and also led to a reduction in the demand for intermediate goods supplied by small business sectors (Cowling, Tomlinson, 2000). Consequently, the domestic industrial capacity declined and the Japanese industry was “hollowed out” (Cowling, Tomlinson, 2000), synonymous with deindustrialisation. Moreover, many Japanese firms have adopted the features of Anglo-American management style of profit-maximizing management and abandoned the principle of “lifetime employment” (Schoppa, 2006).

Several scholars emphasize the rapid increase of **outward FDI in services sector**, with a positive impact on domestic employment, especially in sectors such as retail, construction, personal and business services. By contrast, the outward FDI in IT sector appears to generate a reduction in domestic employment, as IT employees at overseas affiliates substitute the domestic ones. However, Japan is lagging behind other developed countries as regards the overseas expansion of the TNCs in the services sector. Nonetheless, on the whole, the outward FDI in the services sector appears to have been beneficial for the Japanese economy in terms of job creation at national level (Sakura, Kondo, 2014). By industry, Japan’s outward FDI is concentrated in food (16%), finance and insurance and transportation equipment, general and electric machinery (similar percentages, each of 15%) and wholesale and retail (12%) (JETRO, 2015).

For Japan, the ratio of inward to outward FDI is extremely low and after the recent crisis it is once again on a decreasing trend (**Chart 2**). This evolution can be explained by the balance of advantages/impediments in doing business in Japan. Taking into account the *ease of doing business*, Japan ranks 29<sup>th</sup> among 189 economies (The World Bank, 2014), nevertheless, the Japanese companies prefer to invest abroad. Domestically, on the one side, there are positive aspects regarding demand (high income levels and large customer volume), well-developed infrastructure, responsive market to added value, agglomeration of global enterprises, well-developed living environment, capable human resources, gateway to the Asian market, high quality R&D, well-protected intellectual property rights, good financial environment. On the other side, there are: high business costs, closed and unique market, difficulty in getting human resources, exigent customers, complicated administrative procedures, stringent regulatory/licensing system, insufficient incentives, concerns about radioactive pollution and natural disasters, concerns about unstable power supply (Arima, 2013). The evolution of Yen influences also the purchasing power of Japanese TNCs and therefore the expansion or contraction of businesses abroad.

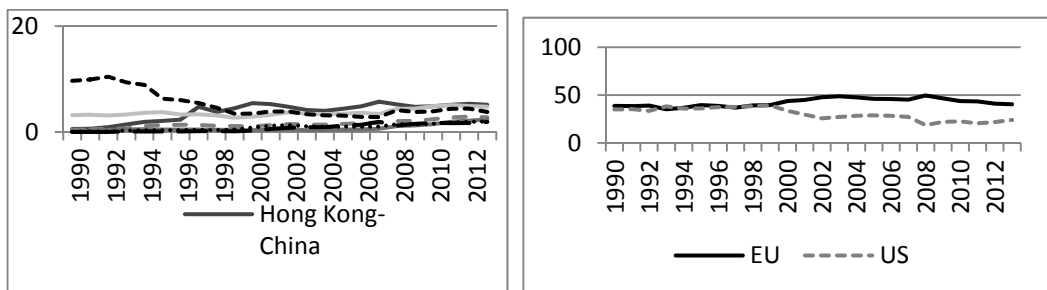
**Chart 2: Ratio of inward to outward FDI stock in Japan, EU and USA during 1990-2013 (%)**



Source: Own calculation and representation, based on UNCTAD (2014).

Worldwide, Japan is the fifth largest investor country, in terms of FDI stock, after the EU (remarking in this group United Kingdom, Germany, France), US, Hong Kong-China and Switzerland, although its share in the global FDI stock is much lower at present (circa 4%) as compared to levels recorded at the beginning of the 1990s (Chart 3).

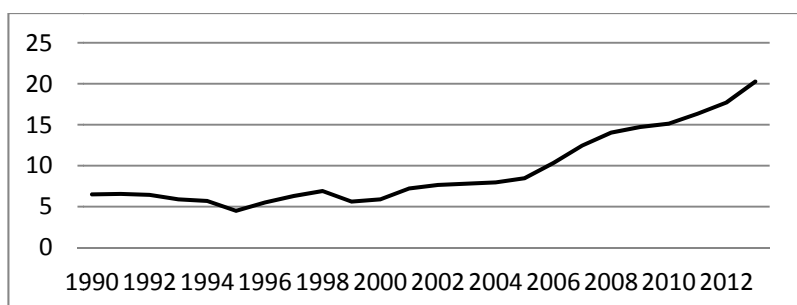
**Chart 3: Japan's outward FDI stock as compared to other countries, regions and territories during 1990-2013 (% of world total)**



Source: Own calculation and representation, based on UNCTAD (2014).

Japan's outward FDI stock-to-GDP has been steadily increasing since the world financial and economic crisis, surpassing the threshold of 20% (Chart 4). Moreover, in the world's top 100 non-financial TNCs, ranked by foreign assets in 2013, there are ten Japanese TNCs: Toyota, Honda, Mitsubishi, Nissan, Mitsui, Sumitomo, Sony, Marubeni, Itochu, Japan Tobacco (UNCTAD, 2014).

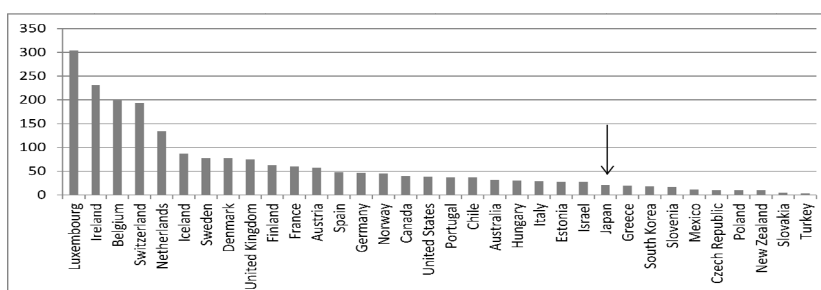
Chart 4: Japan's outward FDI stock-to-GDP ratio (%)



Source: Own representation, based on UNCTAD (2014).

However, Japan's outward FDI stock-to-GDP remains below the levels recorded by the vast majority of the OECD member countries (**Chart 5**) which underlines that not the outward FDI represents the real problem of the Japanese economy, but the inability to attract FDI.

Chart 5: Japan's outward FDI stock-to-GDP ratio in 2013, as compared to the other OECD members (%)



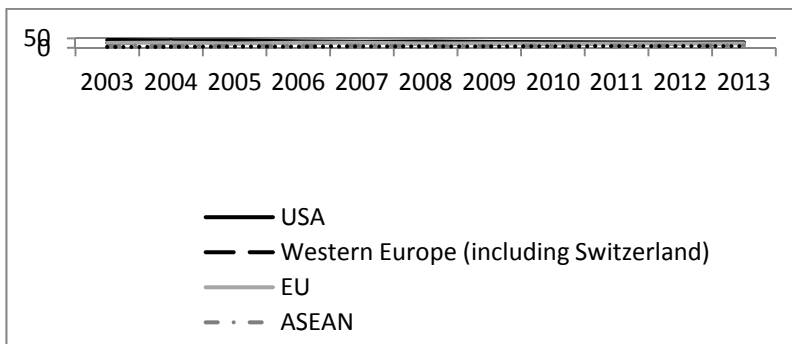
Source: Own representation, based on UNCTAD (2014).

Recent analyses underline that Japanese companies had focused for many years on the North American and Western European markets, partly due to the historical background and the export substituting strategy, correlated to the trade frictions (Ohno, 2014, Kondo, 2012). Consequently, from the 1970s to the middle of 1980s (*first wave* of Japanese outward FDI), Japanese business largely neglected other markets with sustained growth potential, including Asian economies (Kondo, 2012). Nevertheless, the appreciation of the Yen after the 1985 Plaza Accord (determining a sharp increase of production costs at national level), alongside the headways made by other competitors in Asia (Ohno, 2014) “inspired” the Japanese investors to change their behaviour and expand rapidly in Asia.

During the *next wave* of Japanese investment abroad, especially from the middle of 1980s and during 1990s, the FDI flows converged toward Asian neighbours, such as Thailand, Malaysia and Singapore, in automotive and electronics sectors (The Economist, 2014). As a direct consequence of the Asian financial crisis of 1997-98, the Japanese TNCs began to focus on China (*third wave*), due to its competitive advantages in terms of resources, market size and efficiency, in spite of the historical tensions. China remains the main country-destination for the Japanese FDI in Asia (in terms of stock) even if recent surveys indicate it on the third place in the hierarchy of investors' preferences, after India and Indonesia (Japan Bank for International Cooperation, JBIC 2014). The Japanese investors are concerned about the increasing labour costs and difficulties in securing the workforce on this market (JBIC, 2013), therefore a *fourth stage* of Japanese outward FDI is shaping up.

Japanese TNCs continue their expansion overseas and even though the profitability of the European companies is below that recorded in Asia and North America, markets such as Germany and France remain among the most attractive 20 destinations for Japanese investors.

**Chart 6: Japan's outward FDI stock by country/region (% of total)**



Source: Own representation, based on JETRO (2015).

In conclusion, the Japanese TNCs follow the standard complex of motivations for investing abroad: resources, markets, efficiency, strategic constituents, changing their preferences together with the evolution of the global environment. In this context, it is challenging to find out which are the main attractors on the EU NMS markets and whether Romania is one of Japan's priorities among them.

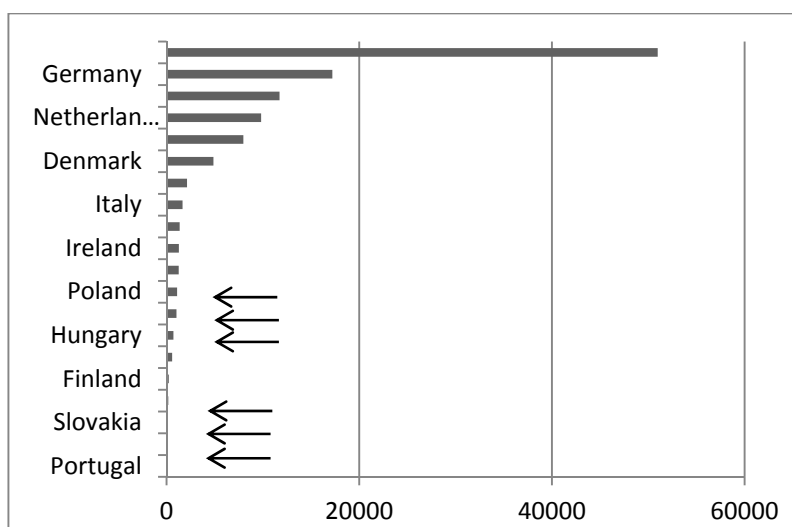


### 3. IS ROMANIA ATTRACTIVE FOR JAPANESE INVESTORS?

#### 3.1. Romania in the hierarchy of the EU NMS by value of Japanese FDI stocks

According to Eurostat data, the NMS attract only 2-3% of the total Japanese FDI at the level of the EU. In this group of countries, one can remark Poland (11% of the NMS total), Czech Republic (10%) and Hungary (7%) as incontestable leaders, followed by Romania (2%), Slovak Republic (1%) and Bulgaria (almost 1%). Anyway, the Japanese investments to these countries are dwarfed by the large amounts recorded in Great Britain, Germany, France, Netherlands, Belgium and Denmark (Chart 7).

**Chart 7: Ranking of 20 EU countries  
by value of the Japanese FDI stocks, 2012 (EUR million)**



Note: Data do not include investments made by the European subsidiaries of the Japanese TNCs.

Source: Eurostat (2015a).

Analyses regarding the motivations of other Asian companies to invest in the CEE emphasize the following findings (Szunomár, 2014). *First*, operating costs are not the most important determinants taken into account for choosing a destination. For instance, although labour costs are lower in Bulgaria and Romania than in other CEE countries, the levels of Japanese, Chinese and South Korean investments in

Bulgaria and Romania are inferior as compared to Poland, Czech Republic and Hungary.

*Second*, investment incentives are not the crucial ingredient for attracting foreign investors. Even though Bulgaria has a corporate income tax of 10% (the most favourable tax regime in the CEE countries), it is not the most attractive destination of FDI in CEE. However, the absence of coherent and transparent legislative initiatives, deficiencies of the dialogue platform between the host countries and investors and also useless costs induced by red-tape are major weaknesses among competing host countries (ISA, 2014, **Table 1**).<sup>4</sup>

*Third*, **FDI in search of agglomeration effects** (i.e. geographic clustering and networking of firms and industries, due to infrastructure advantages, labour market pooling, input sharing, knowledge spillovers – Cohen and Morrison Paul, 2009 – but also customer proximity) has become an inveterate form of investment. It explains why the network of “Visegrad Four” (V4) countries (Czech Republic, Slovakia, Hungary and Poland) could attract massive volumes of FDI and, besides, capture the bulk of FDI headed towards services and R&D projects in the CEE region (US Department of State, 2014).

**Table 1: Synopsis of the investment promotion agencies in V4, Bulgaria and Romania**

<p><b>1. Slovakia</b> – Slovak Investment and Trade Development Agency (SARIO), established in 2001  <a href="http://www.sario.sk/en/about-us">http://www.sario.sk/en/about-us</a>          Government funded agency, established in 2001 under the supervision of the Slovak Ministry of Economy          Homepage in Slovak, English</p>
<p><b>2. Czech Republic</b> – CzechInvest, Investment and Business Development Agency, established in 1992  <a href="http://www.czechinvest.org/de">http://www.czechinvest.org/de</a>          An agency of the Ministry of Industry and Trade          Homepage in Czech, German, English, Japanese, Korean, Chinese</p>

<sup>4</sup> The recent initiatives in Poland can be mentioned as example of good practice. In April 2014, the government approved the “Enterprise Development Program 2020”, aiming to create a friendly business environment for companies as well as to support R&D, innovation projects and cooperation between business and academia. Parliament established a permanent commission in late 2012 to accelerate the deregulation process in Poland. Besides, Poland improved administration of real estate registers and public procurement law, national and local governments are implementing an internet-based “one-stop shop” registration process for businesses (US Department of State, 2014).

