

IS ROMANIA ATTRACTIVE FOR JAPANESE INVESTORS? A COMPARATIVE ANALYSIS AT THE EU LEVEL

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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 23th 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 energy², 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*

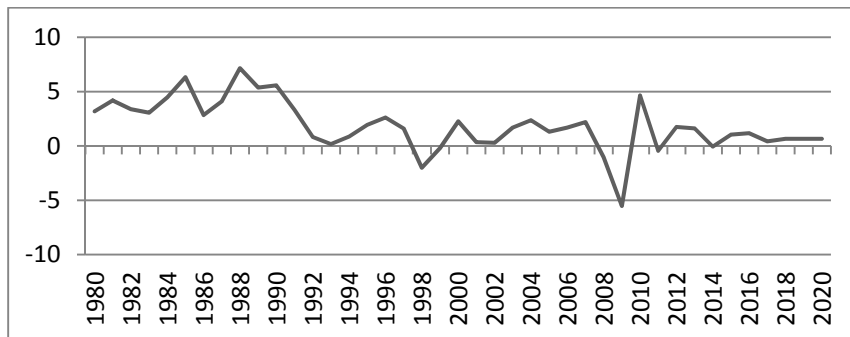
² The construction of the freight containers terminal in Constanța South Harbor, a credit of USD 120 million (1998); the rehabilitation of the no. 6 National Road Lugoj-Timisoara, a credit of USD 80 million (1998); the modernization of the Constanța-Fetești railway, a credit of USD 220 million (2001); 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.³ 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).

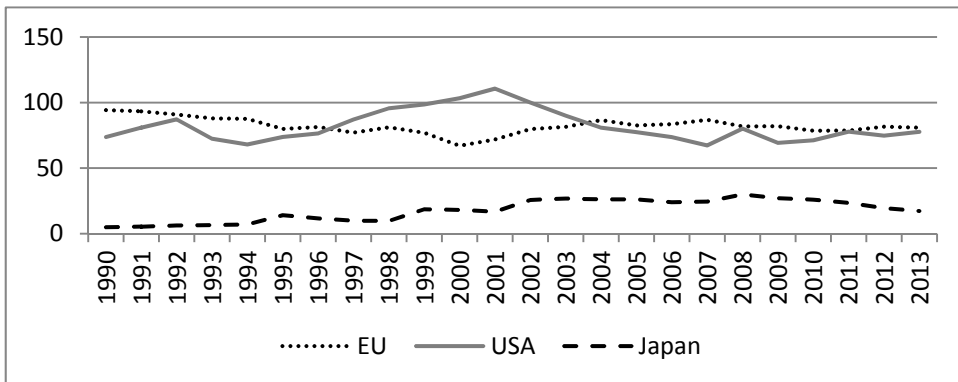
³ It combines fiscal expansion, monetary easing and structural reforms, with the immediate goal to boost domestic demand and GDP growth, while raising inflation to 2 percent (McBride, Xu, 2015).

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 29th 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.

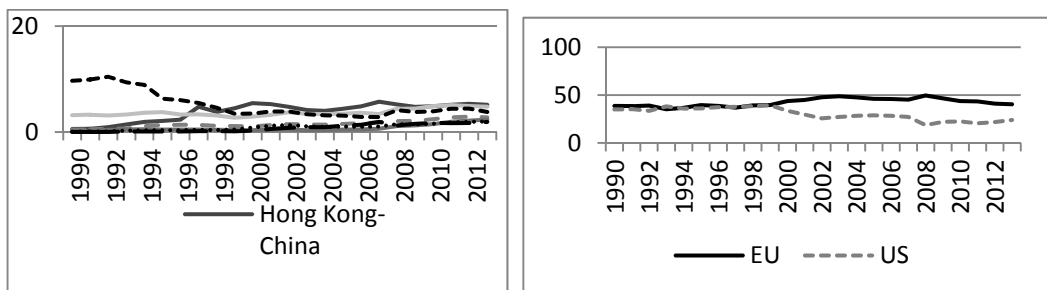
Chart 2: Ratio of inward to outward FDI stock in Japan, EU and USA during 1990-2013 (%)



Source: Own calculation and representation, based on UNCTAD (2014).

