ROMANIA'S WAY TOWARDS COMPETITIVENESS

Andreea Vass*

Abstract. *We want Romania to become a benchmark for our region, a center of clear competencies and a top reference exporter. Still, our integration in the global economy through the strategic partnership with the European Union has been built mainly on the cheap labor and low and medium-technology exports. Severe social problems have been solved by creating new jobs. Yet, these exports are low value added and have a small contribution to raising the living standard through high and lasting economic growth rates. There is definitely no place for further illusions. We have basically two options left:*

- *To compete globally with the Chinese dragon and the Indian elephant on the labour-intensive product markets, or*
- *To build a sound policy for attracting foreign direct investments (FDI) that may turn Romania from a spectator into an active player on the high-technology based global market.*

Taking into account the perishable first option, we are left to play the second card. In other words, to achieve sustainable global competitiveness, Romania has no choice but to become a vibrant knowledge economy.

The last few years witnessed constant economic growth and adjustment of the strategic investors' perception of risks. But I believe that Romania is still un undervalued asset. The reasons are gathered on three late bloomer pillars: economics, property rights and geo-strategic advantage. Romania is now in a position to cash in on its geo-strategic location, savvy foreign policy, abundance of natural resources, sound macroeconomic policies, skilled and still inexpensive labor force and the stock-market spectacular growth.

Romanian GDP per capita stands at 36% of the European average level (EU-25) in 2006 (*table 1*). The main objective of the policy-mix for the next 7 years is to cover this gap with at least 10 percentage points[1]. In order to gradually recover it, Romania needs an annual average economic growth of at least 7% for the next 25 years, based on real competitiveness. For achieving this target, we need a dynamic economic environment, based on national and foreign direct investments that may develop activities with higher added value. These activities will lead to higher exports, productivity and generate well paid jobs.

Romania: a small economy with a vast consumer market

Romania's population stands for 4.7% of the EU-25 population, and its **share in the GDP is 0.7% at current prices (1.5%, at PPS)**, according to estimates for 2005. In order to have a degree of comparison with the new member states, let us consider Hungary which, with less than half of Romania's population, contributes with a larger share – of 0.8 % – to the European Union's GDP *(table 3).*

***Andreea Vass** is a Researcher, Institute of National Economy and Adviser to the Romanian Presidential Administration, avass@presidency.ro

[1] *National Development Plan 2007 -2013* - strategic vision.

Romania is as large in square mileage as UK and has a population roughly the size of Canada (Romania has 21,6 million inside its borders and another 5 million Romanian speakers around its borders), making it the **second largest East European country after Poland**. Romania will soon become the **7th largest EU member** (out of 27) after the country's EU accession on January 1st 2007.

Romania has been a **late bloomer** in the region—especially in **economic terms**. Even though it has been **slated for EU accession since 1999**, it has managed to make a case for itself in the EU on **political and geo-strategic criteria** rather than on economic terms. Economically Romania remained a laggard till the year 2000, when it started experiencing quite spectacular and constant growth (*table 2*). In the last year, only, it gained the status of "functional market economy" and it is only this year (2006**)** that it will reach again the GDP it had before the communist collapse (though the way the GDP was calculated before 1990 remains problematic). In-depth estimations of the speed and magnitude of Romanian convergence on the EU and explanations of the main lagging behind driving forces were provided in an earlier research study[2]. **Convergence can certainly not be taken for granted.** The transition of the CEE countries to a new stage of development – as economies driven by the innovation on which the EU focuses – is very hard, and is calling for complex transformation of many interdependent aspects of competition. Policymakers generally focus on aspects of macroeconomic quality. They should also address microeconomic reforms as qualitative indicators to gauge the nation competitiveness. The challenges are still hard to meet: despite having economies at different levels of development, the CEE countries must compete with the EU-15. At the same time, they are poised to join the EU's strong institutional and legal systems. Romania lags behind less in macroeconomic stability than in terms of national business environment and public institutional development: contracts and law enforcement, corruption perception, and government waste.