<p><b>3. Poland</b> – Polish Information and Foreign Investment Agency (PAIiZ), established in 2003  <a href="http://www.paiz.gov.pl/de">http://www.paiz.gov.pl/de</a>          In 1992 it was created the Polish Agency for Foreign Investment (PAIZ). In 2003, it merged with the Polish Information Agency (PAI) to form the actual PAIiZ          Homepage in Polish, German, English, Chinese, Japanese, Korean, Russian, French</p>
<p><b>4. Bulgaria</b> – Invest Bulgaria Agency (IBA), established in 2004  <a href="http://www.investbg.government.bg/en">http://www.investbg.government.bg/en</a>          Management appointed by the Minister of Economy.          Initiative: annual award “Investor of the Year” since 2006          Homepage in English</p>
<p><b>5. Hungary</b> – Hungarian Investment Promotion Agency (HIPA), established in 2011  <a href="http://hipa.hu/">http://hipa.hu/</a>          The Ministry of Economic Affairs established the ITDH (Investment and Trade Development Agency in Hungary) in 1993, in order to support foreign companies to invest in Hungary. On January 1, 2011, ITDH’s economic development responsibilities were transferred to the Hungarian Investment and Trade Agency (HITA) operating under the Ministry of National Economy. In April 2013, HITA was moved from the supervision of the Ministry of National Economy to the Prime Minister’s Office, operating under the State Secretary for Foreign Affairs and External Economic Relations          Homepage in Hungarian, English</p>
<p><b>6. Romania</b> – Department for Foreign Investments and Public-Private Partnership, founded in 2014  <a href="http://dpiis.gov.ro/new_dpiis/en/foreign-investments/who-we-are/">http://dpiis.gov.ro/new_dpiis/en/foreign-investments/who-we-are/</a>          The department operates as a specialized body of the central public administration, with legal personality. The Romanian Agency for Foreign Investment (ARIS) (2002-2009) was replaced by the Romanian Center for Trade and Investment Promotion (CRPCIS) (2010-2012), afterwards the investment promotion tasks were shortly transferred to the Ministry of Economy.          Homepage in Romanian, English</p>

Note: The investment promotion agencies were ranked according to four criteria: (1) relevance, quality and usefulness of information, (2) coherence of initiatives, (3) clarity of goals, (4) homepages user-friendliness.

Sources: Own representation, based on the US Department of State (2014) and national data.

The V4 group proved political engagement to consolidate the partnership with Japan and ensure its continuum. Therefore, the Visegrad Group plus Japan held a Summit Meeting in Warsaw on 16<sup>th</sup> of June 2013, to commemorate the 10<sup>th</sup> anniversary of the V4 plus Japan cooperation (Visegrad Group, 2013). Both sides decided to mark 2014 as the V4 plus Japan Exchange Year with a view to celebrating the 10<sup>th</sup> anniversary and further strengthening their ties. Furthermore, in 2014, the Josai University Educational Corporation established the Josai Institute for Central European Studies located at Tokyo, primarily focused on the countries within the V4.

This example underlines, on the one hand, the need of alliances among countries, in order to achieve their goals. On the other hand, it emphasizes the need of dialogue, continuity and coherence as regards cooperation initiatives. Romania does not excel in either of these two goals and, besides, it lags behind the V4 countries in terms of many performance indicators (**Table 2, Annex**).

**Table 2: Rankings of V4, Romania and Bulgaria by different indexes**

Index/ Country	Transparency International - Corruption Perceptions Index	Heritage Foundation - Economic Freedom Index	World Bank - "Ease of Doing Business"	Cornell University <i>et al.</i> - Global Innovation Index	UNDP Human Development Index	Cornell University <i>et al.</i> - Government effectiveness
Poland	35(175)	42(178)	32(189)	45(143)	35(187)	42(143)
Czech Republic	53(175)	24(178)	44(189)	26(143)	28(187)	36(143)
Hungary	47(175)	54(178)	54(189)	35(143)	43(187)	43(143)
<i>Romania</i>	<i>69(175)</i>	<i>57(178)</i>	<i>48(189)</i>	<i>55(143)</i>	<i>54(187)</i>	<i>88(143)</i>
Slovakia	54(175)	50(178)	37(189)	37(143)	37(187)	40(143)
Bulgaria	69(175)	55(178)	38(189)	44(143)	58(187)	60(143)

Source: Own representation, based on mentioned indexes.

Nonetheless, due to its geographical position, Romania has the potential to generate agglomeration effects, with the condition to develop its infrastructure, improve the business environment and ensure the legislative coherence. Having in mind projects such as the Black Sea synergy, Strategy for the Danube Region and the potential to become the juncture between Asia and Europe on the renewed Silk Road, now is the moment to seize this tremendous opportunity.

### 3.2. Japanese companies in Romania

In 2014, Japan ranked only the 23<sup>th</sup> in the hierarchy of foreign investors in our country, after China (18<sup>th</sup> position) but ahead of South Korea (ranked 25<sup>th</sup>) (National Trade Register Office, 2014). In December 2014, in Romania there were

recorded 270 companies with Japanese capital, out of which 24 Japanese manufacturing companies with 42 factories with a total of circa 32000 employees. In the manufacturing sector, the bulk of investments are concentrated in Bucharest and Transylvania. Most of the Japanese companies in Romania are active in the automotive industry (auto parts manufacturers), which export the most of their production, but also suppliers for Dacia and Ford car factories in Romania. Imported components from Japan are also integrated in their manufacturing process (MECT, 2015a). The value of Japanese FDI stock in Romania in 2014 is estimated at EUR 180 million (National Trade Register Office, 2014), but if we add the investments of Japanese subsidiaries located in the EU (registered as European investment in Romania), this value could surpass EUR 700 million.

**Table 3: Main Japanese investors in Romania**

Company	Year of entry in Romania	Region	Industry	Investment amount (EUR million)	Number of employees
Sumitomo Electric Wiring System (SEWS)	2000	Deva, Orastie, Alba Iulia, Tarnaveni	Automobile electrical system components industry	50-100	6000
Yazaki Corporation	2004	Arad, Ploiesti, Caracal, Timisoara	Auto components industry	85-100	5000
Takata Petri	1996	Arad and Sibiu	Auto industry (safety belts)	100	5000
Fujikura Automotive	2006	Cluj and Dej (production), Sibiu (research and development since 2012)	Wiring producer	77-100	3000
Koyo Seiko / JTEKT	1998	Alexandria	Bearings industry	51	1300
Calsonic Kansei	2006	Ploiesti	Auto components industry	120	1000
Japan Tobacco International (JTI)	1994	Bucharest Pipera	Cigarettes	100	1000
Terapia Ranbaxy	2006	Cluj	Pharmaceuticals	50	1000
Makita	2000	Branesti, Ilfov	Professional and consumer power tools	40	500

Note: 1 USD = 0.89 EUR.

Source: Own representation, based on CCIRJ, 2014 and national mass-media.

As investment and trade are interlinked, it should be added that in 2014, the value of Japanese exports to Romania was estimated at circa EUR 211 million, while the value of imports from Romania approximately EUR 230 million (MECT, 2015b). Japan was the 38<sup>th</sup> destination for Romanian exports (China the 23<sup>rd</sup> and South Korea the 29<sup>th</sup>) and the 30<sup>th</sup> import source (China the 6<sup>th</sup> and South Korea the 21<sup>st</sup>). Traditionally, the bilateral trade flows did not exceed the modest amount of EUR 500 million and, with the exception of 2013, Romania recorded a trade deficit in relationship with Japan. The main products imported from Japan are auto parts, motor vehicles and electrical and electronic equipment, while the Romanian exports to Japan are dominated by wood and wood products, machinery and electrical equipment, chemicals, materials, plastic products, footwear, glassware, pottery, wine, textiles (MECT, 2015a).

In the opinion of H.E. Ambassador Yamamoto in Romania, besides the automotive industry, agriculture, energy sector (not only renewable energy area, but also new energy-efficient and environmentally friendly technologies), IT and medical technology are attractive for Japanese investors (CCIRJ, 2014). There are also Japanese companies such as Anritsu, Namco Bandai, Terapia Ranbaxy which invested in research centres in Romania.

## CONCLUSIONS

In the 1990s, Romania started off on the wrong foot in the international arena, in contrast to other CEE countries. Due to the difficulties to regain the lost years, our country did not manage to forge a privileged relationship with Japan, contrary to Poland, Czech Republic and Hungary. Romania does not excel either in forging alliances, or in continuity and coherence as regards cooperation initiatives, or in terms of performance indicators. However, its geographical position offers the opportunity to actively participate at projects such as the Black Sea synergy, Strategy for the Danube Region and the potential to become the juncture between Asia and Europe on the renewed Silk Road.

As the European Union has exclusive competence in five areas, including common trade policy which subsumes foreign direct investment,<sup>5</sup> the Romanian authorities have limited room for manoeuvre in relationship with Japan. That is why they should focus on: improving business environment, ensuring legislative coherence, offering investment incentives and maintaining the momentum of the bilateral relationship. Continuity of contacts is equally significant. The Joint Committee for Economic Cooperation should take place yearly, with the attendance of Romanian experts and researchers from companies, ministries, research institutes and higher education institutions such as Institute for World Economy of the

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<sup>5</sup> Articles 3 and 207 of the Consolidated version of the Treaty on the Functioning of the European Union (Official Journal of the EU).

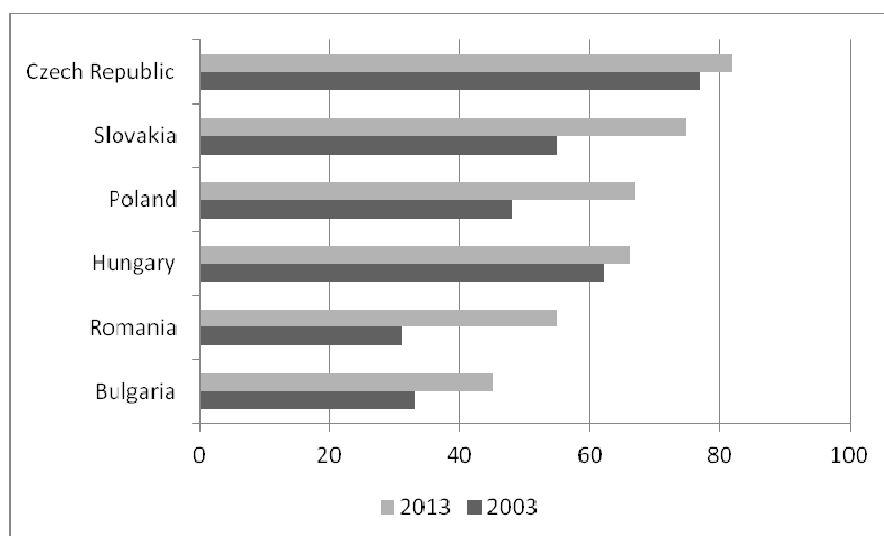
Romanian Academy, the Bucharest University of Economic Studies and the Romanian-Japanese Studies *Centre* – CSRJ “*Angela Hondru*”.

The future investments of Japanese companies in Romania depend on the world economic outlook, perspectives of Romania’s economic growth (including the evolution of its structural indicators) as well as the results of the ongoing bilateral negotiations between the EU and Japan to conclude the FTA agreement. The recent spring European Economic Forecast (European Commission, 2015a) indicate a favourable environment for investment in Romania. As regards the EU-Japan trade mega-deal, bilateral talks have entered a new stage, as both sides have exchanged market access offers on trade in goods and services as well as investment. In December 2014, the EU presented a second list of non-tariff measures which shall be addressed (European Commission, 2015b). During the next months, the bilateral negotiations will continue with the 11<sup>th</sup> round. This new agreement will open new opportunities for Romania, but concurrently a harsher competition.

## ANNEX

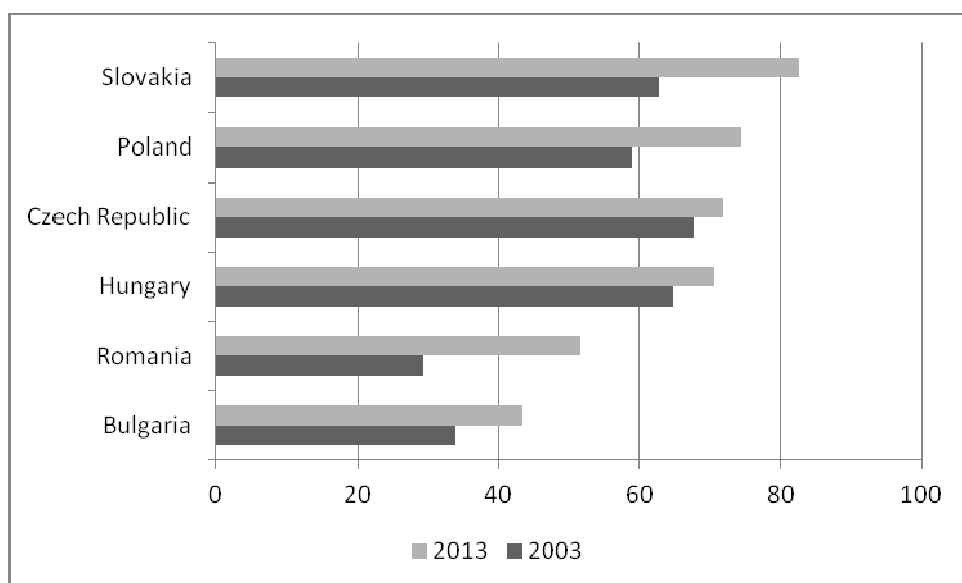
### STRUCTURAL INDICATORS AT THE LEVEL OF V4, ROMANIA AND BULGARIA

GDP per capita in PPS in V4, Romania and Bulgaria (index EU28 = 100)

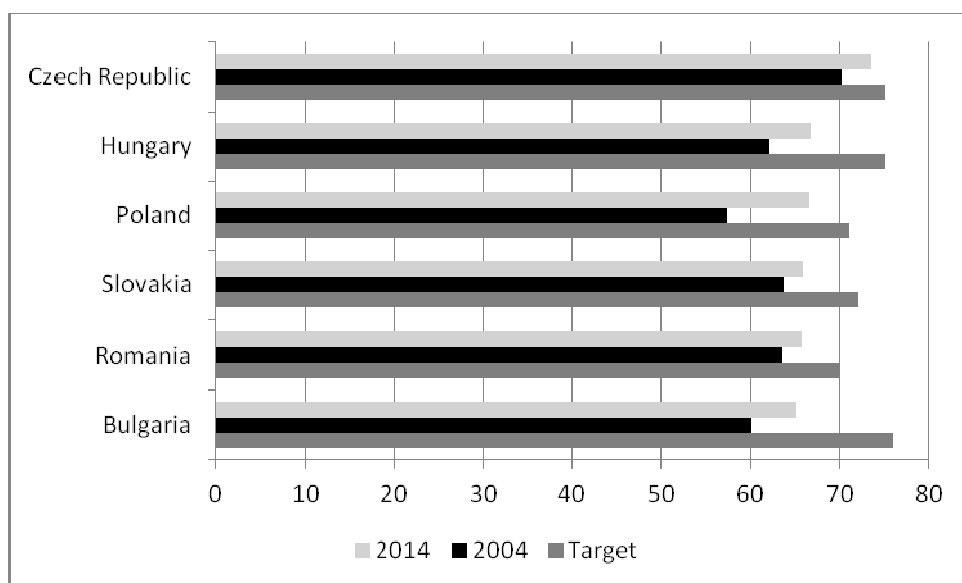


Note: The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU28) average set to equal 100.