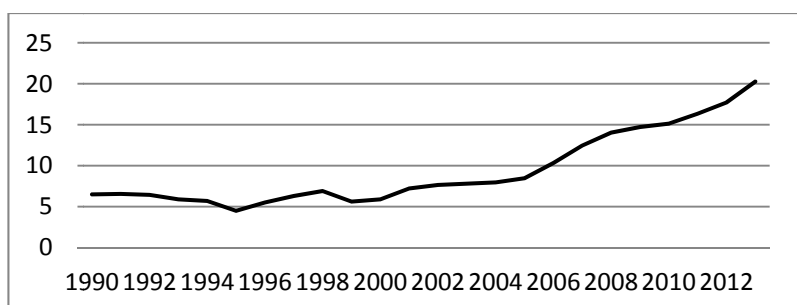
Worldwide, Japan is the fifth largest investor country, in terms of FDI stock, after the EU (remarking in this group United Kingdom, Germany, France), US, Hong Kong-China and Switzerland, although its share in the global FDI stock is much lower at present (circa 4%) as compared to levels recorded at 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)



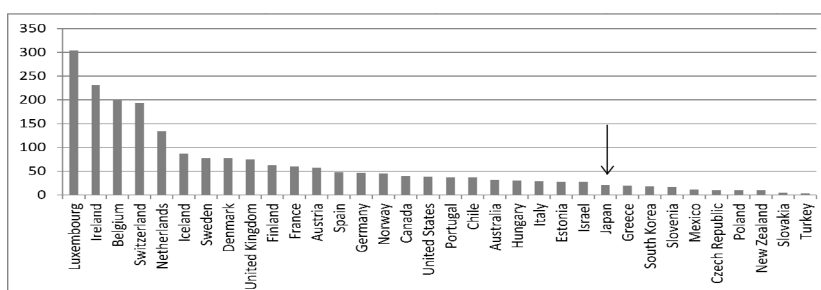
Source: Own calculation and representation, based on UNCTAD (2014).

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 (%)

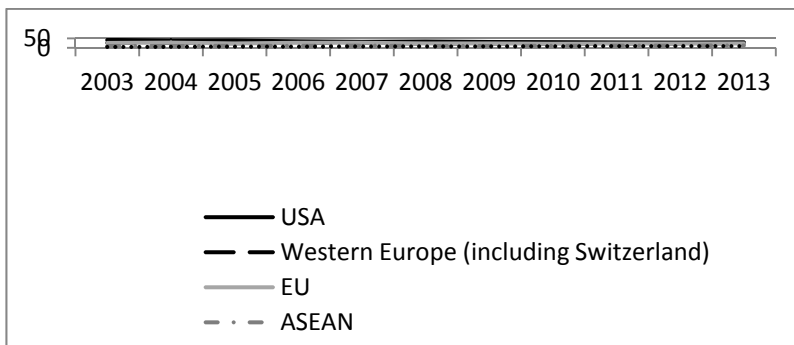
Source: Own representation, based on UNCTAD (2014).

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).

