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Discovering Thoughts, Inventing Future

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FDI and its Impact on Indian Economy

By P. Shankar & Dr. S. Ramachandran

Thiruvalluvar University, India

Abstract- FDI Is Direct Investment Into Production or Business In A Country By A Company In Another Country, Either By Buying A Company or By Expanding Operations of An Existing Business In Target Country. Fdi Is In Contrast To Portfolio Investment Which Is A Passive Investment In The Securities Of Another Country Such As Stock And Bonds.

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FDI and its Impact on Indian Economy

P. Shankar^α & Dr. S. Ramachandran^ο

Abstracts- Fdi Is Direct Investment Into Production Or Business In A Country By A Company In Another Country, Either By Buying A Company Or By Expanding Operations Of An Existing Business In Target Country. Fdi Is In Contrast To Portfolio Investment Which Is A Passive Investment In The Securities Of Another Country Such As Stock And Bonds.

I. INTRODUCTION

FDI is a form of long term international capital movement, made for the purpose of productive activity and accompanied by the intention of managerial control or participation in the management of foreign firm. The role of FDI in the up-gradation of technology, skills and managerial capabilities is well accepted additional investment over and above investment possible with the available domestic resources helps in providing much needed employment opportunities.

II. HISTORY OF FDI IN INDIA

At the time of independence the attitude towards foreign capital was one of fear and suspicion. This was natural on account of the previous exploitative role played by it in draining away resources from this

country. FDI was introduced in 1991 under Foreign Exchange Management Act (FEMA) RBI has issued Notification No. FEMA 20/2000-RB dated 3rd May 2000, driven by Finance Minister Mr. Manmohan Singh.

Our Union Ministers are now worried about the devaluation of the Indian Rupee for a relief from this sickening worry the central government has permitted Foreign Direct Investment (FDI) in 12 areas of operation on 18th June 2013.

In the telecommunication sector what was 74% FDI has now become 100%. In the insurance sector it is now 49% against the previous 26%. In the construction (infrastructure) sector it is now 100% and in the defense sector it is 26%. In all FDI has been raised in 12 different sectors but we should have taken enough caution before permitting FDI in to India.

III. INDUSTRIAL SECTOR OF FDI IN INDIA

India's greatest advantage is its 123crores population of which 65% (80crores) are below age group of 35years. The market scenario in India is therefore more promising with more middle class people with the capacity to buy. That is why Multi-National Companies (MNCs) have emerged in India.

IV. SECTORIAL ANALYSIS OF TOP 10 SECTORS FDI INFLOWS IN INDIA

a) Sector wise FDI inflows (Rupees in Crores)

SECTORS	2009-10 (Apr-Mar)	2010-11 (Apr-Mar)	2011-12 (Apr-Mar)	Cumulative Inflows	% of Total Inflows (in terms of US\$)
Service Sector	19945	15053	24656	145764	19%
Telecommunication	12270	7542	9012	57078	07%
Construction	13469	4397	13672	52253	07%
Computer & Hardware	4127	3551	3804	50118	07%
Housing & Real Estate	14027	5600	3443	49717	07%
Chemicals (Other than Fertilizers)	1726	1812	36227	47904	06%
Drugs	1006	961	14605	42868	05%
Power	6138	5796	7678	33214	04%
Automobile	5893	5864	4347	30785	04%
Metallurgical Industries	1933	5023	8348	26936	03%

Source: fact sheets on fdi, fipb

IV. FDI AND ECONOMIC DEVELOPMENT IN INDIA

FDI has an important impact on country's trade balance increasing labour standards and skills, transfer of technology and innovative ideas, skills and the general business climate. FDI also provides opportunity for technological transfer and up-gradation, access to global managerial skills and practices, optimal utilization

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of human capabilities and natural resources, making industry internationally competitive, opening up export markets, access to international quality goods and services and augmenting employment opportunities.

V. CONCLUSIONS

According to report from Global Competitive Index (2007-08) published by World Economic Forum (WEF), India has been ranked at 48 out of 131 countries. India is attracting a low level of FDI largely due to poor business environment prevailing in the country. It might be of interest to note that more than 50% of the total FDI inflows received by India during the period from 1991 – 2010 came from Mauritius and USA. Investors based in many countries have taken advantage of India. Investors are showing their growing confidence in the immediate and medium term prospects of Indian economy. However, one should not forget that FDI alone is not a solution for eradication of poverty and unemployment which is a big headache to our nation.