Source: Eurostat (2015b).

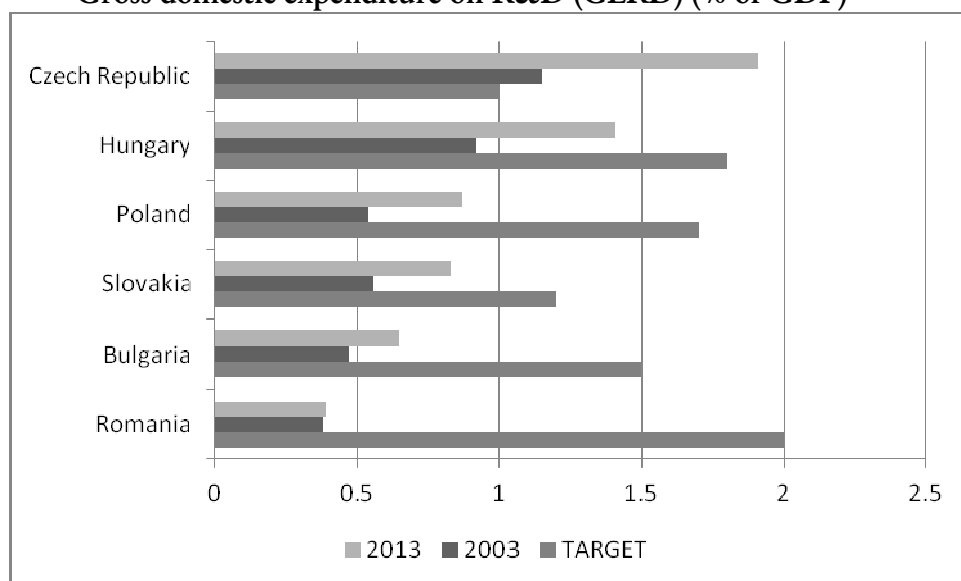
**Labour productivity per person employed (ESA95) (index EU28 = 100)**

Source: Eurostat (2015b).

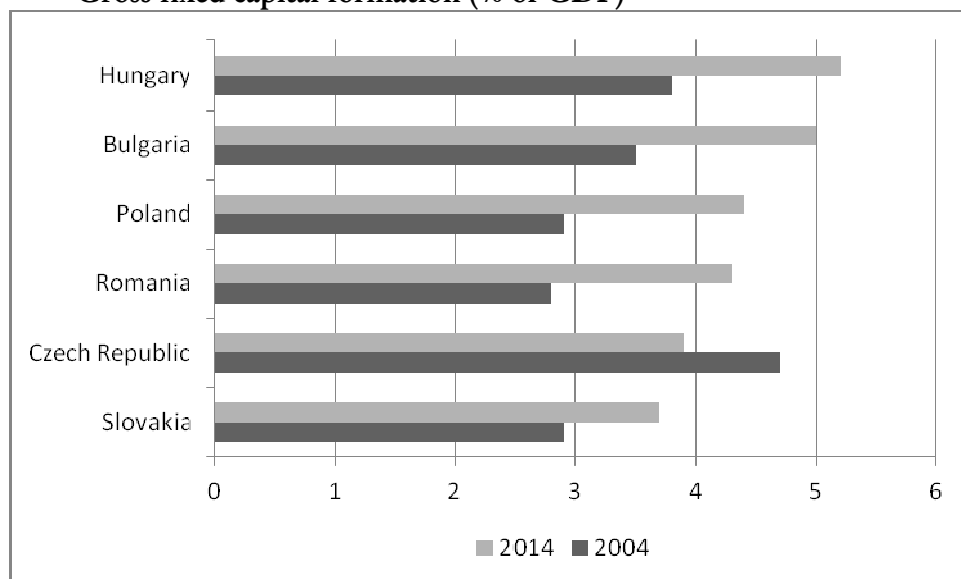
**Employment rate, age group 20-64 (%)**

Source: Eurostat (2015b).

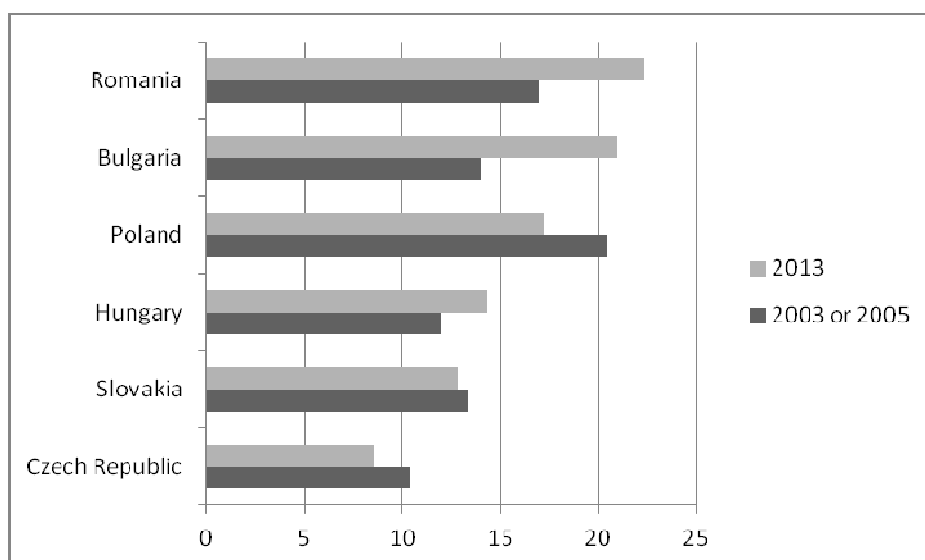


**Gross domestic expenditure on R&D (GERD) (% of GDP)**

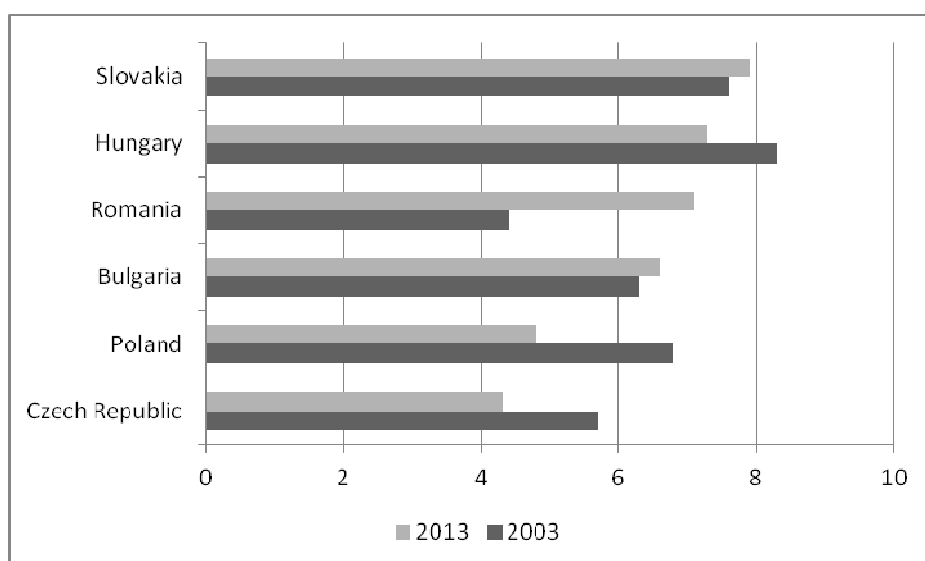
Source: Eurostat (2015b).

**Gross fixed capital formation (% of GDP)**

Source: Eurostat (2015b).

**At-risk-of-poverty-rate after social transfers (%)**

Source: Eurostat (2015b).

**Dispersion of regional employment rates (%)**

Note: Reflects the coefficient of variation of employment rates (of the age group 15-64) across regions (NUTS 2 level) within countries.

Source: Eurostat (2015b).

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# PRINCIPLES OF COMMUNICATION IN JAPANESE INDIRECTNESS AND HEDGING

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## Abstract

*This paper is an insight into the way in which indirectness is achieved in Japanese communication. We present two cultural principles that govern the Japanese culture— wa (harmony) and face — and we briefly discuss the role they play in the indirect style of communication that characterizes the Japanese. The relation between culture and language is further detailed in the section on indirectness and language, where we present the linguistic manifestations of indirectness, identifying the main strategies used for achieving indirectness and focusing on hedging, as a typical example of indirectness strategies.*

## 1. INTRODUCTION

It is already common knowledge that the Japanese prefer not to say things in a direct manner and always look for a roundabout way in communication. There are countless examples, especially in the world of business or politics, when the clash between the Western way of speaking and the Japanese way of constructing the discourse gave birth to misunderstandings and even conflicts. The ambiguity that characterizes the Japanese discourse is often not understood by people raised and educated in Western cultures. A famous example is the Japanese *Hai* (Yes), which can mean almost anything on the continuum from “Yes” to “No”, but which is almost exclusively interpreted as “Yes” by Westerners. *Hai* is actually an expression through which one shows that he/she is listening and paying attention to what the interlocutor is saying and does not necessarily involve agreement with what is being said. A mere sign of acknowledgement is thus often mistaken for a sign of agreement.

Before discussing what makes the Japanese discourse indirect, let us consider the following example from Donahue (Donahue, 1998: 221), where a Japanese student in the USA is asked whether she likes American food:

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“American food? Uh...what can I say? Y’know, I’m living with an American family now, so my, uh, my host father is a very big man, but in the dinner?...He always does not eat so much. Maybe I will, I will eat more than him...”

A person who is not familiar at all with the Japanese culture will probably understand very little, if nothing, from the student’s answer. What is basically a Yes/No question (“Do you like American food?”) receives a very complex answer, which is an attempt to cover a hidden “No”. Hesitation, fillers, changing the referent, softening the message– all these strategies are used to avoid a direct answer that might hurt the interlocutor’s feelings.

Although indirectness is not exclusive to Japan, it is often given as the defining characteristic for Japanese discourse and communication. Indirectness is usually associated with politeness and, since politeness and respect are highly valued in the Japanese society, it is generally considered that the Japanese use indirectness in their speech more than other nations. However, indirectness and politeness are not always related, since one might easily find examples of indirect expressions (invitations, requests, refusals etc.) which are not actually polite. Consider the following examples in English and in Japanese: “Would you please shut up?”, “Could you kindly leave the room right now?”, 「部屋を出てくれないかな?」. All these questions employ marks of indirectness, but the message is hardly a polite one, which shows that the two concepts are not necessarily connected.

## 2. WHAT LIES BEYOND INDIRECTNESS IN DISCOURSE

### 2.1. *Wa (harmony)*

The Japanese preference for indirectness can be explained if we refer to the cultural roots of the problem. The relations between the individuals forming the Japanese society are based on a series of cultural principles that build and maintain harmony. Harmony is one of the most discussed cultural concepts that shape the Japanese mentality. The entire Japanese society and its dynamics seem to revolve around the concept of preserving harmony. The character that is used to represent the concept of harmony, 和 (*wa*), is actually used as an adjective to describe things that are Japanese or in the Japanese style, such as 和食 (Japanese food)、和服 (Japanese clothes)、和室 (Japanese-style/tatami room) etc. Rohlen stresses the “pre-eminent position of *wa* in the hierarchy of Japanese values” (Rohlen, 1974:47). He draws attention to the fact that *wa* “is undoubtedly the single most popular component in mottos and names of companies across Japan,” and he generalizes: “To achieve *wa* is certainly a major goal for any Japanese group, and it also is an essential ingredient in the attainment of other goals. In this regard, it is something like ‘love’

in American popular culture, for it is both a major means to social improvement and an end in itself." Quoting Honna and Hoffer (1989), who claim that "[...] harmony within the group is a key value in Japanese society", (Honna and Hoffer, 1989: 122), Wierzbicka points out that the Japanese *wa* and the English *harmony* are actually not one and the same thing, since *wa* has clear implications of "groupism" and "anti-individualism" (Wierzbicka, 1997: 249). She further asserts that "It is worth nothing in this connection that dictionaries often gloss *wa* not only as "harmony" but also as "peace" and "unity." "Peace" implies an absence of overt conflict and confrontation (that is, an absence of a situation where one person says, "I want this," and another, "I don't want this"); and "unity" implies that 'all these people are like one thing' and 'all these people want the same'." (Wierzbicka, 1997: 250). The emphasis on the group harmony is thus strongly related to the avoidance of conflict, which can be attained if there are no impositions on any of the members of the group. Linguistically, the 'no imposition' state can be reached when direct messages are avoided and the indirect way of communication is employed.

