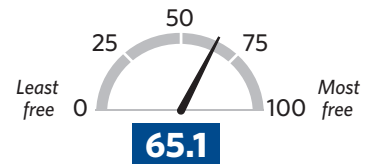


ROMANIA

Economic Freedom Score



World Rank: **59** Regional Rank: **28**

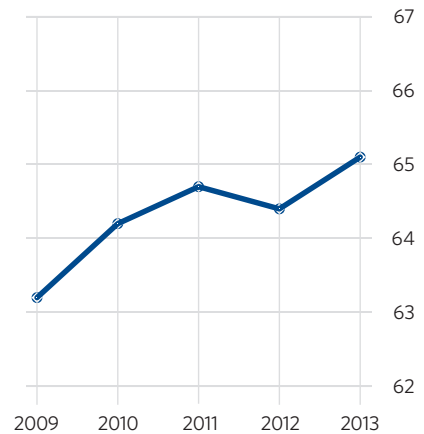
Romania's economic freedom score is 65.1, making its economy the 59th freest in the 2013 *Index*. Its score is 0.7 point better this year, with improvements in the management of government spending and labor freedom outweighing a modest decline in freedom from corruption. Romania is ranked 28th out of 43 countries in the Europe region, and its overall score is higher than the world average.

The global financial and economic turmoil forced the Romanian economy to endure sharp structural adjustments. Despite the challenging political environment, Romania has undertaken needed reform measures that include spending constraints and labor market reforms. Recovering from the severe shock of the crisis, it continues to place a high priority on restoring fiscal sustainability and strives to enhance overall economic competitiveness.

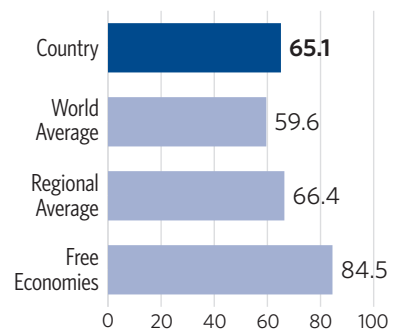
Romania's ongoing transition to a more resilient market-oriented economy has also been facilitated by its adherence to maintaining openness to global commerce and the efficiency of business regulations that promote entrepreneurial dynamism. Nonetheless, perceived corruption, exacerbated by a relatively inefficient judicial system, undermines the foundations of economic freedom and undercuts the prospects for dynamic long-term economic expansion.

BACKGROUND: Romania is a member of the European Union and NATO. Center-right Traian Băsescu won the presidency in December 2009 for a second time. Băsescu has survived a series of impeachment attempts. The most recent attempts to remove him from power have been led by center-left Prime Minister Victor Ponta. The results of a recent public impeachment referendum were struck down by the Constitutional Court due to low voter turnout. Romania experienced a deep economic recession as a result of the 2008 global financial crisis but has returned to modest growth. Geostrategically positioned on the Black Sea, Romania has diverse energy resources and a productive agriculture sector. Macroeconomic improvements since the mid-1990s have spurred the growth of the middle-class and helped to reduce poverty.

Freedom Trend



Country Comparisons



Quick Facts

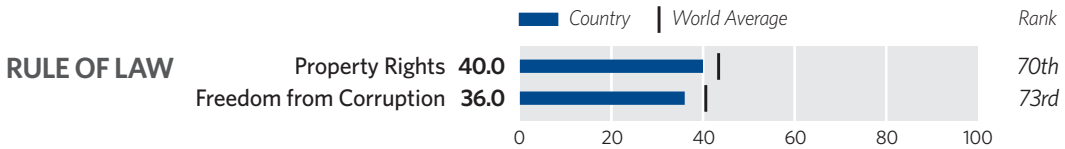
- Population:** 21.4 million
- GDP (PPP):** \$267.2 billion
- 2.5% growth in 2011
- 5-year compound annual growth 1.4%
- \$12,476 per capita
- Unemployment:** 5.1%
- Inflation (CPI):** 5.8%
- FDI Inflow:** \$2.7 billion
- Public Debt:** 33.0% of GDP

How Do We Measure Economic Freedom?

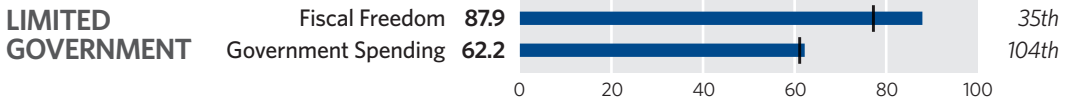
See page 477 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2011 data unless otherwise noted.
Data compiled as of September 2012.

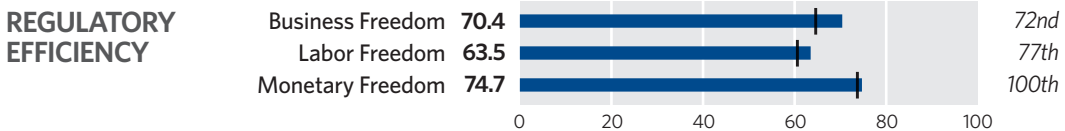
THE TEN ECONOMIC FREEDOMS



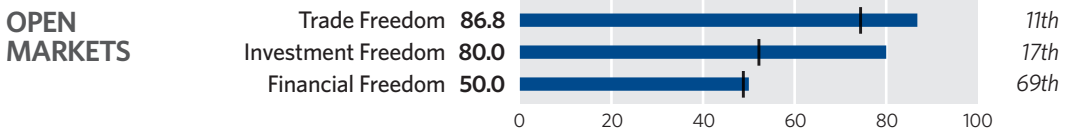
The rule of law is uneven, and contracts are not always strongly upheld. The judicial system suffers from political interference, inefficiency, and excessive workloads. Enforcement of legislation protecting patents, trademarks, and copyrights is very weak. Long-time public mistrust of government due to widespread public-sector corruption has been exacerbated by an erosion of democratic accountability since the beginning of the financial crisis in 2008.



Both the income and corporate tax rates are a flat 16 percent. Other taxes include a value-added tax (VAT) and an environmental tax. The overall tax burden equals 26.5 percent of total domestic income. Government spending is equivalent to 35.5 percent of total domestic output. The deficit has been narrowing, and public debt is about 30 percent of GDP. Recently implemented austerity measures have caused a political backlash.



The processes for business formation and operation have been streamlined. Launching a business takes six procedures and 10 days, although completing licensing requirements continues to be time-consuming. Efficient bankruptcy procedures and rules have not been fully implemented. Labor regulations remain rigid, although several amendments to improve the flexibility of the labor code have been made. Inflation is relatively high.



The trade-weighted average tariff rate is a low 1.6 percent as in other members of the European Union, although there are some non-tariff barriers that increase the cost of trade. Foreign investment is encouraged officially but discouraged in practice by regulatory inconsistency, unpredictability, and a lack of transparency. The evolving financial sector is open to competition, with foreign-owned banks dominating the banking sector.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	+0.5	Business Freedom	-0.1	Trade Freedom	-0.3
Freedom from Corruption	-1.0	Government Spending	+7.1	Labor Freedom	+0.9	Investment Freedom	0
				Monetary Freedom	+0.4	Financial Freedom	0