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Economic Impact of Transient Vacation Rentals (TVRs) on Maui County, Hawaii

By Dr. Prahlad Kasturi & Dr. Thomas Loudat

Radford University, United States

Introduction- Following a national trend, home-based businesses grew in Maui County during the 1990s. Some Maui County residents engaged in the vacation rentals business in order to serve the tourism industry. They did this by renting their homes or part of their homes as transient vacation rentals (TVRs). According to a former Mayor, the Maui County Council in the early nineties focused on growing the home-based vacation rental segment of tourism. This was then seen as part of an expanding worldwide trend. The public then clearly and enthusiastically supported incorporating the industry into the community as a growth industry (Arakawa, 2007).

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Economic Impact of Transient Vacation Rentals (TVRs) on Maui County, Hawaii

Dr. Prahlad Kasturi ^α & Dr. Thomas Loudat ^σ

I. INTRODUCTION

Following a national trend, home-based businesses grew in Maui County during the 1990s. Some Maui County residents engaged in the vacation rentals business in order to serve the tourism industry. They did this by renting their homes or part of their homes as transient vacation rentals (TVRs). According to a former Mayor, the Maui County Council in the early nineties focused on growing the home-based vacation rental segment of tourism. This was then seen as part of an expanding worldwide trend. The public then clearly and enthusiastically supported incorporating the industry into the community as a growth industry (Arakawa, 2007).

However, all home occupations had to go through a lengthy, difficult permitting process to bring their TVR businesses in compliance with the existing law. Only a few of the TVRs operating in Maui County are registered and have had the necessary special use permits. There have been past assurances from the Maui County Government to not enforce outdated regulations pending passage of a new vacation rental ordinance.

The former Chairman of the Maui County's Land Use Committee produced a new bill proposing legitimizing TVRs in 2006. However, this bill was rejected by the County Council in February 2007. The new Maui Planning Department's draft bill for Bed & Breakfast rentals and TVRs reviewed by various planning commissions on the islands of Maui, Molokai and Lanai in 2008 were seen as being more restrictive. If passed, the bill would have likely eliminated many TVRs operating in Maui County (Eagar, 2007).

This study on the economic impact of TVRs on Maui County was commissioned by the Realtors Association of Maui (RAM) in 2008 to inform the debate on the Planning Department's draft bill and to underline the economic consequences of the Department's announcement to enforce the law and shut down TVRs without permits by January 1, 2008. (According to an update by Dave Deleon, Government Affairs Director of RAM, our study reported here was a key factor in the eventual and successful passage of the 2009 Bed & Breakfast Ordinance in Maui County). Since TVRs are

Essentially small businesses, it is important to recognize the potential adverse effects and unintended consequences of regulation. Determining such negative consequences of regulation was also the purport of Senate Bill 188 (Act 217) which was signed into law in 2008 by the Governor of the State of Hawaii. It may be noted that small businesses in Hawaii employ about 60 percent of the workforce (Hawaii Department of Business, Economic Development and Tourism, 2007).

There has been only one previous documented study regarding the Transient Vacation Rentals on Maui done by The Kauaian Institute in 2005. The market segment assessment study provided a comparative analysis of The geographic and economic footprint of transient vacation rentals on Maui. The two significant findings from this study were a count of 1095 TVR units in Maui following an intensive search process (which shows an under count of TVRs in official figures reported by DBEDT) and an estimate of \$38 million in lodging revenues received by TVRs in 2003.

Our study updates the earlier study by using officially reported data for 2006 and uses the Hawaii Input-Output Table also used by The Kauaian Institute to measure the impact of TVR lodging revenues on output, earnings and employment in Maui County. Developing a new separate estimate of TVR lodgings in Maui County either through an intensive or extensive search process was beyond the scope of this research endeavor. Section II provides a discussion of various externalities associated with vacation rentals in various parts of the US Mainland as well as in Maui County. In the third section the results of the present study are examined and analyzed. The last section discusses the policy implications of our research investigation.