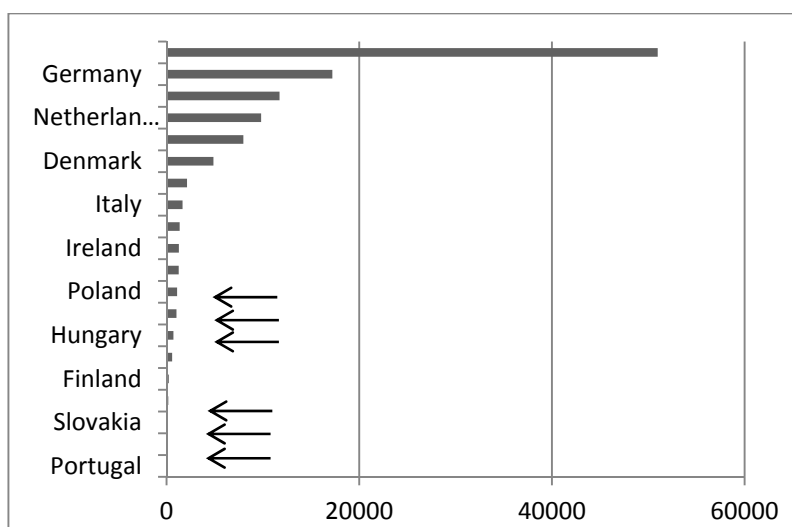
In conclusion, the Japanese TNCs follow the standard complex of motivations for investing abroad: resources, markets, efficiency, strategic constituents, changing their preferences together with the evolution of the global environment. In this context, it is challenging to find out which are the main 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**).⁴

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

1. Slovakia – Slovak Investment and Trade Development Agency (SARIO), established in 2001 http://www.sario.sk/en/about-us Government funded agency, established in 2001 under the supervision of the Slovak Ministry of Economy Homepage in Slovak, English
2. Czech Republic – CzechInvest, Investment and Business Development Agency, established in 1992 http://www.czechinvest.org/de An agency of the Ministry of Industry and Trade Homepage in Czech, German, English, Japanese, Korean, Chinese

⁴ 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).

3. Poland – Polish Information and Foreign Investment Agency (PAIiZ), established in 2003 http://www.paiz.gov.pl/de 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
4. Bulgaria – Invest Bulgaria Agency (IBA), established in 2004 http://www.investbg.government.bg/en Management appointed by the Minister of Economy. Initiative: annual award “Investor of the Year” since 2006 Homepage in English
5. Hungary – Hungarian Investment Promotion Agency (HIPA), established in 2011 http://hipa.hu/ 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
6. Romania – Department for Foreign Investments and Public-Private Partnership, founded in 2014 http://dpiis.gov.ro/new_dpiis/en/foreign-investments/who-we-are/ 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

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 16th of June 2013, to commemorate the 10th 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 10th 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 23th in the hierarchy of foreign investors in our country, after China (18th position) but ahead of South Korea (ranked 25th) (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 38th destination for Romanian exports (China the 23rd and South Korea the 29th) and the 30th import source (China the 6th and South Korea the 21st). 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,⁵ 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

⁵ Articles 3 and 207 of the Consolidated version of the Treaty on the Functioning of the European Union (Official Journal of the EU).

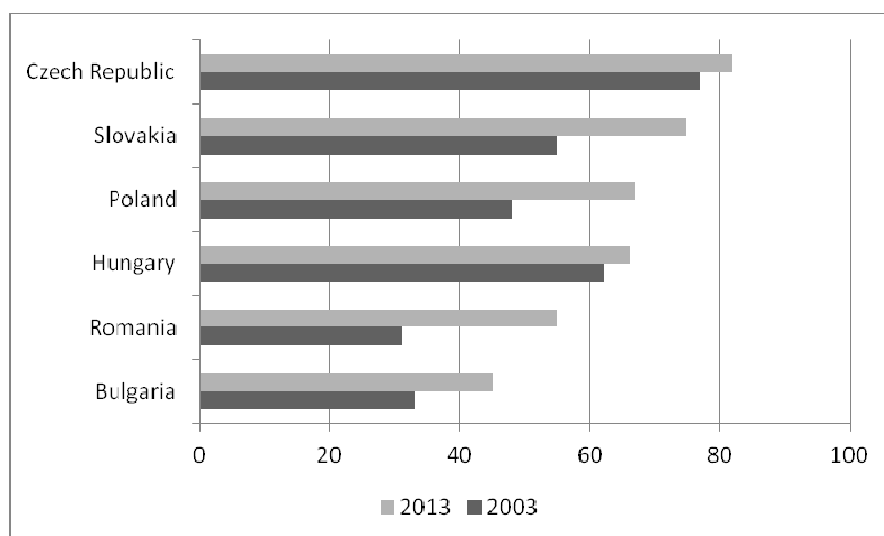
Romanian Academy, the Bucharest University of Economic Studies and the Romanian-Japanese Studies *Centre* – CSRJ “*Angela Hondru*”.