## 2.2. Preserving Face

The concept of Face has been extensively studied and discussed in relation to politeness theories. Politeness is a pervasive aspect in human language and presumably all languages have means of encoding it (Brown and Levinson 1978, 1987). At the level of social interaction, politeness can be found in good manners and etiquette, which generally shows concern to the partner, using either verbal or non-verbal strategies. Despite the presumed universality of politeness, the patterns of its linguistic realization are vastly diverse across cultures. The most common types of linguistic devices of showing politeness may include making one's statement indirect, often making use of circumlocution, lexical substitution, euphemisms, tags, or conventionalized formulae. These indirectness strategies are essentially intended to create uncertainty or ambiguity.

Face is defined as an individual's self esteem. It has two aspects, namely negative and positive face. Negative face is 'the desire to be unimpeded in one's actions' and positive face is 'the desire (in some respects) to be approved of' (Brown and Levinson, 1987: 13). When we interact with others in society, it is necessary to keep one's own face or to avoid threatening another's face. In order to avoid these face-threatening acts (FTA), we try to employ politeness strategies in our interactions. Brown and Levinson (1987) classify different kinds of such politeness strategies used according to the ways we react to FTA's. They also point out that the determinants of the kinds of politeness strategies used are the following three sociological factors: the relative power of the hearer over the speaker, the social distance between the speaker and the hearer, and the ranking of the imposition in doing the face-threatening act (Brown and Levinson, 1987: 15-16). In view of Brown



and Levinson's theory, politeness always implies indirectness. When a face-threatening act is involved in our interaction, we make a decision whether or not we should execute it. If we decide to do it, we can either do it directly, i.e. 'on record', as Brown and Levinson call it, or do it 'off record', which means it is done indirectly. If we do it without paying any consideration to the hearer, we do it 'baldly'. If we try to reduce the face-threatening effect to the hearer, we use either positive politeness or negative politeness. Positive politeness means that the speaker tries to save the hearer's positive face by reducing the distance between them. By negative politeness, on the other hand, the speaker tries to keep the hearer's negative face by valuing the hearer's personal territory (Brown and Levinson, 1987: 68-71).

Negative politeness is basically a distancing strategy, showing the respect to a person's right to act freely. On the other hand, positive politeness is basically a befriending strategy, showing the respect to a person's need to be liked and understood. Negative politeness seems to be more prevalent than positive politeness since the former seems to be safer, as it is less likely to lead to misunderstanding for apparent lack of deference and seemingly inappropriate friendliness. In the case of Japanese, the system of respect language (*keigo*) is a typical example of negative politeness.

### 3. INDIRECTNESS AND LANGUAGE

Brown and Levinson (1987) introduce a comprehensive definition of indirectness as a set of politeness strategies with the objective of reducing imposition on the hearer and/or bringing about solidarity between the speaker and the hearer. These markers are divided into three major categories:

**3.1. Rhetorical strategies and markers:** items in this category have a persuasive objective. They include rhetorical questions, tag questions, disclaimers and denials, vagueness and ambiguity markers, repetition, and irony.

Negative and interrogative forms are preferred in Japanese especially in requests and invitations, since the impact of the message is softened and the force of the utterance is diminished. Consider the following examples:

一緒に行きませんか。	一緒にいきますか。
(Won't you come with me?)	(Will you come with me?)
これ、買ってくれない？	これ、買ってくれる？
(Won't you buy this for me?)	(Will you buy this for me?)

In both cases, the negative question is felt as being more polite because the speaker does not impose his/her will on the interlocutor in a direct way.

**3.2. Lexical and referential markers:** Tools of this category rely on their meaning as well as relationships to indirectly approach/present a claim. They contain hedges and hedging devices, point of view distancing, downtoners,

diminutives, discourse particles, demonstratives, indefinite pronouns and determiners, and some understatement markers.

Speaking about a person instead of addressing that person is one of the indirectness devices often used in Japanese. “Direct address implies direct involvement, while reference, even when it fulfills an appellative function, creates greater distance and hence reduces the potential threat to the addressee’s face. Not to address a person too directly seems to be a very general politeness strategy that relates to territoriality, that is the recognition of other persons’ spatial and symbolic territories” (Coulmas, 2013: 114). In Japanese, the use of the second person personal pronoun is very rare and it is often considered impolite. What is generally accepted is the use of the interlocutor’s name or words indicating his/her profession.

**3.3. Syntactic markers and structures:** They are indirectness devices manifested in the sentence structures including passive voice, nominalization, and conditional tenses.

Utterances in the passive voice are considered more formal and indirect than those in the active voice. The interpretation of the patient as the subject of the sentence diminishes the role of the agent (who, in most of the cases, is overtly expressed only if necessary) and the perspective on the situation becomes an indirect one. In Japanese, a form which is a homophone of the passive voice is actually used as a honorific form. An action regarding the addressee or a third person worthy of respect is put in a passive voice. Consider the following examples:

みんなに笑われた。

(I was laughed at by everybody)

先生が笑われた。

(The teacher laughed)

The honorific use of the passive voice corresponds to the functional use of the verbs *suru* (to do) and *naru* (to become), the latter being used for referring to an action in a polite way. Saying that a certain state of affairs has come about rather than attributing it to an actor’s intervention is indirect and hence more polite, since overt responsibility ascription is avoided. (Coulmas, 2013: 113-114).

#### 4. HEDGING

The dictionary definition of hedging presents it as the act or method of reducing the risk of financial loss on an investment, bet etc. or as a cautious or evasive statement (our underline). As a verb, to hedge means to evade decision or action, especially by making non-committal statements (our underline); to guard against the loss in a bet, the paying out of a win etc. (Collins English Dictionary). In communication, hedges are expressions used to communicate the speaker’s weak commitment to the information conveyed. By hedging, speakers moderate the assertive force of their utterances.

Hedging is not necessarily verbal, often including body language, gestures, facial expressions and so on. The non-verbal hedges actually accompany the verbal hedging expressions for a stronger effect. In writing, emoticons take the role played by non-verbal hedges in face-to-face communication. Moreover, para-verbal hedges such as tone of voice, intonation, laughter, stretch talk are also widely used, creating a buffer-zone where both interlocutors feel comfortable and not threatened.

At the morphological-lexical level, hedges cover a rather wide area of items, ranging from morphemes to complex expressions. The table below includes a categorization of hedges at the morphological-lexical level:

Category	Examples
verbals/auxiliaries	みたい・よう・そう・らしい・っぽい、たり(する)、～やら、でしよう・だろう、～という、じゃないか、かもしれない、思う・思っ て、気がする、感じがする、見える
adverbials	ちょっと、けっこう、たぶん・おそらく・たしか、一応・とりあ えず、だいたい・たいてい、たんとなく、たいぶ、ほとんど、く らい・ころ・あたり
nominals	ほう、ふう、あれ・それ・これ
particles	とか、かしら・かな、など・なんて、なんか、と・って、ね、け ど、か
suffixes	風、的、系
connectors	というか

## CONCLUSIONS

Hedging is not, however, a phenomenon that stays solely within the morphological domain. It is the usage of the items mentioned above that confer them the property of hedging. Let us consider one example: the sentence-final particle  $\square$ , which can get various interpretations depending on the context in which it is being used. In a sentence like ブカレストはきれいな町ですね (Bucharest is a beautiful town, isn't it?), the particle  $\square$  can be used for seeking agreement, which is actually its basic function. However, in a different scenario, where, for example, two tourists are taking a walk in a 'not so clean' part of Bucharest, the above-mentioned sentence may be easily interpreted as an ironic utterance. Hedging is therefore a pragmatic device for showing indirectness and it should not be limited to the morphological-lexical level. The fact that hedging expressions acquire their hedging function only in use and that said function is not an internal property of the semantics of the above-mentioned examples is a very good illustration of the idea that language is

an activity (*energeia*) and not a product (*ergon*) (Coseriu, 2000: 236-237). It is the usage of language and not the inherent meaning of the words and phrases that we use that allows us to communicate effectively.

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# **“MAY THE WIND BE WITH YOU!” THE BEAUTY OF COMMITMENT AND THE INEVITABILITY OF EVIL IN *THE WIND RISES* (STUDIO GHIBLI/ MIYAZAKI HAYAO, 2013)**

Maria GRAJDIAN

## **1. INTRODUCTION**

The intricacies of “war”- Since its foundation in the year 1985, Studio Ghibli has become the epitome of successful cultural enterprise in Japan dealing with the production of cultural assets “made in Japan” and globally merchandised: animation works. Due to specific features which are to be outlined further below, the animation works – or anime works – produced by Ghibli Studio as represented by its two main directors Takahata Isao (b. 1935) and Miyazaki Hayao (b. 1942) are both aesthetically reflecting the reality and ideologically tackling current issues such as environmental pollution, social discrimination, the process of growing-up, historical responsibility, the meaning and value of life, love as a complex emotional paradigm. Based on an extensive fieldwork – interviews with anime producers and anime fans/consumers as well as participatory observation over several years – as well as in-depth literature research and taking into account Studio Ghibli’s aesthetic-ideological position within Japan’s Soft Power macro-endavors, this paper focuses on three creative strategies – emotional ambivalence, the dynamic reconsideration of history and the artistic highlighting of the spiral-like dialectics of cause and effect – employed in the anime movie *Kaze tachinu*. Translated as *The Wind Rises*, this anime movie was released on July 20, 2013 by Studio Ghibli and Tôhō, under the direction of the reputed anime director Miyazaki Hayao. A critically highly acclaimed anime work and the highest-grossing Japanese movie in Japan in 2013 (its budget was 30 million US\$, and it earned 136.5 million US\$ at the box-office), *The Wind Rises* is to be defined as a Japanese animated historical drama film, which subtly challenges prevalent and generally accepted visions of history, individualism and love. Furthermore, by means of dialectical questioning the established doctrines of representing history, individualism and love, *The Wind Rises* as an animated movie reverses the classical relation between past and present, cause and effect and inspires to critical thinking beyond the constraints of socio-economical involvement. Thus, the goal of the forthcoming analysis is to point out the complex and intricate levels comprised within the phenomenon of “war” as a media-related construction trapped in the unstable stress-ratio between economic-political systems

and socio-cultural individuals constituting those very systems. As it is highlighted in the conclusion, beyond being a historical appearance with apparently clearly defined levels of “good” and “evil”, “war” is a personal concern, deeply affecting individuals – both those directly involved and those marginally related – in their quest for love, happiness and existential fulfillment. Integrated within a larger framework addressing the problematic of recent trends in Japanese popular culture which transgresses the classical Soft Power endeavors while simultaneously challenging the prevalent Cool Japan paradigms, this paper refers to the anime movie *The Wind Rises* as the cultural dimension of historic-geographical events shaking the worldwide late-modernity and its perceptions of reality and humanity.

On a first level, this paper elucidates the technical data of the anime movie *The Wind Rises*: its plot, its characters, its media impact as well as main issues addressed by the specialized critique. This is a necessary stage in creatively introducing the readership to the vast and complex universe of Miyazaki Hayao’s worldview, and it attempts an objective discursive reflection of the animation work in its intrinsic existence, both as a cultural product and as a means of cultural consumption. Furthermore, on a second level, I’ll point out in this paper the intricate relation between nostalgia, ambivalence and historical belonging as dynamic entities negotiated by vehicles of cultural production/consumption and perception within the wider dimensions of the entertainment industry. Thus, these three elements – nostalgia, ambivalence and historical belonging – appear as main parameters in the process of reconstructing the past as a repository of emotional energy and socio-cultural role-models, beyond economic-political compulsions. “War” is, in this train of thoughts, simply an additional dimension of “evil” transgressing the limits of time and space, resulting in the revitalisation of the past via cultural artifacts praising technology, human bonding and nature, and as such creating social cohesion and mutual acceptance among individuals living in here and now.

Finally, on a third level, this paper quests for the deeper meaning beyond the classical interpretations of everyday culture as carriers of significance in terms of excess, consumerism and delusional fantasies distracting social actors from focusing on higher degrees of existential fulfillment and individual transcendence. As it is argued in the last part of the paper, by employing the animated medium to transmit and communicate his ideas and ideological views, Miyazaki Hayao as well as other anime creators originating from Japan confidently choose to express themselves in an aesthetic language which touches the dormant child or teenager within the exhausted grown-up: it is a silent manifesto towards those who have buried their dreams and ideals in the rush of quotidian activities. The subversive power of this silent manifesto resides in its very inconspicuous ubiquity addressing the deepest fears and hopes of the audiences – and forcing them to wake up or to give up.

## 2. THE WIND RISES AND THE DIALECTICS OF HISTORY

The main theme of the anime movie can be summed up as it follows: it is a fictionalized biography of Horikoshi Jirô (1903-1982), the aeronautical engineer who designed Mitsubishi's A5M fighter and its successor the Mitsubishi A6M Zero fighter. Both fighters were used by Japan during the Pacific War to pursue its expansionist politics, which inevitably ended in the unconditional surrender from 15 August 1945. However, while it is an anime work heavily focusing on war and its wide-ranging devastations, it is definitely the gentlest animated feature about an armaments designer one could ever imagine and put into words, images and sounds. The anime movie is adapted from Miyazaki's eponymous manga, which was in turn loosely based on the 1937 short-story *The Wind Rises* (the official translation: *The Wind Has Risen*) by Hori Tatsuo (1904-1953). In addition, two previous live-action movies based on Hori's *Kaze Tachinu* were released in 1954 and 1976.

