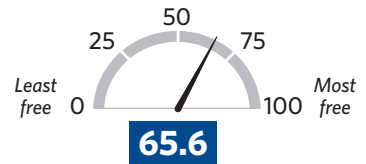


ROMANIA

Economic Freedom Score



World Rank: **61**

Regional Rank: **29**

Recovering from the severe shock of the recent global financial crisis, Romania continues to place a high priority on restoring fiscal sustainability and improving competitiveness by easing and rationalizing the regulatory burden. Modest economic growth has resumed, and the government has made progress in reducing the public debt and budget deficit. The pace of privatization and restructuring of state-owned enterprises has slowed, yielding mixed results.

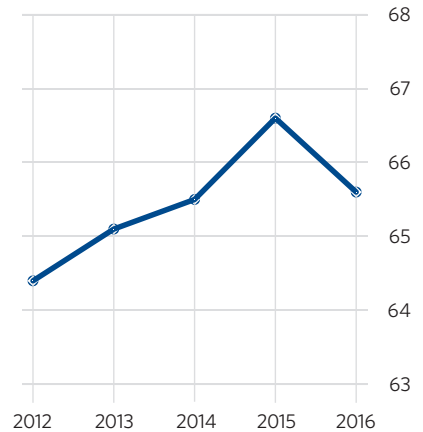
ECONOMIC FREEDOM SNAPSHOT

- 2016 Economic Freedom Score: **65.6 (down 1 point)**
- Economic Freedom Status: **Moderately Free**
- Global Ranking: **61st**
- Regional Ranking: **29th in Europe**
- Notable Successes: **Trade Freedom and Monetary Freedom**
- Concerns: **Rule of Law and Labor Freedom**
- Overall Score Change Since 2012: **+1.2**

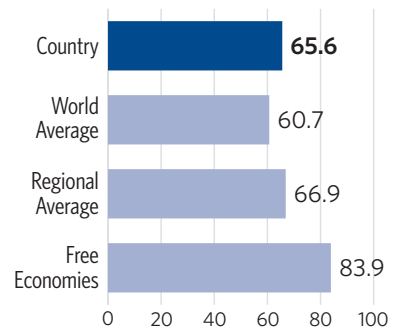
Lingering institutional shortcomings make it difficult to enhance respect for the rule of law. High levels of corruption exacerbated by a relatively inefficient judicial system weaken the prospects for dynamic long-term development.

BACKGROUND: Romania's transition to a free-market economy began with the adoption of its new constitution in 1991. In the post-Cold War period, Romania developed closer ties with Western Europe and was accepted into NATO in 2004 and the EU in 2007. Prime Minister Victor Ponta of the center-left Social Democrat Party resigned in November 2015 following protests over government corruption sparked by a fatal nightclub fire. President Klaus Iohannis invited Dacian Ciolos, former European Commissioner for Agriculture and Rural Development, to form a caretaker government of technocrats until new elections in 2016. In addition to its strategic position on the Black Sea, Romania has extensive natural resources, a productive agriculture sector, and the potential for strong growth in industry and tourism.

Freedom Trend



Country Comparisons



Quick Facts

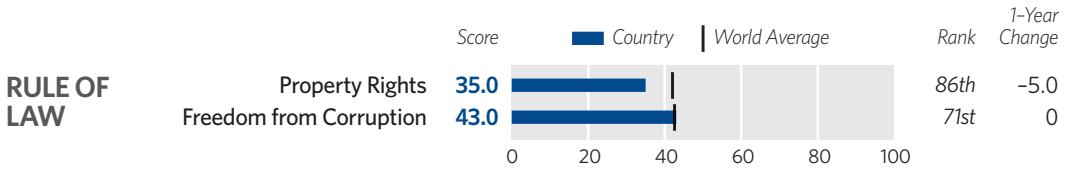
- Population:** 19.9 million
- GDP (PPP):** \$392.8 billion
- 2.9% growth in 2014
- 5-year compound annual growth 1.4%
- \$19,712 per capita
- Unemployment:** 7.0%
- Inflation (CPI):** 1.1%
- FDI Inflow:** \$3.2 billion
- Public Debt:** 40.4% of GDP

How Do We Measure Economic Freedom?

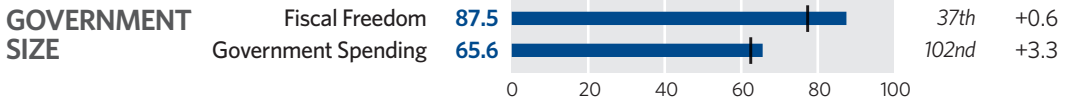
See page 467 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2014 data unless otherwise noted.
Data compiled as of September 2015.

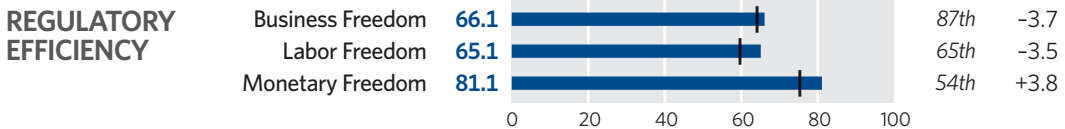
THE TEN ECONOMIC FREEDOMS



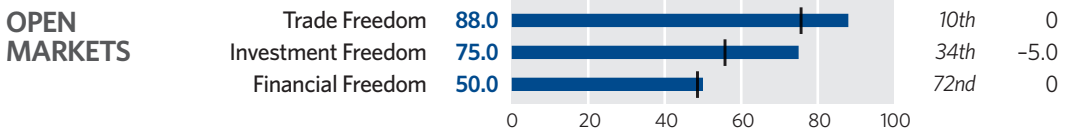
In 2015, Prime Minister Victor Ponta was charged with fraud, tax evasion, and money laundering dating back to his days as a lawyer before he was elected in 2012. He refused to step down during the trial. Romania has struggled to meet the European Union’s anti-corruption requirements amid resistance from much of the political class. The courts are underresourced and subject to chronic corruption and political influence.



Both the personal income and corporate tax rates are a flat 16 percent. Other taxes include a value-added tax and an environmental tax. The overall tax burden equals 27.2 percent of total domestic income. Government spending amounts to 33.8 percent of total domestic output. The deficit has been narrowing, and public debt is about 40 percent of GDP. Rising spending pressures have made fiscal policy a political battleground.



The processes for business formation and operation have been streamlined, but 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 adopted. The IMF reported in 2015 that Romania’s poor infrastructure is due partly to the dominance of inefficient and subsidized state-owned enterprises.



EU members have a 1 percent average tariff rate. Trade agreements are currently being negotiated with countries that include the United States and Japan. State-owned enterprises distort the economy. The evolving financial sector is open to competition, and foreign-owned banks dominate the banking sector. The number of non-performing loans has been reduced considerably since their peak in 2013.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+48.1	Business Freedom	+11.1	Trade Freedom	+9.0
Freedom from Corruption	+33.0	Government Spending	+13.4	Labor Freedom	+9.6	Investment Freedom	+5.0
				Monetary Freedom	+81.1	Financial Freedom	0