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 11th round. This new agreement will open new opportunities for Romania, but concurrently a harsher competition.

ANNEX

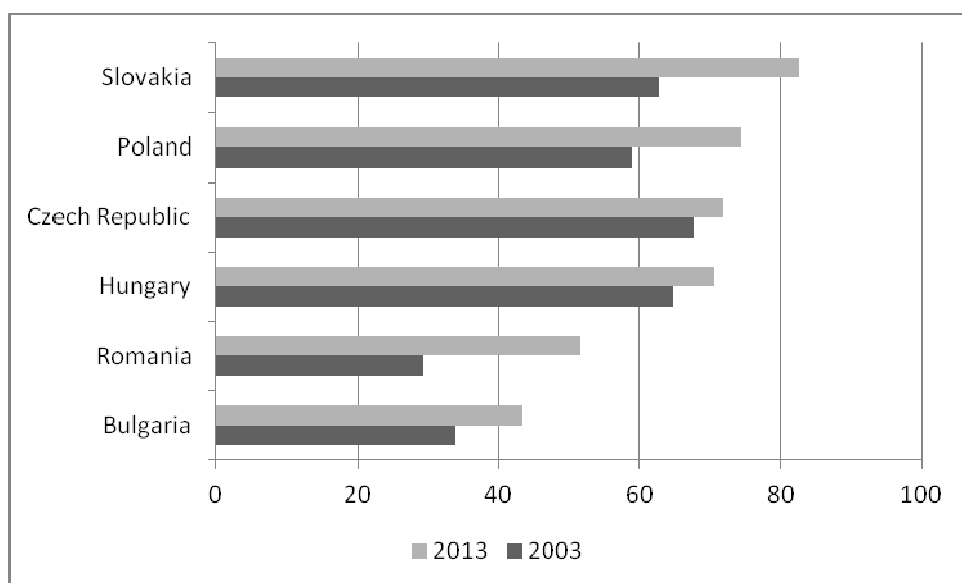
STRUCTURAL INDICATORS AT THE LEVEL OF V4, ROMANIA AND BULGARIA

GDP per capita in PPS in V4, Romania and Bulgaria (index EU28 = 100)

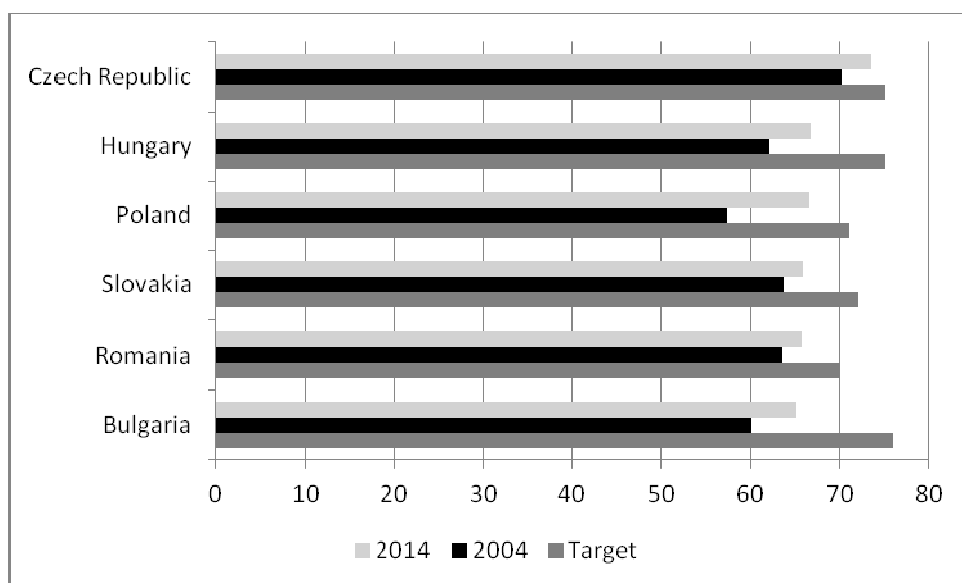


Note: The volume index of GDP per capita in Purchasing Power Standards (PPS) is expressed in relation to the European Union (EU28) average set to equal 100.