II. EXTERNALITY IMPACTS OF TRANSIENT VACATION RENTALS (TVRs)

According to the US Travel Association, the U.S. travel industry garnered approximately \$758.7 billion from domestic and international travelers excluding international passenger fares in 2010. The estimated impact of these travel expenditures, resulted in 7.4 million jobs with over \$188.4 billion in payroll income for Americans, as well as \$117.6 billion tax revenue for federal, state and local governments (US Travel Association, 2011).

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It is not surprising, then, that given the vast potential of the tourism industry and its growth trend, many home-based businesses have turned their attention to serving travelers. Homes are being used to operate travel agencies or to offer lodgings to visitors as either bread and breakfast establishments or transient vacation rentals. Over the past two decades, the spread of the internet, e-commerce, and web-based advertising have all contributed to increasing the travel related segment of home-based businesses. There has also been growth in the number of firms providing specialized software for home-based businesses and facilitating monetary transactions on-line. As mentioned earlier, home-based businesses afford greater sense of freedom, provide earnings for proprietors and have become a significant source of employment generation in the country.

However, in many resort areas of the country, short-term vacation rentals are also having externality impacts on the local community. In economic theory, an externality occurs if the benefits or costs of a good are passed on to or 'spill over' to someone other than the buyer or seller of the good. The presence of externalities signifies market failure. This means that either the market produces "wrong" amounts of the goods or services in question or fails to allocate any resources to producing such goods or services even when fully justified economically through a consideration of benefits and costs. If costs of the good or service are inflicted on a third party without compensation it is referred to as a negative externality. Relative to market allocation of resources which is 'efficient' (in the absence of externalities), there is over allocation of resources to the production of the good or service in the presence of a negative externality.

Likewise, sometimes externalities associated with some goods or services are beneficial to other producers and consumers. These uncompensated spillovers accruing to third parties or the community at large are called positive externalities. Typically, the presence of beneficial externalities indicates under allocation of resources for goods and services that generate them.

One of the earliest studies on the issue of vacation home development was regarding rural Vermont (Fritz, 1982). In Vermont, rural areas with natural amenities have had a history of using the tourist industry as a means of importing economic development. Since the 1950s urbanites from southern New England and New York have sought recreational facilities in Vermont. The tourist industry promoters focused on the beneficial impacts such as improvements in the quality of life, additional employment, tax revenues, income and induced investments in a state that had traditionally high levels of poverty. Furthermore, it was felt that the impact on the tax base would be positive so local land owners would face lower property

taxes. The argument was also advanced that the physical quality of life would improve due to an increase in local public goods and services demanded by vacationers without an increase in the property tax paid by landowners. The study by Fritz (1982) investigated the residential tax burden in about 240 Vermont towns. This study showed that problems may exist when attempting to rely on vacation home development as a method for inducing regional development. Under certain circumstances, increase in town land allocated for vacation homes was significantly associated with increasing tax burden on residential property. The incidence of occurrence was most apparent for smaller towns (less than 1000 population) although this result was significant for all 240 towns tested. It was suggested by the author that positive effects such as increased property values may offset the disadvantage of increased tax burden.

In the City of Encinitas, California a proposed Major Amendment No. 2-05 (Short Term Vacation Rentals) to the City's Local Coastal Program would have served to prohibit short-term vacation rentals in all residential zones throughout the city (California Coastal Commission, 2006). The amendment cited conflicts between residents and visitors involving late night disturbances, excessive noise, parking problems and trash especially in areas near the shoreline. In this case, the staff recommended to the commissioners that the California Coastal Commission (dated January 25, 2006) reject the amendment as this would eliminate a significant source of overnight visitor-serving accommodations and therefore was inconsistent with the Coastal Act. The Coastal Act promotes and preserves a full range of public access opportunities along the coast, including provision of accessible and affordable visitor-serving commercial facilities which serves and support coastal visitors. The City had performed an internet search for vacation rentals and found at least 112 residences or condominiums that were advertised for short-term rentals. The majority of the identified residential units were located on the bluffs overlooking the ocean in the northern section of Encinitas in the community called Leucadia. The rental rates varied from \$750-\$3,750 per week in the low season (average \$1564) to \$850-\$6000 per week in the high season (average \$2414). Despite the fact that the upper limits of these ranges could not be classified as low cost lodgings, short term rentals still offered a more affordable and desirable accommodation for many parties, especially families.