We push different pedals for the economic growth

In order to recover the differences to the European economic giant, we have to speed up real economy. In reality, however, in 2005 consumption, investments and exports have played different roles in the European and Romanian economic growth. While the export is the main vector of the European growth, the consumption prevails in Romania.

In the meantime, while agricultural production steeply decreased because of unfavorable meteorological conditions (-14%), **industry was the basis for our economic development, which accounts for approximately 27% of GDP**. The dynamics of the industrial activity in Romania was three times lower in 2005, as compared to 2004. More than that, its growth rate was insignificant higher than the European, especially looking from the gaps reducing perspective. A strong negative impact was produced by Romanian *clothes, leather and shoes, textile* industries, with a 10.5% share in the total production, while *construction materials and other non-metallic minerals products, machines and equipment industries* had a slighter negative influence, with a share of 11% in the total Romanian production. **The industrial output growth was a positive surprise in**

[2] Vass, A., *Romania: the Trade and the Development Approaches to CEE Convergence with the EU, under the Competitive Pressures of Integration*, Institute for World Economics - Hungarian Academy of Sciences, Working Paper No.151, February 2005.

2006. After a very poor performance in 2005 (2% growth), industrial output expanded by 7.2% in August 2006. The increase was even higher in the manufacturing sector - 7.7%.

Performers in recovering the business environment quality

Pre-conditions are favorable for medium- and long-term economic development. **Strategic investors are adjusting their perception of risk and are increasingly interested in Romania.** We have received lately reliable votes of confidence from prestigious international institutions:

- World Bank ranked Romania on the 2nd place worldwide in terms of speed and quality of reforming the business environment and 1st in Europe. However, Romania stands at the 49th place in terms of ease of doing business in 2006, up with 22 positions compared to the last year, and 7th place in terms of ease of opening a business and entering the market.
- In terms of foreign direct investments performance, Romania ranks 24 in a list of 141 countries, benchmarked by the United Nations Conference on Trade and Development (UNCTAD), up with 7 positions from the last year – the legislative favorable framework and the flat tax rate of 16% have been the main reasons for the change.
- Moody's upgraded Romania's foreign currency long-term debt rating to Baa3 – "investment grade" - from Ba1.

Performers in recovering the price gaps

The Euro zone ended 2005 with a general price increase of **2.2%.** Obviously, there are still rather big differences between the EU member states and the candidate countries. For example, Romania remains the country with one of the highest inflation rates in the region, of 8.6%.

Anyway, in certain economic sectors – such as industry and energy – Central and East European prices tend to adjust faster to the EU prices:

- In **industry,** except for the construction sector, prices increased by **5.5%** for EU – 25, in November 2005, as compared to the same period of last year. At the same time, prices for total industrial production increased in Romania by **22.4%.**
- Similarly to Romania, at the EU level, the most spectacular price evolution is to be seen in the **energy sector**, with a 14.8% increase for the Euro zone, 20.1% for EU-25 and, respectively, 59.1% for Romania**.**

However, **the deflation process continued** in 2006**,** dropping in September to 5.48% on year on year basis. The annual rate of inflation will continue to drop further towards the National Romanian Bank target of 5% for 2006.

Dynamics of wages versus dynamics of productivity

The evolution of the labor cost in the EU indicates a convergent trend of salary and non-salary related earnings between Western European countries and the new member states. Thus, the average growth of the salary costs for the Euro zone is estimated to 2.2% and to 2.7% for the EU – 25[3]. Comparatively, the gross average salary increase in Romania of 14% exceeds the growth in the EU – 25 (except only for Latvia: +15.7%*).*

Romania is positioned among the most dynamic labor markets, however, it is not accompanied by a higher dynamics of productivity (of only 5.6% in

[3] Eurostat, February 2006

November 2005 as compared to November 2004). Romania faced a significant loss of competitiveness in the industry sector during 2005. It is rather obvious that **in the race for recovering the gaps between Romania and the EU, 2005 witnessed a steep price and salary earnings growth, but feels painful in terms of GDP, industrial production, labor productivity and exports growth.**