The plot deals with the life of Horikoshi Jirô: in 1918, the teenager Jirô longs to become a pilot, but his nearsightedness prevents him from becoming one. Meanwhile, he reads about the famous Italian aircraft designer Giovanni Battista Caproni, and dreams about meeting him one night. In that dream, Caproni tells him that building planes is more important than flying them. Five years later, during his travel by train to study aeronautical engineering at Tokyo Imperial University, he meets a young girl, Nahoko, who is accompanied by her maid whose leg breaks when the Great Kanto Earthquake (September 1, 1923) hits, so that Jirô carries her to Nahoko's family and leaves without giving his name. Four years later, in 1927, Jirô graduates with his friend Honjô Kirô (who would later design the aircraft Mitsubishi G3M), and both begin work at the aircraft manufacturer Mitsubishi assigned to design a fighter plane, the Falcon, for the Imperial Army. However, during tests in 1928, the Falcon breaks apart in mid-air and the Army rejects it. Dispirited about the apparent backwardness of the Japanese technology, Jirô and Honjô are sent to Germany in 1929 to carry out technical research and obtain a production license for the large German four-engine transport aircraft Junkers G-38. While in Germany, Jirô sees himself confronted with the ugly reality of the lurking aggressiveness, violence and discrimination which would lead, eventually, to the horrors of the World War II, and dreams again of Caproni who tells him that the world would be a better place with beautiful planes, even if humankind might employ them for destructive purposes. Later on, in the spring of 1932, Jirô is promoted to chief designer for a fighter plane competition sponsored by the Imperial Navy, but his design, the Mitsubishi 1MF10, fails the tests in 1933 and is rejected. Disappointed, Jirô goes to a summer resort in Karuizawa to rest, where he meets Nahoko again. They get engaged, but Nahoko has tuberculosis and refuses to marry until she recovers. A German visitor privately critical of the Nazi regime, Hans Castorp, assists the romance before fleeing arrest by the Japanese secret police.



Wanted in connection with Castorp, Jirô hides at his supervisor's home while he works on a new Navy project. Following a lung hemorrhage, Nahoko recuperates in an alpine sanatorium, but cannot bear being apart from Jirô, and returns to marry him. Jirô's younger sister Kayo, a doctor, warns Jirô that his marriage to Nahoko will end badly as tuberculosis is incurable. Though Nahoko's health deteriorates, she and Jirô enjoy their time together.

One day, Jirô has to leave for the test flight of his new prototype aircraft, the Mitsubishi A5M. Sensing that she will soon die, Nahoko secretly returns to the sanatorium and leaves letters for Jirô, her family and friends. At the test site, Jirô is distracted from his success by a gust of wind, sensing Nahoko's death. Later on, in the summer of 1945, Japan has lost the war and has been devastated by air raids. Jirô again dreams of meeting Caproni, telling him about his regrets that his aircraft had been used in war. A group of Zero aircrafts fly past, and their pilots salute Jirô. Caproni comforts him by saying that Jirô's dream of building beautiful aircrafts was nonetheless realized. Nahoko appears in his dream, too, exhorting her husband to live his life to the fullest.

This linear plot allows for a complex development in-depth of the characters and the ideological message they are carrying, so that *The Wind Rises* transgresses the limits and challenges of a war-related entertainment product towards the strangely familiar space of perennial works of human experience and longing. Thus, as to be shown further below, *The Wind Rises* expresses anew the necessities and intricacies of "war", as a "Ghibli anime", as a poetical meditation and as a *bildungsroman* (novel of formation).

### 2.1. *The Wind Rises* as "Ghibli anime"

Though it paints the reality of the lurking war, the anime movie *The Wind Rises* is neither an anti-war manifesto nor a pro-war revisionist re-writing of history. I would go as far as to state that it is not even a movie about war, equally as the anime movie *The Grave of the Fireflies* (director: Takahata Isao) from 1988 wasn't about war, as well. Back then, in 1988, when Takahata Isao's anime movie *The Grave of the Fireflies* was simultaneously released with Miyazaki Hayao's *My Neighbour Totoro* in April 1988, it simply depicted the life – and the death – of two war-orphans at the end of the Pacific War. As Takahata once stated, he could make a cinema work on such a devastating topic precisely because the animated medium, especially in its two-dimensional formulation, creates the emotional distance to the displayed object, necessary to render bearable the representation as well as the production and perception process. In the same way, *The Wind Rises* is an appeal to re-consider war as a part of daily life: like *The Grave of the Fireflies*, *The Wind Rises* simply depicts the life of human beings who happen to live in times of war, thus sending an appeal to re-consider war as part of daily life. On the background of on-going wars, life goes

on, with its ups and downs, with its challenges and discoveries, with its love-stories and solitudes.

Furthermore, in *The Wind Rises*, Miyazaki Hayao overcomes the existential attitude of flying as liberation and survival strategy, as based on the model of Antoine de Saint-Exupery (1900-1944). Antoine de Saint-Exupery is mostly known as the widely acclaimed author of the children's book *The Little prince* (*Le petit prince*, 1943), translated in over 250 languages and dialects. Simultaneously, though, he was also a pioneering aviator and a French aristocrat, writer and poet. He describes his cathartic experiences of flying in times of historical upheavals in several autobiographical writings such as *Wind, Sand and Stars* (*Terre des hommes*, 1939) and *Nightflight* (*Vol de nuit*, 1931). Miyazaki Hayao takes over Antoine de Saint-Exupery's vision of flying as existential attitude and as liberation and survival strategy, and has been employing it in most of his previous anime works, starting with *Nausicaa from the Valley of the Winds*, released in 1984, whose heroine negotiates the post-apocalyptic jungle by glider, throughout *Laputa: The Castle in the Sky*, *My Neighbor Totoro*, *Kiki's Delivery Service*, *Spirited Away*, *Howl's Moving Castle*. This existential attitude of flying as liberation and survival strategy based on Antoine de Saint-Exupery's writings is most prominent in *Porco Rosso* from 1992. In *Porco Rosso*, Miyazaki explicitly adopts Saint-Exupery's existential model and extrapolates it on the intricate relationship between war and flying in the character of a flying ace, a pilot, who happens to have the body appearance of a pig, chasing air pirates across the Adriatic Sea in the interwar period. This aviator-pig flying a red plane – which gives the name of the anime movie *Porco Rosso*, meaning *The Red Pig* or *Kurenai buta* in Japanese – becomes a metaphor for the position of the individual in times of historical turmoil, while heavily employing Saint-Exupery's ideological attitude in Miyazaki's vision and definition of maleness and male role-models for apathetic middle-aged men by the early 1990s in Japan. (*Princess Mononoke* and *Ponyo On The Cliff* are blatant exceptions to this almost all-encompassing cinematic paradigm.)

In this train of thoughts, flying becomes in *The Wind Rises* a *raison d'être*, airplanes being instrumental in this new existential attitude, as stated by the Italian aviator Giovanni Caproni in the main character Horikoshi Jirô's dream at the beginning of the anime movie. In this dream, as Jirô's encounters with the Italian aviator who is his role-model and mentor take place exclusively in Jirô's dreams, Giovanni Caproni tells him while walking on the wings of an airplane: "Airplanes are not for war or making money. Airplanes are beautiful dreams waiting to be swallowed by the sky." In *The Wind Rises*, the main character grows and matures in times of historical distraught and confusion, and learns to cope with the reality and the choices this reality imposes upon him. Inspired by a quotation from Horikoshi Jirô himself that all he wanted was to create something beautiful, as stated by Miyazaki in the introductory explanation to the making-off, this anime movie turns

thus into a classical *bildungsroman* (novel of formation) with the animated medium as representation channel.

On a conceptual level, beyond the classical story of star-crossed lovers Jirô and Nahoko combined with the life-path of a brilliant young man with nerdy features, and transgressing the characteristics of the classical *bildungsroman* mentioned above, there is the prevalent, almost obsessive message of life as being the most important asset one possesses or could ever possess. The final words of Nahoko, Jirô's wife, while floating through the air and eventually vanishing carried away by the white clouds in a dream scene short before the film ends, are: "Anata ha, ikite!" – "Live, my love!", a final appeal transmitting the message which was supposed to be perceived throughout the whole anime movie.

This message of life as being the most important asset one could ever possess permeates anime works released by Ghibli Studio since 1994, with *Ponpoko: The Heisei Tanuki War* (director: Takahata Isao) being a sort of pilot-project in this concern, and with the monumental *Princess Mononoke* (director: Miyazaki Hayao) from 1997 univocally representing this statement beyond the ecological propaganda – which was, for that matter, the superficial layer in *Ponpoko: The Heisei Tanuki War* as well. In *Ponpoko: The Heisei Tanuki War* the message of the necessity to live one's life at its fullest and to move continuously with the flow of history was slightly humorously displayed within the ethnocentric framework of the tanuki community's destruction by means of human progress and technology. On the other hand, in *Princess Mononoke*, the murder of gods which goes hand in hand with the devastation of nature – again, pursued and fulfilled by means of human progress and technology – is, in fact, the foundation on which the significance of human life, unique in its transience and beautiful in its transcendence, emerges and thrives. In the scene where Ashitaka first time encounters San directly – that is, where she tries to kill him and stops in the last moment –, Ashitaka opens his eyes while lying on his back with San pointing with her short sword towards his forehead. Then he says "Sonata ha, utsukushii. Ikiro!" – "You're beautiful. Live!" This "Ikiro!" ("Live!") becomes the essence of their fight against the complete destruction of the world as it used to be. As stated by Miyazaki himself in an interview on the meaning of *Princess Mononoke* as a Japanese work of art, the motif of "Ikiro!" ("Live!") as the main message of *Princess Mononoke* is to be understood as it follows: "The human being has this only choice, to keep on living while permanently thinking 'What am I going to do from now on?'. This is the only way in which life makes sense. This is what I mean through 'Ikiro!'"

(「人間はいつも、いつも、「自分たちがこれからどうやるのか」ということを考えて生きていくしかない。それしか道はないんですね。それが「生きろ！」ということです。”) This urge to move forward in life in spite of all difficulties and hardships while simultaneously enjoying the beautiful moments in their very transience is the fundamental topos in *Ponpoko: The Heisei Tanuki War* and *Princess*

*Mononoke*, deeply hidden beyond the layers of ecological propaganda – and finding their ideological climax further on in *The Wind Rises* and *The Tale of Princess Kaguya*, both released by Ghibli Studio in 2013.

## 2.2. *The Wind Rises* as a poetical meditation

There are two main elements highlighting this path of interpretation in *The Wind Rises*. The first indicator is the quote from Paul Valéry (1871-1945) from which the title itself *The Wind Rises* is derived: "The wind rises ... we must try to live" is the first line from the last strophe of the poem *Le cimetière marin* (*The Graveyard by the Sea*, 1920/1922), one of the most important poems of the French literature and Paul Valéry's most famous poetical work.

Le vent se lève! . . . il faut tenter de vivre!  
L'air immense ouvre et referme mon livre,  
La vague en poudre ose jaillir des rocs!  
Envolez-vous, pages tout éblouies!  
Rompez, vagues! Rompez d'eaux rejouies  
Ce toit tranquille où picoraient des focs!

The wind is rising! . . . We must try to live!  
The huge air opens and shuts my book: the wave  
Dares to explode out of the rocks in reeking  
Spray. Fly away, my sun-bewildered pages!  
Break, waves! Break up with your rejoicing surges  
This quiet roof where sails like doves were pecking.

(Translated by C. Day Lewis)

Belonging to the symbolist movement and displaying a very hermetic character, the poem *The Graveyard by the Sea* is a seaside metaphysical meditation on the meaning of life and death, composed of 24 strophes of six lines each. While the first four strophes introduce the sea as an object similar to the nothingness (Hegel's "thing" – "das Ding"), perpetual and lacking any awareness, the next four strophes (5 to 9) present the opposition of this symbolical character in the shape of the ever-challenging mobility of human consciousness which exists within time, striving towards the pure power of thought. The confrontation between these two symbolical characters – the sea and the human consciousness – brings out the emergence of the body (strophes 9 to 19), which results into a meditation on death: the rejection of the illusion of the soul's immortality accompanies the temptation to die in order to stop the opposition between consciousness and existence developing on its own. This temptation is, however, ruled out in the last five strophes (20 to 24): by dismissing the paradoxes of the pure thought, the subject chooses life, the movement

of the body, the poetical creation, the action, in the exclamation: “Le vent se lève! ... Il faut tenter de vivre!” – “The and is rising! ... We must try to live!” Thus, the poem becomes a reflection on time, on the contradiction between consciousness and object as well as between consciousness and body. The final choice overpasses this contradiction without, in fact, solving it. The first-person author contemplates life and death, engagement and withdrawal, love and estrangement, in a setting dominated by the sea, the sky, stars, rocky cliffs, and the rising sun. A further possible reading of the poem is as an allegory on the question of the way fate moves human affairs or as an attempt to comprehend the horrific violence in Europe at the time of the poem's composition – that is, in the immediate aftermath of the World War I. Though the poem is not about World War I, it does try to address the relationships between destruction and beauty, and, in this sense, it resonates with ancient Greek meditations on these matters, especially in the plays of Sophocles and Aeschylus.

From this perspective, the anime work *The Wind Rises* becomes a meditation on life and death on the background of the emerging and gradually unfolding Pacific War, and the circumstances individuals living in that era were facing. Employing the animated medium as the means by which this contents is transmitted to the audiences, the director Miyazaki Hayao fulfills his lifetime's goal of re-defining animation in terms of an artistic language, able to possess and develop the strength to mediate real-life messages and teachings.