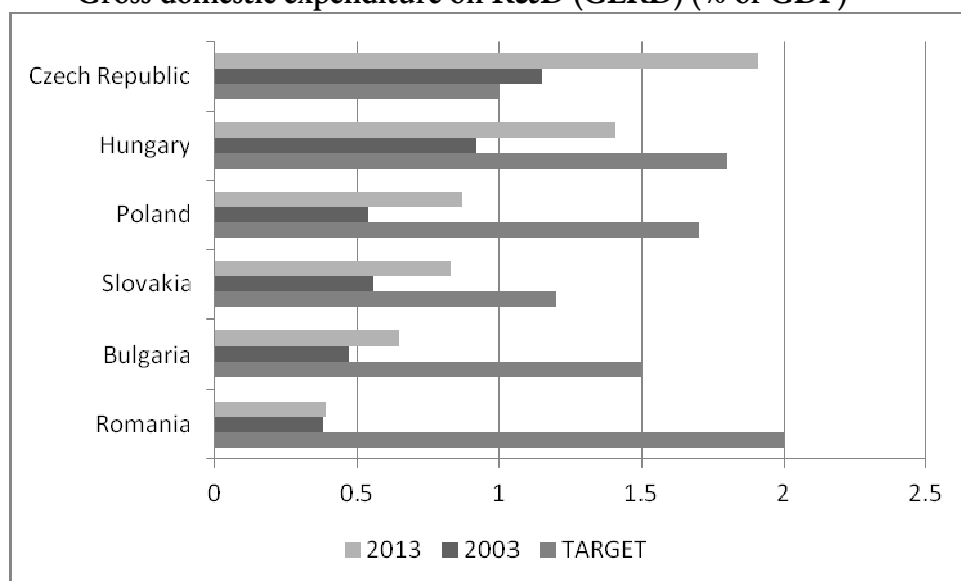
Source: Eurostat (2015b).

Labour productivity per person employed (ESA95) (index EU28 = 100)

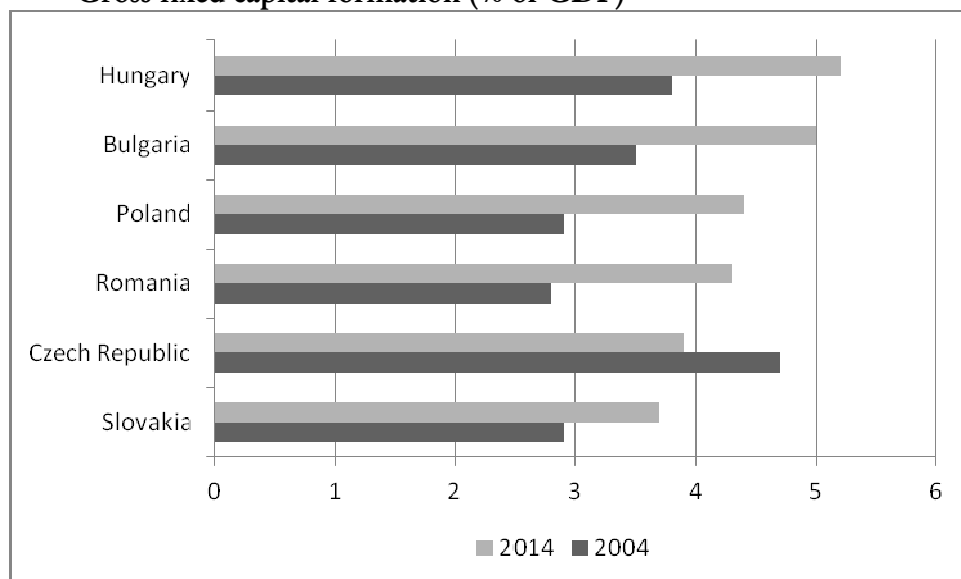
Source: Eurostat (2015b).