Box 1. Salary increase in 2005 as compared to 2004, between necessity and competitiveness crisis

„Last year, authorities granted multiple and excessive salary increases that were correlated to a little extent to productivity or to the professional requirements of a modern public sector. Such practices have a short term impact and affect any attempt to control inflation. At the same time, such practices increase budgetary expenses in favor of salaries and consumption and are far from encouraging efficient investments meant to improve the education, health and infrastructure”. ***(IMF, 2006)***

The average net revenues earned by Romanians, expressed in RON, increased by 24% last year. Romanian employees' net average income increased to 848 lei in December 2005, from 686 lei in December 2004. Obviously, the comparison with the previous month is more eloquent. November does not include the year-end bonuses, so that Romanians benefited of an increase to 774 lei in November 2005, from 625 lei in November 2004. This dynamics translates into an annual growth of gross average salary of 17.2% in the economy. Taking into account the effects of the flat tax rate of 16%, we reach an increase of the net average salary of almost 24% in the economy.
The net salary increase for budgetary employees was six percentage points higher than the average on the economy. Salaries of civil servants, of employees in the health and education sectors increased by 30%.

- The most accentuated net average salary growth pace was felt in the **health sector** (35.7%); however it remained the only public segment with revenues lower than economy's average (with a weight of almost 93% in November 2005, as compared to 85% in November 2004).
- On the other hand, for the first time after 1989, the annual average salary in the **education** field substantially exceeds the average salary on the economy in 2005 (with a weight of almost 108%). However, such evolutions have been witnessed starting October 2004, which explains the similar weight of salaries in this sector in the total economy, between November 2004 and November 2005.
- **Civil servants** benefited of a 33.5% increase of net salaries, which allowed for the increase of their weight in the total economy from 144% in November 2004 to 155% in November 2005.

The effects of the exchange rate push the salary increase towards 50%. If we are to add **last year's real appreciation of the RON/Euro exchange rate by 15%,** to the previous net salary increases, we obtain **a 45% growth of net salaries in the general public administration,** broken down as follows:

- **48,5% for the civil servants;**
- **38,5% for the staff in the education system;**
- **50,8% for the staff in the health system.**

It is relevant and justified to report such increase in employee's purchasing power as long as products are predominantly imported.
Such salary increases are welcome and fair, allowing many Romanians to improve their living standards. Still they have exercised major inflationary pressures and they have stimulated the increase of the commercial balance deficit. Civil servants' salaries have to grow. We have to hire more skilled staff in many agencies and ministries, in order to cope with the obligations arising from the coming accession to the European Union. Yet, this is to be done based on a unitary strategy, that should aim at increasing salaries no more than once a year, according to European standards. Such increases should be clearly defined in the annual budgeting.
Then, increases in salaries and jobs have to be offset by a reduction of bureaucracy and an increase of public administration efficiency. In order to be able to talk about a real reform in these sectors, it is absolutely necessary that higher salaries be matched by an increased responsibility, a higher quality of human resources and of the services they provide, and a zero tolerance for corruption. Last but not least, salary increases in the public sector have to reflect better the staff's knowledge and qualification. Otherwise, salary expenses will increase, undermining the capacity to absorb European funds and sacrificing the objective of creating a modern civil service.

Note: *Calculations based on the Institute of National Statistics database, March 2006*

From disintegration to reintegration

As reflected by a study published by the World Bank in 2006, during the last ten years, the exports have tripled in the Eastern European and former Soviet Union region. The imports have increased 2.5 times and the foreign direct investments have intensified more than anywhere in the world[4]. The report draws on two poles, with slightly flexible limits:

Euro-centric: a wider group, with countries focused on rapid reforms – richer countries;

Russo-centric: made of poorer countries, with a slower reform pace;

Romania was classified in a "middle group", next to Bulgaria and Croatia. Even though these countries have adopted liberal commercial policies, they did not encourage enough competition on the domestic market, they did not consolidate governance and they did not implement other structural reforms with respect to trade relations. Although, the imports and the exports have increased, no significant growths were witnessed in terms of national productivity and revenues. However, Romania is mentioned as one of the countries with the most impressive performances in terms of exports, mainly because of the reorientation of its foreign trade towards the EU and of the remarkable expansion of its trade despite international competition for products that incorporate cheap labor (textile, clothes).