### 2.3. *The Wind Rises* as a *bildungsroman*

The second element indicating the fact that the anime work *The Wind Rises* is not a propagandistic work on war, but a groundbreaking piece of art and a novel of formation permeated by the deep message of “Ikiri!” (“Live!”) as life being the most important asset one possesses and could ever possess, is composed of two direct references to Thomas Mann's (1875-1955) monumental novel *Der Zauberberg* (*The Magic Mountain*, 1924): firstly, the character of Hans Castorp showing up briefly in Miyazaki's anime work (who was the main character in Thomas Mann's novel), and, secondly, Nahoko's tuberculosis and her short retreat in the sanatorium in the mountains (which was the main setting in Thomas Mann's novel). A highly ambiguous and elusive literary work, *The Magic Mountain* blends a scrupulous realism with deeper symbolic undertones, and within this complexity, forces the reader to weigh up the artistic significance of the pattern of events set out within the narrative, a difficult task, given the overall ironic tone of the narrator. It was often compared, both by critics and by Thomas Mann himself, to a symphonic work orchestrated with a number of themes and leitmotifs transgressing the classical literary pattern into levels of philosophical meditation. While the main narrative thread focuses of the protagonist's life – that of a typical *bildungsroman*: the

immature Hans Castorp leaves his home and learns about art, culture, politics, human frailty and love –, embedded within this vast novel are extended reflections on the experience of time, music, nationalism, sociological issues and changes in the natural world, so that Castorp's stay in the rarefied air of *The Magic Mountain* (geographically located in Davos, high up in the Swiss Alps) thus provides him with a panoramic view of pre-war European civilization and its discontents.

Like *The Magic Mountain*, *The Wind Rises* is a *bildungsroman*, a "novel of education" or a "novel of formation", employing the animated medium as representation channel. Moreover, like *The Magic Mountain*, *The Wind Rises* reconsiders the message and structure of the classical *bildungsroman*: whereas the classical *bildungsroman* would conclude by having "formed" Hans Castorp into a mature member of society, with his own worldview and greater self-knowledge, *The Magic Mountain* ends with a clear implication that Hans Castorp, precisely as the main character, would be killed on the battlefields of the World War I. In the same way, instead of living with the girl of his dreams happily ever-after, Horikoshi Jirô loses her to her incurable illness, and the airplanes he's been struggling to create so far are employed by the army to spread war, death and chaos. Still, as Thomas Mann once stated on the meaning of *The Magic Mountain*, there are two ways to mature life: The one is the common, direct, and brave path. The other is the bad and dangerous path, leading through death, and that is the genius way (as stated by Thomas Mann himself in his discussion of the work, written in English and published in the *Atlantic* in 1953: "what [Hans] came to understand is that one must go through the deep experience of sickness and death to arrive at a higher sanity and health.")). This concept of illness and death as a necessary passage to knowledge, health and life turns *The Magic Mountain* as well as *The Wind Rises* into real *bildungsroman* masterpieces.

On the background of these two main influences – French symbolism and German realism with deeper allegorical undertones –, Miyazaki Hayao displays his own vision on life, health, illness, personal dreams, historical belonging and the role of the intellectuals as creators of (fictional or not) role-models. In the same line as the two European authors, Paul Valéry and Thomas Mann, Miyazaki uses the phenomenon of "war" as an impetus to meditate over the value and significance of life and death. While in case of the European authors, "war" – specifically the World War I – was only an artistic means to express ambivalent emotions and abstract thoughts on the significance of the human existence, on frailty and love, for Miyazaki, the specter of war – that is, of the World War II – was an opportunity to express his "very complex feelings" about the war, as published in an interview with the daily *Asahi Shinbun*, and to state, at the same time, that the airplane Zero "represented one of the few things we Japanese could be proud of – they were a truly formidable presence, and so were the pilots who flew them". In the contrast between Western power and Eastern ingenuity as reflected in the confrontation with German

technology of the time and Horikoshi Jirô's reply back home "If we leave the guns out, we should be OK", the portrait of pre-war Japan with its calamitous economical state, desperate to pull itself into the 20th century is painted in the anime movie *The Wind Rises* in lyrical nuances. The nostalgia encompassed in this "visually sumptuous celebration of an unspoiled pre-war Japan" (*Japan Times*) becomes especially in the latter half of the movie heartbreaking, suffused with melancholy and loss, poignantly expressed in Jirô and Nahoko's love being shaped by their dwindling time together, in contemplation of the imminent death.

## CONCLUSIONS

The contradictions of "life"- Beyond the subtle insinuations of the lurking war, the anime movie *The Wind Rises* clearly shows that the biggest devastations are nature's doing, not man's. For instance, the only blood spilled is the blood coughed into a handkerchief by Nahoko, whom Jirô later marries, their love shaped by their dwindling time together, as her death from tuberculosis becomes increasingly imminent. In the same train of thoughts, the Great Kanto Earthquake which flattened Tokyo in 1923 is depicted in *The Wind Rises* as a roiling behemoth that ripples the earth like a rug – an incredibly vividly mastered animation scene. The frailty of human existence and of human bonds is thus contextualized in powerful tones, less than a choice and more of an inevitable combat.

The individual consciousness of historical belonging in what Miyazaki displays as a layered look at how Horikoshi Jirô's passion for flight was captured by capital-flow and militarism" (*Asia-Pacific Journal*) is subtly counterpointed by this emotional ambivalence towards the position of the intellectuals in times of historical turmoil. A symbolical return to *The Grave of the Fireflies* (director: Takahata Isao, the double-pack release with *My Neighbor Totoro*, director: Miyazaki Hayao, from 1988), *The Wind Rises* is both an appeal to accept war as an unavoidable and to a certain degree necessary evil, and a reminder upon the position of the individual within the political system. It is a late echo of the credo in intellectual activism strongly represented by the so-called *anpo* movement of the late 1960s, of which Takahata Isao and Miyazaki Hayao, the "Big Two" of the "Ghibli Quartet" (together with Suzuki Toshio and Hisaishi Joe), were main representatives. (The *anpo* movement was a student movement in Japan, comparable to the 1968s-movement in the West, and opposing the renewal of the *Treaty of Mutual Cooperation and Security between the United States and Japan*, first signed in 1952 in San Francisco, then amended in 1960 in Washington and extended in 1970, in spite of the protests.) The critiques to the plot of *The Wind Rises* came from both left and right sides of the political rainbow, on the one hand due to the artistic canonisation of the man who, at least partly, was responsible for the carnage of Pearl Harbour, and pointing out that some

of the laborers who built the planes were Korean and Chinese people who were forced into labor. On the other hand, Miyazaki himself added to the controversy by publishing an article in which he actively criticises Japan's conservative party's proposed changes to the constitution, as to amend the Article 9 related to Japan's commitment to peace and its preservation.

Furthermore, *The Wind Rises* avoids to tell parables of the risk and responsibilities of great power in hands of individuals as the other two animated blockbusters of the year 2013 do: Both *Frozen* (directors: Chris Buck and Jennifer Lee, released by Walt Disney Pictures) and *The Tale of Princess Kaguya* (director: Takahata Isao, released by Ghibli Studio) provide symbolic undertones of female empowerment accompanied by a detailed description of the weight of personal choices, so that Andersen's fairy-tale respectively the old Japanese folk-tale become a space of longing, and paradoxically, belonging. Instead, *The Wind Rises* tells the story of great dreams and the way they are taken over by the waves of history. One of Miyazaki's "most ambitious and thought-provoking visions as well as one of his most beautifully realized visual projects" (*Asia-Pacific Journal*), *The Wind Rises* combines the fantastic worlds Miyazaki created along the decades, with their finely observed, lushly rendered naturalism, for instance emblematically represented in 2001's *Sen to Chihiro no Kamikakushi* (*Spirited Away*) that made even the more out-there scenes feel thrillingly beautiful and real (see the train ride through the water) with nostalgia for a vanished time, similar to 1992's *Kurenai no buta* (*Porco Rosso*), his "air pirates" animation set in the inter-war era in, around and above the Mediterranean Sea.

Historical belonging emerges from nostalgia as what one could call an "invented emotion" which allows for transfer of significance in historical terms, which leads, in its turn, to socio-cultural affiliation as the result of conscious choices on the basis of everyday events and accumulated life experience. Emotional ambivalence delivers the impetus to intellectual activism transgressing time and space. Social actors, as Pierre Bourdieu put it, grow into responsible, self-aware citizens. More than being a plain animated *bildungsroman* in terms of classical education and formation, *The Wind Rises* creates an aesthetic-ideological space where the overcoming of loss and fear leads to the creation of the mature individual, embedded in historical reality, which turns, again, into a site of responsible, self-aware citizen participation. The responsible, self-aware citizen becomes able to live in the present and to respect life as the most precious asset one possesses and could ever possess. Thus, instead of waging a holy war for peace which won't leave a single stone in its place, it is maybe sometimes more constructive to regard, at least for the moment, war as an inevitable, necessary evil to accompany our lives – and to accept it as such.



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# SPECIFICATIONS REGARDING THE CONTEXTUAL ASPECTS OF ROMANIAN AND JAPANESE PROVERBS

Sandra-Lucia ISTRATE<sup>1</sup>

## Abstract

*Japan and Romania seem to have totally different cultures. There are thousands of kilometres between these two countries and the common characteristics and features may not be found very easily. The number of the Romanian people that live in Japan and the number of the Japanese people that live in Romania are pretty fractionally and thus, cultural exchanges between the two nations cannot be developed at an impressive level. Therefore, customs, traditions, rites, rituals or even vocabulary and phrases cannot be borrowed. But as yin and yang are present everywhere, in order to discover where “the balance” is, we could make a research regarding the cultural differences between two nations. I’ve thought that a good starting point might be the differences and similarities between Japanese and Romanian proverbs, since in their wisdom we can certainly find a lot of information about the Japanese man and the Romanian one, therefore, about the cultures and the mentalities of these two nations.*

**Keywords:** folklore, minzoku, proverb, kotowaza, culture.

## 1. INTRODUCTION

The purpose of a certain research in any field and of any kind is to try to clarify various dilemmas that can be found either in different works or, why not, in interesting discoveries or even in some unsolved mysteries.

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In our research papers, all of us have to set one goal and make it happen.

Finally, if our message is clearly communicated to interlocutors of any kind, and it can really help in raising the level of understanding of a certain dilemma, we might consider that our objective has been completely met. Certainly, what we might consider "a met objective", from our point of view, somebody else can take as incomplete and therefore, a deeper research or a more detailed one may be done. In particular, taking into account that our paremiology subject is part of the peoples' folklore, we cannot neglect that even its definition might still have an expansive meaning that *could be open to interpretation*.

I believe that when we deal with folkloristic themes and subjects, it's better to discuss it from many points of view. We do not need only simple and cultural knowledge about a certain people, but also psychological, philosophical, literary and, of course, linguistic ones. To analyze even a particularly well-known proverb, often used by common people, a proverb that can be considered even ordinary, being used in common conversation, it would require a round-table consultation in the presence of a psychologist, a profound philosopher, a literary critic, an accomplished linguist, a historian, and, why not, a priest.

In the same vein, when thinking about the famous Romanian proverb "Cine nu are bătrâni să și-i cumpere"/ "he who does not have elders, shall better buy one", we should consider the experience of an elderly man that would also be extremely useful. The Abbot of Saint Pierre sees proverbs as "echoes of the experience". Life experience can sometimes create or explain how specifically a proverb has been born, and this is also what George Cosbuc said: "The experience is the mother of a proverb".

If we question the proverb "He who steals an egg today, tomorrow will steal an ox," we will have to discover in which type of context, either cultural or historical, it has been created. A historian can tell us when the theft was so striking that people started to write about it in the annals of history, the psychologist can explain what the robbery meant in the past and also how it appeared or what made it to be part of people's life, the philosopher could read behind the words to explain unsuspected meanings, the literary critic can provide information about proverbs that have appeared in different literary works, and the linguist can give us valuable information about the structure of this proverb and how this proverb took the final form known by everyone, the priest can tell us how this crime was punishable at the time when the Bible represented the bedside book of every man, and finally, an old-experienced person can clarify to what extent the theoretical elements or the scripturally explained ones correspond with reality, in which real-life situations this proverb can be "applied".

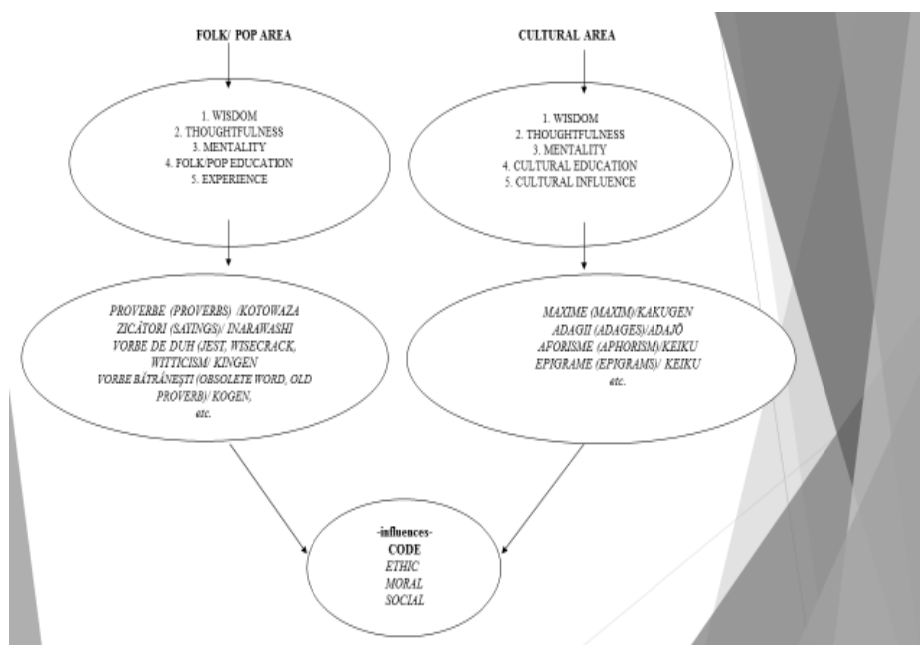
Interestingly, if we try, for example, to find the equivalent of this proverb in a dictionary of Japanese proverbs and sayings, we'll not be able to find it. But we'll be able to find different sayings about "theft". A very interesting one, for instance, is

“Uso wa nusubito no hajimari”/ “A lie is the beginning of a thief”, or “Usotsuki wa dorobō no hajimari”/ “A liar is the beginning of a thief” has an English equivalent, “Show me a liar and I’ll show you a thief”.