Employment rate, age group 20-64 (%)

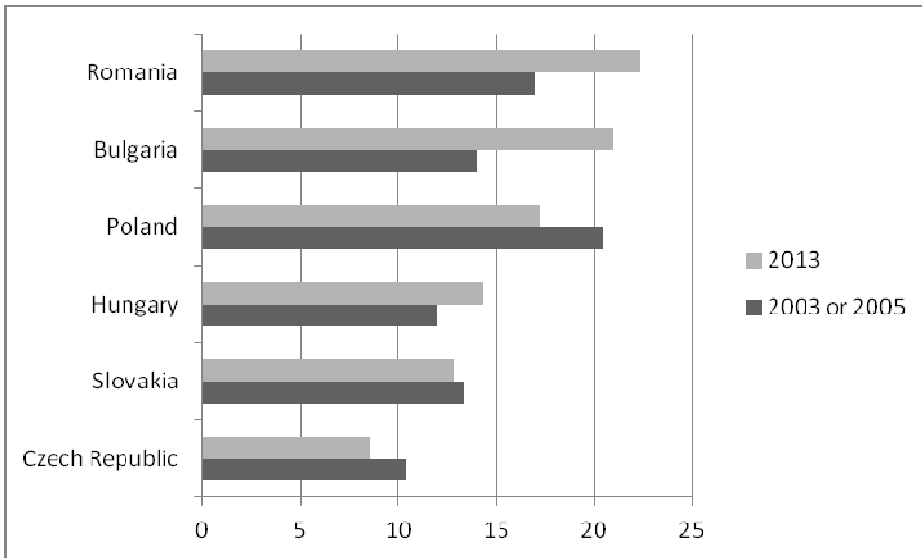
Source: Eurostat (2015b).

Gross domestic expenditure on R&D (GERD) (% of GDP)

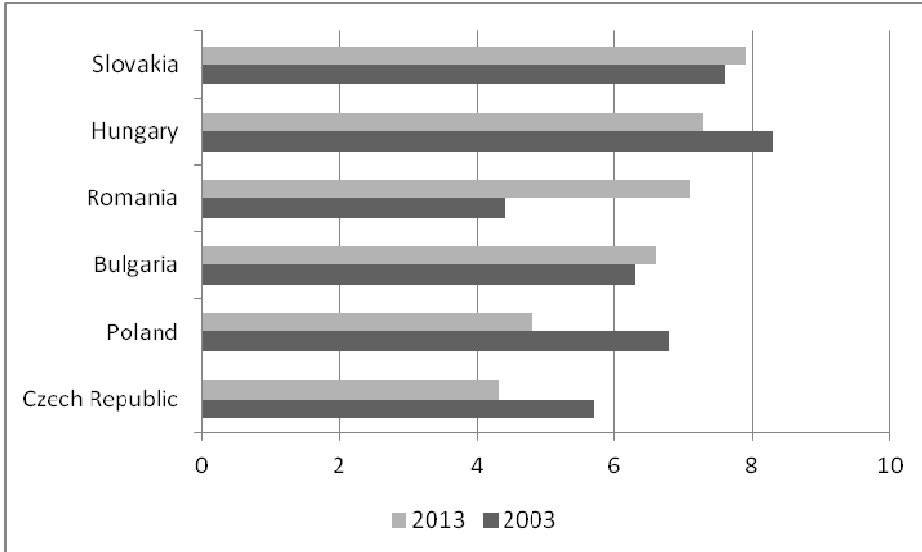
Source: Eurostat (2015b).

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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