12% of Romanian exports and 15% of imports are based on high technologies, as compared to 30% the world average and 20% the European average[5]

Within the community ballet to redefine the Lisbon criteria, exports' promotion has to be, for Romanians, the catalyst of the economic development. We have one of the largest consumer markets in the region and we are at the crossroads of three future European transportation routes: 4, 7 and 9, which allow for an easy access to the countries in the former Soviet Union, Balkans, Middle East and North Africa. However, within the export structure, competitiveness factors are those expressing the degree of economic development and our capacity to interact with the global market.

During the transition years we could notice **slight changes in the structure of Romanian exports in favor of cheap labor-intensive and to the disadvantage of capital intensive and highly skilled labor intensive exports**, according to the above mentioned World Bank report *(see table 4)*. We are better positioned than Bulgaria but well below Poland or Hungary. In terms of imports, most of the countries in the region mainly focus on capital intensive exports, but also on highly labor-intensive imports, the upwards trend of their weight being maintained in Romania, as well.

Romania significantly improved its competitiveness of the trade with EU-15 *(see table 5),* still the demand has been the main catalyst for the intra-regional trade in the last few years *(see table 6).*

The competitiveness and diversification factors are the reasons for Romania losing the export market in the former communist European region, worth more than USD 210 million, between 2000 and 2003.

In 2005, the export and import structure was clearly favorable to low technologies (54% in exports, 35% in

4 World Bank, From *disintegration to reintegration,* January, 2006

5 *Competitiveness and the Export Performance of the Euro Area*, European Central Bank, June 2005

imports) and to medium technologies (34%, respectively 45%) *(according to our estimations based on the Andersson methodology, 1999)*. It reflects the low capacity of Romanian companies to innovate in order to develop their products and services. 83% of these companies are non-innovative, 3% are strategic innovators and only 2% implement new technologies[6]. There's little innovation and, as a consequence, there are few industries using new technology intensively. Instead of focusing on exporting cars, computers, equipment, ecological agricultural products, tourism or services in order to achieve the economic growth, we relied on shoes and clothes (still the largest weight in the Romanian exports' volume), that is on lower labor costs and on primary resources.

In the last two years, based on the significant economic growth and improvements in the business environment, the structure of Romanian exports has changed slightly in the benefit for goods with a higher added value. Most likely, this reflects the important FDI inflows, as well as the changes on the international market of textile products. Still, real imports have expanded constantly higher than the exports, meaning nothing else but a further deterioration in the current account deficit (estimated at 10% of GDP in 2006).

The further steps towards productivity and competitiveness

Illusions don't fit this landscape any longer. We have basically two options left:

- ***To compete globally with the Chinese dragon and the Indian elephant on the labour-intensive products markets,***

or

- ***To build a sound policy for attracting FDI that may turn Romania from a spectator into an active player on the high-technology based global market***.

If we are to take into account the perishable nature of the first option, we're bound to play the second card. In other words, to achieve sustainable global competitiveness, Romania has no choice but to become a vibrant knowledge economy.

Ireland has proven that by investing in three main directions: *attracting substantial foreign direct investments, supporting a high level of education and a highly skilled labor force, consolidating the domestic social consensus and the real institutional transformations,* it has become the biggest performer in recovering the gap in terms of GDP per capita. Eire is now one of the most dynamic European economies *(see chart 1)*. Poland and Hungary also have taken measures to promote the competition among enterprises, to strengthen the governance and to stimulate foreign direct investments, aiming at including domestic companies in the global production network.