Regarding “Minciuna are picioare scurte”, we can find its English equivalent as “A lie has short legs”, but the Japanese one has a different form: “Uso wa ato kara hageru”/ “Lies are afterwards disclosed” (or lit., “Lies afterward fade”) and it means that they are going to lose their gloss pretty soon. We could play a game here and find also another English equivalent like “Lies melt like snow”. It’s interesting to notice that at least one proverb that refers to the fact that sometimes a lie can be resorted to just for the sake of convenience, may be found in many different cultures. As we call it “minciuna de conveniente”/“lie of convenience”, we can find for Japanese “Uso mo hōben”/ A lie, also, is an expedient” and for English, “A necessary lie is harmless”.

Therefore, we can understand again that a research on proverbs of different cultures will be based on culture and psychology of those cultures, and thus, the need for knowledge is quite different.

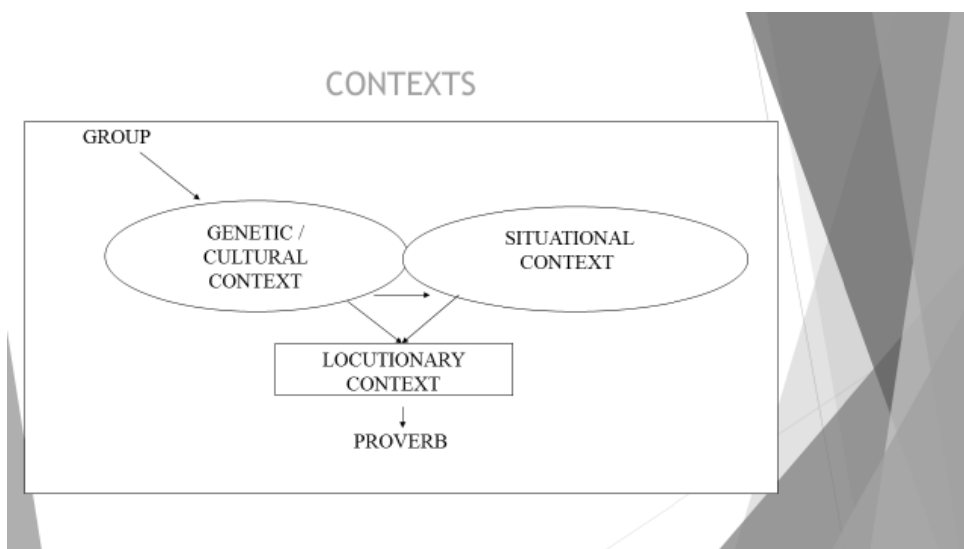
Starting from an analysis of the folklore that means “[oral], [artistic], group and contextual communication ” (Nicolae Constantinescu), I would consider that the proverb goes the same and, as a part of the folklore (and as a part of a people’s culture), it should be studied in terms of contextuality. Any type of communication takes place in a particular context, and therefore the contextuality is defining.



Proverbs are conditioned by the existence of contexts, whether the locutionary or the situational ones. Thus, the situational context (i.e. a certain situation that is created in a certain moment) initiates the locutionary one (the very moment of sayings a proverb).

The genetic context is particularly important if we consider that a proverb is born in a particular cultural context that finally defines it and the situations (another sub-contexts which it can be used in). Thus, the folk text becomes the interpreter of the cultural context and it includes aspects of that group culture that has created the context.

We could question here the double dependency between the genetic context which is created in a particular cultural context and the situational context that is created in a group. They, together, give birth to the locutionary context.



We can see in the chart above that any group has a certain genetic background that creates its possible cultural context(s) which therefore gives rise to the situational context, hence the proverb. Thence, the result of this process is the interdependency between these existing elements, always required when researching a background of a proverb, because the proverb itself is the intertripping of that contextual process.

Paul Ruxăndoiu defines the genetic context as an "initial determination of a meaning that can be preserved in the collective consciousness"<sup>2</sup>.

Therefore, we can make a very fine remark about the literary context, stressing that the social unrest, the tension between effusion moments or impulses of life itself, the type of mentality that influences the individual can create a context, in

<sup>2</sup> P. Ruxăndoiu, *Proverb și context*, Editura Universității din București, 2003.

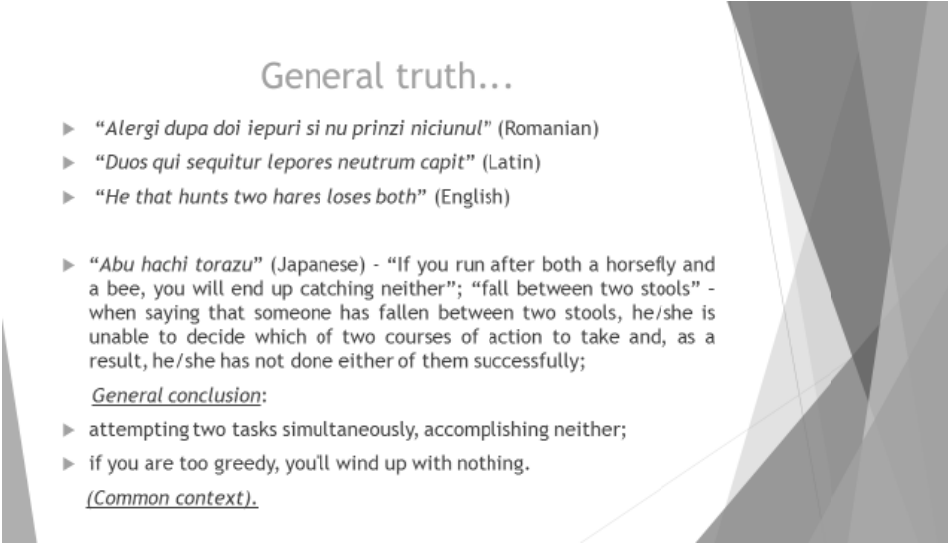


this case the genetic one, that is born in a moment characterized by certain set of features that belong to an epoch and it can “describe” it highly.

The genetic context represents actually the proverb source, whether the reference is made to physical life, everyday people’s experiences in a certain period, or major events in history. Hence, they become part of the folklore and they have always been preserved, even subconsciously, while being passed to next generations, initially orally, then in writing.

The genetic background (context) is in a “close contact” with the generic one that is also created by certain circumstances or events. In accordance with an analysis made by I. Zanne, “universal proverbs express a general truth recognized anywhere and at any time”, and therefore they become “universal”, “and the “particular” ones rests on a constant truth obtained by experience, but a special experience and a local one, that belong to certain and different peoples<sup>3</sup>”, hence their particularity.

Proverbs that have become universal (as general truths), are closely tightened to their generic context since they have gained, in time, common significance and large general audience.



General truth...

- ▶ “Alergi dupa doi iepuri si nu prinzi niciunul” (Romanian)
- ▶ “Duos qui sequitur lepores neutrum capit” (Latin)
- ▶ “He that hunts two hares loses both” (English)
  
- ▶ “Abu hachi torazu” (Japanese) - “If you run after both a horsefly and a bee, you will end up catching neither”; “fall between two stools” - when saying that someone has fallen between two stools, he/she is unable to decide which of two courses of action to take and, as a result, he/she has not done either of them successfully;

General conclusion:

- ▶ attempting two tasks simultaneously, accomplishing neither;
- ▶ if you are too greedy, you’ll wind up with nothing.

(Common context).

For example, when we are saying “*Alergi dupa doi iepuri si nu prinzi niciunul*”, we mention it like a general truth since it can be considered already a universal proverb. It’s interesting to find it back in the Latin culture, “*Duos qui sequitur lepores neutrum capit*”, or in the British one, “*He that hunts two hares loses both*”. The Japanese equivalent of this proverb is “*Abu hachi torazu*” – that means “If you run after *both a horsefly and a bee*, you will end up *catching* neither”. It may be also

<sup>3</sup> Edițiune populară, *Proverbele românilor*, extrase din colecțiunea D-lui I. Zanne și cu autorizarea D-sale, București, Editura Librăriei Socec, 1907.

interpreted as “fall between two stools” – and when saying that someone has fallen between two stools, he/she is unable to decide which of two courses of action to take and as a result, he/she has not done either of them successfully; attempting two tasks simultaneously, accomplishing neither; if you are too greedy, you'll wind up with nothing.

In any of the cases above, we might conclude that, in fact, the general context of this proverb was a common one, a context that was born once in each of the culture mentioned before.

The situational context is created after the genetic and the generic ones and it represents the intertripping of the locutionary context that is, in fact, the very act of clear communication. The proverb plays its role only when it starts being related to the concrete contexts in which it is used and, thus, it gains a certain function.

It is meant to advise people when they take certain actions, usually improper ones, or to act as a guide of life issues, to generalize or not the experiences of a group etc. Proverb functions are noticed also from the point of view of the functional context and they are innumerable, but they purposely can make the connection between “the transmitter” and “the receiver”, and their message is actually the “cause” that creates the locutionary context intertripping.

Even if a group only consists of a transmitter and a receiver, the proverb reach the stage of the locutionary context only after it passes, in turn, through the genetic context, then the situational one, and, finally, the functional one. Depending on the time and situation, a proper proverb that has a right (in accordance with the time and situation, as I've mentioned above) message is to be chosen.

Thence, I consider that there is an interdependence between the functional context and the locutionary one, an interdependence that represents the instrument that shall “deliver” the correct message – either moral, juridical, religious or educative etc.).

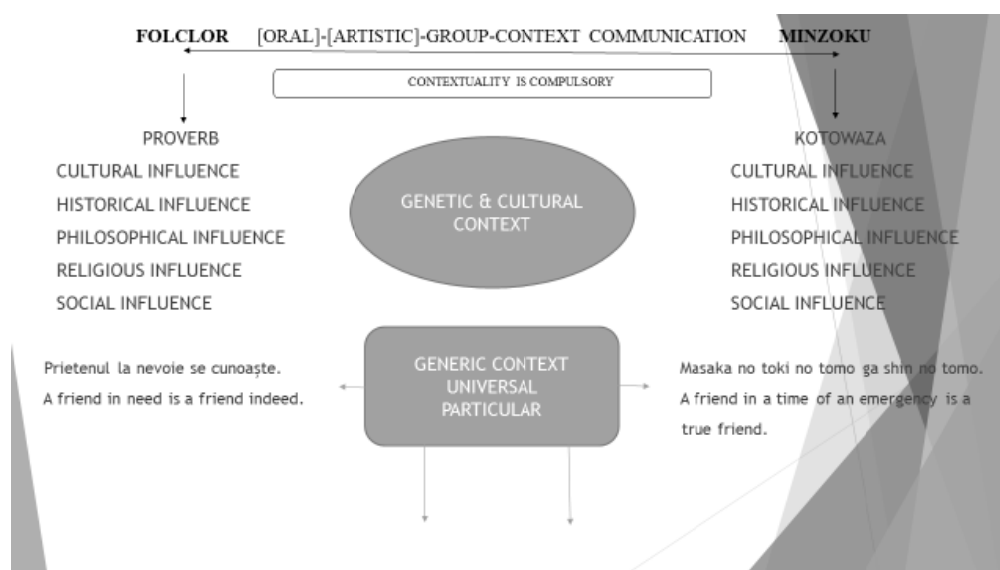
A parallel research on European and Asian folklores involves, first of all, a separate deep and profound research of each of the two ones, from all the points of view that I mentioned before in my paper (cultural, psychological, philosophical, literary, linguistic etc.). Starting from this point we may be able to discover common elements and principals or, on the contrary, antithetical ones.

We should also keep in mind that the education of a people is based on a certain type of culture, of course, stemmed from genetic contexts that are all so different. Education is built gradually, depending on the culture, religion etc, specific to each nation.

How proverbs are determined primarily by genetic contexts, we can expect that the difference between Romanian and Japanese proverbs is particularly a pregnant one. But, putting into question the generic context, we will certainly find many common proverbs in both cultures because, over time, they have become universal proverbs and have lost their contextual nature that is strictly genetic.

We can find in the two researched cultures either proverbs with the same background, but different forms, or proverbs that have both identical “substance” and form. In the first category of proverbs, we can notice that even if they have a similar background, their forms are completely different but, in spite of that we can easily understand their similarity if we pay attention to the functional context and to their practical message.

A proverb having, more or less, an identical form and a common background is “Prietenul la nevoie se cunoaște”/ “A friend in need is a friend indeed”. Its Japanese equivalent – “Masaka no toki no tomo ga shin no tomo”/ “A friend in a time of an emergency is a true friend” shows that also the literal translation is pretty similar. Thus, it can be considered indeed a universal proverb since its equivalents can be found in the cultures of many nations.

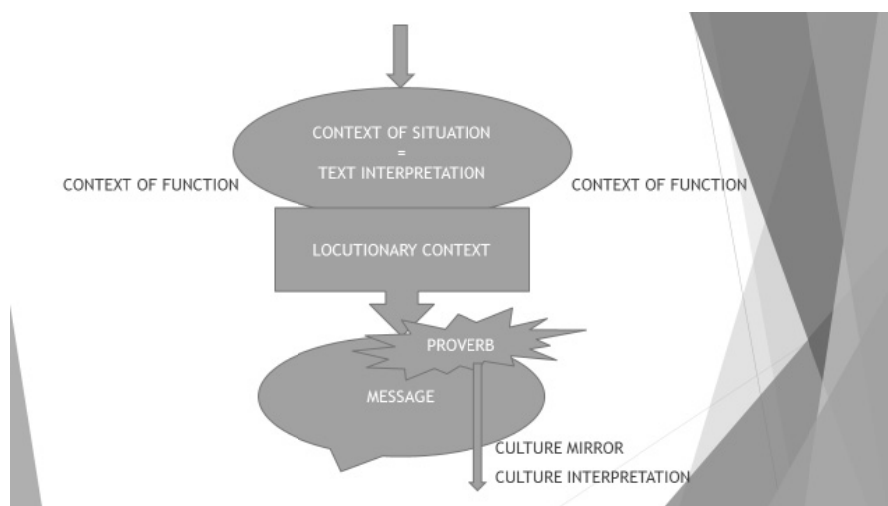


“Doi ochi vad mai bine ca unul” / “Two eyes can see better than only one” (English equivalent – “Two heads are better than one”) finds its equivalent in Japanese Language – “San nin yoreba Monju no chie ” - and being equivalents, they might have a common background.