What should we do? For us, the Romanians, the coming accession on January 1, 2007, means first and foremost a full market liberalization. In order for its positive effects to be translated into reality, we have to solve several critical problems: the **highly skilled labor force, the infrastructure and the attracting of foreign investments.** Pragmatically, economic planning has to be coherent and unitary, as to cover a few key objectives (even though "*urgencies seem endless*"), that is those niches that could unfreeze development:

- **Maintenance of a stable and attractive fiscal environment for foreign investments, that should**

6 *CIS 3 Report of the National Institute of Statistics* , European Commission, 2006

favor the transfer of capital and technology – FDI increased by 47% in 2005 and it keeps a similar speed for 2006, but Romania continues to have one of the lowest FDI per capita. At the same time, it would be desirable for international acquisitions to place on the world map other foreign investments in Romania, as well. A sound national program facilitating investments initiated by Romanians that study abroad would have the capacity to attract real know-how resources and to turn into good account the human capital, so much appreciated worldwide.

- **Channeling investments towards several key-fields,** namely **information technology** and **high technology sectors –** the role of the industrial parks and of the record number of software developers per habitant in Romania is still fundamental in this respect. In 2005, wood processing was the sector attracting the highest weight of FDI in Romania (12.6%), followed by the energy sector (8.3%), the cars and the transportation vehicles (7.8%) and the constructions (5.15%)[7].
- **Training a specialized and skilled labor force for these sectors** - by reconfiguring the content and the priorities of the academic curricula. The reform of higher education could only be put into practice based on a strong coercive system increasing the competencies of the academic staff. Despite the record amounts allocated for education (4.7% of GDP in 2006), the Romanian universities are lagging much behind the performance of top 500 universities worldwide (*according to the Shanghai classification*).
- **A stronger focus on innovation in technology** – the technological platforms should play their major role. The results of the fifth edition of the *European Innovation Scoreboard* (2006) show that Romania's performance in the innovation field are at 38% of the European average, with a slight downwards trend as compared to the previous year (the indicators limiting our capacity to innovate are mainly limited by the intellectual property rights, life-long learning, the early stage venture capital, the public and private expenditures for research-development-innovation (RDI), the public subsidies for innovation, the exports of high-tech products and the weight of expenses with communication and information technologies in the GDP, the new to firm product sales[8]). The evolution of the RDI policies in Romania is undergoing important positive changes, mainly due to the future perspective of EU accession**.** Romania is committed to increasing the public funding up to 1% of the GDP by 2010. Many challenges are left to be addressed. In developing the innovation capacity, the public policies have focused until now on strengthening the human resources and the research capacity in the research institute and the university sectors, but fewer measures were geared towards the development of innovative performance in industry.
- **More favorable financing conditions –** the spread between the interest for loans and for new deposits is maintained at a rather high level, of 5.2%, in the context where the interest for new loans used to be, at the end of 2005, around 13%[9];
- **Prudent fiscal and governmental spending management,** especially by giving up the promotion of an expansionist policy: large salary increases and the extension of the administrative body;

[7] *Romanian Agency for Foreign Investments - ARIS*, February 2006

[8] *European Innovation Scoreboard* , European Commission, 2006

- **Practicing a wide opening in the international trade and competition** – in reality, preferential measures could have a negative impact on the economic performance as they decrease the enterprises' motivation to increase efficiency, innovation and quality. For example, **directing subsidies and state aids** towards research, education and environment could change expenses into long-term economic efficiency. Although in 2004 the state aid diminished by one third as compared to 2001, the following continued to be seen as priorities: the rescuing-restructuring as horizontal objective (24%), steel and mining industry as sectoral objectives (with another 26%).
- **Public acquisitions based on open tenders and on competitive dialogue** – for 2004, approximately 60% of the total public procurements exceeding Euro 100,000 would still be granted based on a single source negotiation[10]**;**
- **Reduction of the degree of energy intensiveness in the Romanian industry** – an average of 790 kg of oil-equivalent products are used in order to obtain Euro 1000 in the GDP, namely 4.5 more than the EU-25 average[11]. This lack of efficiency appears both at the production and the distribution levels, and at the consumption one;
- **Decrease of transportation costs** – by improving the roads' quality and infrastructure, which will also reflect the decrease of traffic jam costs for transiting Romania; with only 200 km of highway, Romania is far from Hungary or Poland.
- **Anchoring economic development into the social partnership and public consultation pattern –** it will increase the quality of governance in areas such as: the impact analysis, the monitoring, the assessment, the multi-annual programming and the regional partnership.
- **European financing** should play an important role in reconfiguring the Romanian economy based on competitiveness principles. The strategic vision and the management of related projects, not necessarily the funds available (more than 32 billions Euro for 2007 - 2013), are still our main shortcoming. Ireland is again mentioned as a *"best practices"* example - in most of the specialized studies on this issue - in integrating community assistance within a coherent, macro-economic policy framework, supported by social consensus. The Irish have established human resources financing as a priority, with a weight of 35% in the total structural funds, as compared to a 25% average in the other European states, for education and training.

Conclusions

As a matter of fact, we do not need an accentuated dynamics of priorities, amended from one decision-making commission to another, nor do we need a plethora of overlapping economic strategies. Instead, what we need is a real economic dynamics. The local administrations that will succeed in improving the quality of their governance, and the Romanian companies that will successfully attract foreign investments and will prepare a highly-skilled labor force will contribute to the death of the old habits, walking the road towards productivity and competitiveness.

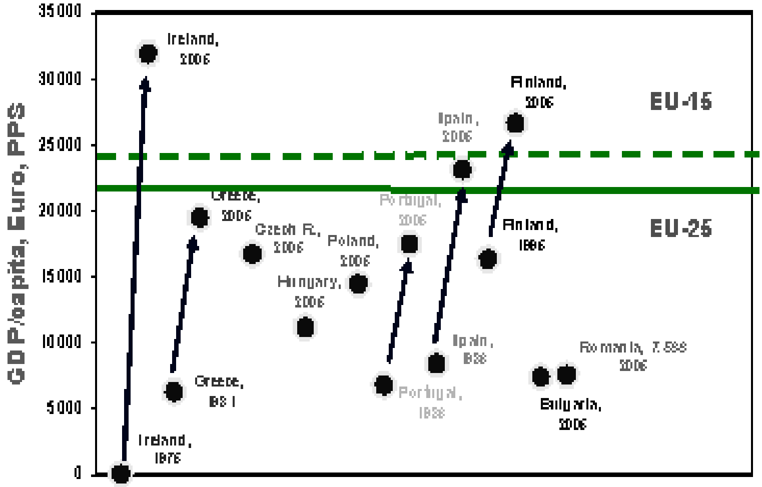
[9] *Romanian National Bank* - BNR, March 2006

[10] *National Authority for the Regulation and Monitoring of Public Procurement* - ANRMAP, February 2006

[11] *Atlas method of World Bank, 2005*

ANNEXES

Chart 1. Economic gaps between Romania and EU in 2005. Effects of candidate countries accession to EC/EU on the GDP/capita dynamics



Source: Calculations based on statistical data provided by EUROSTAT, 2006

Table 1. GDP per capita in Purchasing Power Standards - PPS, (EU-25 = 100)

	1999	2000	2001	2002	2003	2004	2005	2006 (f)	2007 (f)
EU - 25	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EU - 15	110.2	110.0	109.6	109.3	109.0	108.6	108.3	108.1	107.5
Hungary	51.8	54.0	56.9	59.1	60.1	60.9	61.4	63.1	64.3
Poland	48.0	48.8	48.1	48.3	48.9	48.7	49.8	51.0	52.3
Bulgaria	26.1	26.5	28.0	28.3	29.7	30.5	32.1	33.2	34.5
Romania	25.4	24.9	26.2	28.1	29.9	32.1	34.7	36.0	37.1
United States	154.5	152.2	148.4	145.4	147.5	149.9	148.5 (f)	148.8	148.1
Japan	112.3	111.6	109.3 (f)	107.1 (f)	108.4 (f)	109.3 (f)	108.7 (f)	109.6	109.9