But their forms are obviously different, since the Japanese literary translation is “Three persons would gather, the wisdom of Manjusri” (for Japanese people, Monju is a Buddhist god of wisdom). From here we see very clearly the influence of some other Asian cultures upon the Japanese one, as Manjusri represents the Bodhisattva of wisdom and intellect, met in Tibetan culture as Jampelyang, in Chinese culture as Wenshu or Wenshushili, and it is often recalled in the famous Lotus Sutra of the Indian culture.

Thus, we might conclude that, regarding the above proverb, existed different genetic backgrounds, but eventually they were born having different forms, with common substance. Therefore, their functional context may also be a common one, since the message transmitted to the people is the same: humans should consider that more eyes, more minds and more heads can come to a much better result.

<p>► <u>Religious influences.</u></p> <p>De la mine puțin, de la Dumnezeu, mult. Less from me, more from God.</p> <p>► <u>Historical influences.</u></p> <p>Din gură în gura are să ajungă până la urechile Lui Voda. From mouth to mouth, to Voda's ears.</p> <p>► <u>Old customs/traditions/practices</u></p> <p>S-a dus omu' la colac și a capatat un ciomag. He went for a twist bread and got a cosh.</p> <p>► <u>Life and death mentality</u></p> <p>Moartea unora este viața altora. Someone's life is someone else's death.</p>	<p><u>Religious influences.</u></p> <p>Hotoke no kao mo san do. (The third time for the Buddha's face; i.e.: even a person with the patience of the Buddha won't tolerate that much)</p> <p><u>Historical influences.</u></p> <p><i>Naseba naru.</i> (If you take action, it will become ) This proverb comes from a poem by Uesugi Harunori (Yōzan), a member of an important clan from back in the Edo period.</p> <p><u>Old customs/traditions/practices</u></p> <p><i>Okite hanjou, nete ichijou.</i> (Half a tatami mat when awake, one tatami mat when asleep.)</p> <p><u>Life and death mentality</u></p> <p><i>Inochi atte no monodane.</i> (Life is the root of all things.)</p>
<p>► <u>Name of places and spots</u></p> <p>S-a făcut Dunăre de mânie. "Turning Danube" with anger.</p> <p>► <u>Famous characters</u></p> <p>Pica para malaiața în gura lui Natafleata. A soft pear in the stupid's mouth.</p> <p>► <u>Tradiții culinare</u></p> <p>Când te hrănești cu pui, când cu fasole. Sometimes chicken, sometimes beans.</p>	<p><u>Name of places and spots</u></p> <p>Fujisan ni noboru mono wa kenjin desu. (A person climbing Mount Fuji is a wise man.)</p> <p><u>Famous characters</u></p> <p>Ningen banji Saiou ga uma. (All human affairs are like 'Saiou's horse)</p> <p><u>Tradiții culinare</u></p> <p><i>Kamo ga negi o shotte kuru.</i> (A duck comes along carrying a leek on its back )</p>



## CONCLUSIONS

I hope that the present work might actually have as a result a close intercommunion between the civilizations and cultures of Romania and Japan, that, at the first sight, seem diametrically opposed, but finally, we don't have to forget that they have the same existential core that characterizes the mankind.

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# DELOCALIZING THE JAPANESE AUTOMOTIVE INDUSTRY AND THE ROMANIAN MARKET

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## Abstract

*Japan's automotive industry is renowned for its technologically advanced cars, for their built quality and reliability, which makes this sector one of the best in the entire world. But despite these qualities, outside the national market, the manufacturers have to fight really hard for a slice of the European market. The answer for this is the delocalization. Although it's a controversial process due to its effects, using it offers the Japanese a better chance in competing with other car manufacturers.*

**Key words:** *Delocalization, Japan, Automotive industry, Romanian market*

**JEL Classifications:** F1, F12, F13, F15, F21, F23, F63

## 1. INTRODUCTION

Background- The Japanese automotive industry is part of the global automotive elite, a statement reinforced by the top quality, the imaginative design and the reliability of Japanese products. These facts helped Japan to increase the production volumes every year so that it propelled the Japanese economy among the biggest car manufacturers in the world, over 70 years ago. Its development potential was so high that during the 80's and 90's even the United States of America got surpassed in terms of production quotas.

Today, although the growth rate is smaller than before, Japan's automotive industry is still in the big league, as it is ranked as the 3<sup>rd</sup> biggest car manufacturer after China, but it outperforms Germany.

Another important "branch" of the automotive industry is the motorcycle building industry. This sector has the benefit of the similar proven track record as the car manufacturing, as well as the fact, that during the 80's it took the American motorcycle market by storm and most of the traditional producers had to rethink their business strategies in order to keep up with the Asian manufacturers' success. Today, the Japanese bikes are very successful in all the sporting events that they race

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<sup>1</sup> Lipsesc datele despre autor și notele de subsol

in and it is worth mentioning that they are two of the fastest production bikes in the world, that are recorded in the Guinness Book of World Records.

## 2. JAPAN'S AUTOMATIVE HISTORY

Giving all these successful facts, let us make a short inquiry down the memory lane and trace a few landmarks in the Japanese automotive history:

- 1902 – Komanosuke Uchiyama built the first car with a petrol fueled engine, called Takuri;
- 1904 – Torao Yamaha built the first bus powered by a steam engine. It had a capacity of 10 people;
- 1926 – JitsuyoJidosha Seizo Co. merged with Kwaishinsha and formed DAT Automobile Manufacturing Co. Later it became Nissan Motor Co.;
- 1936 –textile company, Toyota, began producing their first cars. The military truck production started earlier;

Despite all these pioneering and early steps taken towards a successfully developing automotive trendsetter and provider, it is noteworthy to point out that most of the passenger cars produced in Japan before World War II were not very original as they were based on European and American models. After WWII and up to the mid '60s, the production mostly consisted of trucks and the exports were pretty low during the respective period (3.1% out of all produced cars).

Although the automobile production was rapidly increasing, the most common ways of transportation were scooters, motorcycles and very small cars. These cars (called “kei” cars) were introduced during the 60's, and they were basically small cars with a very small engine. First cars had engines of up to 360 cc, to avoid larger tax. Such cars were Honda N360, Mazda Carol, Mitsubishi Minica, Subaru 360, SuzukiFronte.

During this period, the increase in passenger carsexports recorded a massive threshold of 200% which meant17% of the total production. Thegrowth in domestic and international demand meant a further increase in as much as the exports were concerned, and that the companies had to expand worldwide.

## 3. THEORETICAL APPROACH ON DELOCALIZATION IN AUTOMATIVE INDUSTRY

The concept of delocalization is more commonly used in recent times, but because there is not a unanimously accepted definition of it, its myriad implications remain unknown to some people. There are not a lot of studies regarding this

phenomenon, so, as a result, there is not a clear definition of it. But if we were to define this concept, a highly intuitive approach, based on the current economic scenarios where such phenomena can be observed or have been employed, would imply that delocalization means that one corporation will take one of its factories and place it in another country that will offer smaller operative costs.

The current economic situation has allowed for an intensive usage of this procedure as corporations strive for cost reduction not as much for increasing profit margins, but for surviving the competition.

In the automotive industry, which is one of the largest and most profitable economic sectors throughout the world, delocalization is successfully used as the costs are really high in an industry that produces high added value goods. Another strong motivation for using this management technique is the fact the competitiveness level is so high that every small advantage can make the difference between a successful product and company or a failure of epic proportions.

Regarding the Japanese automotive industry, almost all of the manufacturers have production facilities outside the domestic economy in at least two other countries and they are as follows:

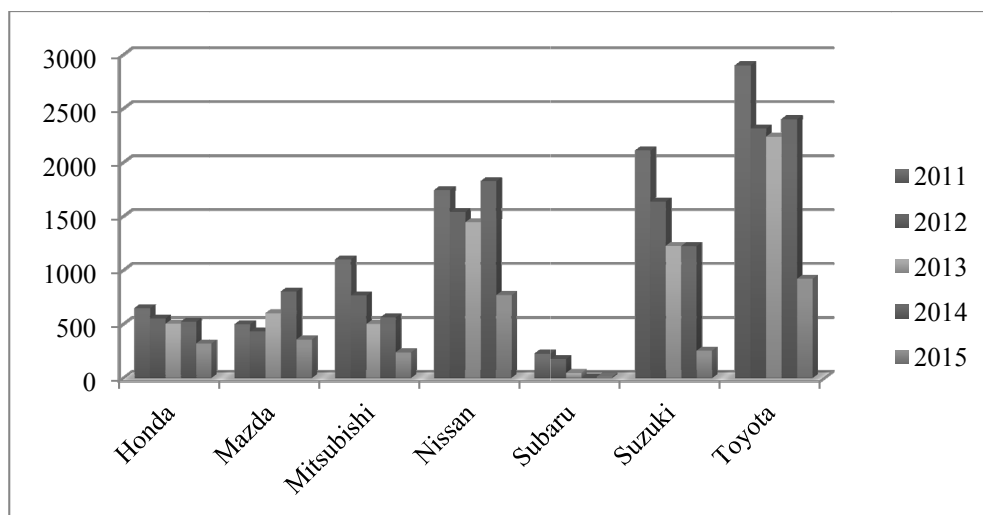
- ❖ Honda – 24 factories where it produces cars as well as motorcycles;
- ❖ Mazda – 16 factories;
- ❖ Mitsubishi – has 9 plants outside Japan;
- ❖ Nissan – 28 plants outside Japan;
- ❖ Subaru – is an exception, since it has only one factory outside Japan, in Lafayette, Indiana, USA, and two branches for distribution in Canada and Philippines;
- ❖ Suzuki – is a bit more modest, with only 7 plants outside the home country, and just as Honda, beside motorcars they produce motorcycles, ATVs and engines for all sorts of applications;
- ❖ Toyota – 17 plants outside Japan and ten joint ventures licensed and contract factories.

#### **4. SHORT ANALYSIS OF THE JAPANESE CAR SALES IN ROMANIA**

In Romania, the Japanese car sales volumes are quite impressive as they are in top 10, but still not as big as they could be. A possible explanation for this state of affairs could be that they are perceived as high-maintenance, and if something breaks down due to the fact that they are produced in Japan, the waiting period for spare parts is quite long.



Chart no. 1 – New Japanese passenger car sales in Romania 2011 - 2015



Source: [www.apia.ro](http://www.apia.ro), Statistical bulletin and my own computations

Out of all the brands that are officially imported, judging by the sales, the most successful one is Toyota. Despite the economic crisis and the quality scandals, it managed to remain a constant competitor each year. Ranking throughout the analyzed period (2011 - 2015<sup>2</sup>) may vary from the 7<sup>th</sup> to the 9<sup>th</sup> place.

The next successful Japanese manufacturer on the Romanian market is Suzuki. The first years of the economic crisis did not affect the company's sales, but since 2013, their figures have been dropping constantly. The remainder of the ranking is made out of Nissan, Mitsubishi, Mazda, Honda and Subaru.

Nissan, although it is owned by Renault, did not have its French partner success on the Romanian market. The best ranking that was recorded by this manufacturer was in 2014 when they managed to finish on the 10<sup>th</sup> place in an upward trend from the 13<sup>th</sup> place the year before.

Analyzing Mitsubishi's sales, the situation is a little worse since they managed to sell an average of 500 cars per year (2012 – 2015), after 2011 recorded about 1000 cars.

Mazda is on an upward trend regarding its sales, as it has constantly been growing since 2011, when they sold 499 cars to 2015 when it's foreseen to exceed the 800 cars sold last year.

In Honda's case, the sales are constantly dropping every year, since 2011. Although the reduction is not significant, it cannot be overlooked, as it dropped from 649 cars in 2011 to 523 units in 2014. The ongoing 2015 could be the comeback

<sup>2</sup> The available data goes as further as May 2015.

year for Honda as they managed to sell more than 300 cars during the first five months.

Suzuki has unfortunately been in freefall since 2011, when the manufacturer recorded 2111 cars sold. This volume puts it in a spot very close to the all-time Japanese best seller, Toyota. Although 2012 was a bad year, as the sales dropped to 1638 cars, it was the last year when Suzuki was still the second best sold Japanese car maker.

Subaru is a niche car manufacturer with successful World Rally Championship participation. The car's key features are the symmetrical all-wheel drive, the boxer engines and, for a few years, the frameless door windows. Although the brand and the cars have lots of qualities, throughout the years, the sales dropped from 227 cars in 2011 to 2 cars in 2014 and none in 2015 and, as a result, there is a rumor that the official dealer will be closed. Of course, if this happens, the customers that have already bought the cars will still have their cars professionally serviced by certain third-party dealers or repair-shops.

## CONCLUSIONS

The Japanese automotive industry is a very successful economic sector both locally and internationally. The automobiles and motorcycles produced by the Japanese corporations have proven a sum of qualities that throughout time has translated into a recipe for success: quality, reliability and correct pricing, which often means "a lot of car/motorcycle for your money".

In recent times, the manufacturers have tried to better keep up the pace with the European competitors, in order to win a bigger slice of the market. Despite various counterarguments that can be brought against this claim, we dare to say that it's safe to assume that up to a point they succeeded.

A problem that is often brought up is the tradition of these manufacturers, which for some buyers is really important. Basically, there are buyers who acknowledge all the qualities of the Japanese products, but the name of the company that appears on that car is really important so they prefer a reputed and highly recognizable product (that most of the times is European).

Regarding the Romanian market, although we pinpointed Toyota as a successful brand here, judging by its sales, unfortunately its success is really shy. The reasonable explanation for this misfortune may be two-fold:

1. the lack of notoriety in our country, and the misconception that the best cars come from Germany;
2. the fear of poor aftersales services, long waiting periods for spare parts, and high maintenance costs.

The solution for these problems could be the introduction of more aggressive marketing campaigns that will allow possible buyers to find out about the qualities of these products and maintain the correct prices policy that are promoted by the Japanese automobile manufacturers.

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