Source: Eurostat, Oct 2006

Table 2. Growth rate of GDP volume - percentage change on previous year

	1999	2000	2001	2002	2003	2004	2005	2006 (f)	2007 (f)
EU - 25	3.0	3.9	2.0	1.2	1.3	2.3	1.7	2.3	2.2
EU - 15	3.0	3.9	1.9	1.1	1.1	2.2	1.5	2.2	2.0
Hungary	4.2	5.1	4.1	4.3	4.1	4.9	4.2	4.6	4.2
Bulgaria	2.3	5.4	4.1	4.9	4.5	5.6	5.5	5.4	5.7
Romania	-1.2	2.1	5.7	5.1	5.2	8.4	4.1	6.7	5.1
United States	4.4	3.7	0.8	1.6	2.5	3.9	3.2	3.2	2.7
Japan	-0.2	2.9	0.4	0.1	1.8	2.3	2.6	2.8	2.4

Source: Eurostat, Oct 2006

Table 3. Romanian economy – relatively small, but with a vast potential

	Population		GDP	
	Million - Jan. 1, 2005	%	Euro bn, market prices, 2005	%
UE-25	459.5	100	10,769	100
Germany	82.5	17.9	2,244	20.8
Poland	38.1	8.3	242	2.2
Romania	21.6	4.7	77	0.7 (15 **)
Hungary	10.0	2.2	88	0.8
Bulgaria	7.7	1.7	21	0.2

* GDP at PPS (purchase power standard)

Source: Eurostat, Jul. 2006

Table 4. Intensity of exports' development factors

	Weight in total exports (%)							
	1996				2003			
	Natural resources intensive	Low skilled labor force intensive	Capital intensive	Highly skilled labor force intensive	Natural resources intensive	Low skilled labor force intensive	Capital intensive	Highly skilled labor force intensive
Romania	22.7	39	19.9	18.4	22.7	40.5	19.0	17.8
Bulgaria	37.7	17.1	28.3	16.9	34.0	32.2	18.9	14.9
Poland	30	28.3	19.1	22.6	21.5	23.8	24	30.7
Hungary	31.1	19.3	30.2	19.3	13.2	10.3	53.9	22.7
Russian Federation	70.7	3.0	11.9	14.4	77.1	1.2	11.6	10.1

Source: „From Disintegration to Reintegration: Eastern Europe and the Former Soviet Union in International Trade", World Bank, 2006

Table 5. Competitiveness of trade with the EU-15

	Exports in 2003, USD mil.	Factors that determined the change in exports between 2000 and 2003, USD mil.			Factors determining the change in export between 1996 and 2003, USD mil.		
		Demand	Competitiveness	Diversification	Demand	Competitiveness	Diversification
Romania	12,723	2,042	3,433	95	2,351	5,612	95
Bulgaria	4,272	346	827	59	929	1,033	57
Poland	33,736	7,637	6,388	-106	9,691	10,437	-39
Hungary	28,219	6,128	1,552	642	8,780	7,465	637
Russian Federation	48,448	1,501	12,799	-2,747	9,141	12,670	-3,336

Source: „From Disintegration to Reintegration: Eastern Europe and the Former Soviet Union in International Trade", World Bank, January 2006

Table 6. Competitiveness of intra-regional trade of goods

	Exports in 2003, USD mil.	Factors that determined the change in exports between 2000 and 2003, USD mil.			Factors determining the change in exports between 1996 and 2003, USD mil.		
		Demand	Competitiveness	Diversification	Demand	Competitiveness	Diversification
Romania	2,703	1,010	-39	-171	933	399	36
Bulgaria	1,749	552	22	-236	1,051	-692	3
Poland	9,133	4,630	3,933	-4,294	4,329	6,336	-3,399
Hungary	6,338	2,010	576	8	2,230	1,136	-24
Russian Federation	37,361	12,930	-11,634	-661	62,601	-34,643	1,174

Source: „From Disintegration to Reintegration: Eastern Europe and the Former Soviet Union in International Trade", World Bank, January 2006