Another major reason to reject the Amendment was its inconsistency with the California Environmental Quality Act (CEQA) as the amendment would have an adverse impact on visitor serving accommodations and low-cost recreational facilities. Provisions of CEQA also state that amendments will not be approved or adopted as proposed if there are feasible alternatives or feasible

mitigation measures available which would substantially lessen any significant impact the activity may have on the environment.

The Staff recommendations also pointed out that the Commission had approved a Local Coastal Program (LCP) amendment to allow short-term rentals in residential and mixed residential zones within the Shelter Cove community in Humboldt County affecting approximately 2,300 lots. The Humboldt County LCP Amendment request was approved after modifications that required specific regulations for vacation rentals in terms of managing the number of occupants, parking and other related impacts, so as to not unduly impact local residents. The Commission previously had rejected an LCP amendment to ban vacation rentals in all residential zones in the City of Imperial Beach in 2002 noting that the proposal was excessively restrictive discouraging tourist related uses and visitor accommodations.

Renting out a home as a vacation rental is not considered a commercial use in San Juan County in Washington and is allowed in residential areas. However, homeowners must obtain a conditional use permit (Kivista, 2004). A concern over accessory dwelling units (ADUs) that may be attached or detached was noted. Detached ADUs were more likely to be used for vacation rentals and provide housing for caregivers. Attached ADUs were more likely to be used for family and other personal guests. On the positive side, transient rentals earned income for the owners such that changing the rules could cause "economic harm." Conversely, on the negative side, transient rentals limited housing to residents, devalued surrounding properties and impacted water systems due to increased density. There was general consensus that ADUs historically had provided affordable housing (San Juan County Growth Management, 2004). In order to mitigate the TVR problem, property owners with transient rental permits were assessed taxes 15 percent higher than similar buildings without a permit in 2005. In addition, all of the personal property in the transient rental properties became subject to personal property tax. The transient rentals are also subject to sales and hotel/motel taxes (San Juan Islander, 2005). Property owners of transient vacation rentals had to also provide a contact number that is available 24 hours a day although the number did not have to be local (San Juan Islander, 2002).

Big Bear nestled in the San Bernardino Mountains in California had a 2008 Ballot Measure initiative which sought to improve the quality of transient rentals by improving the safety and security of guests, provide remedies for unruly and unlawful overnight uses and encourage currently unregistered rentals to become licensed and provide residents with notice of each proposed commercial use of a residence in their neighborhoods (Big Bear Initiative, 2008). This was later removed from the November ballot as a judge ruled that

signatures collected for the initiative failed to comply with the state elections code.

The discussions over Transient Vacation Rentals in Hawaii to some degree have mirrored the various concerns expressed by various communities and towns on the US mainland.

On Oahu, a significant concern over Transient Vacation Rentals is that it destroys the residential character of neighborhoods and turns them eventually into resort areas (Au, 2007). Other concerns include the fact that TVRs introduce a constant flow of strangers into the neighborhood and impact rental housing availability, rent prices, property taxes and the property rights of neighbors (Bartley, 2005).

In Maui, there has been concern over the long run stock of housing for residents due to transient vacation rentals, Ohana units being converted to TVRs and their impact on local lifestyles (Eagar 2007). There is also fear that TVRs would urbanize agricultural and rural areas (Watanabe, 2007).

A record of Maui county zoning complaints from January 1999 through August 2005 shows that noise, late parties, traffic congestion, illegal structures or illegal modeling, disturbances and parking on street are some of the negative externalities associated with TVRs on Maui (Maui Vacation Rental Association, 2006). The most frequent complaint (10) was regarding disturbances from TVRs. However, according to testimony provided before the County's planning Committee on February 13, 2007, Planning Director Jeff Hunt stated on the record that the complaints against TVRs to his department were quite low. It amounted to 3 percent of all complaints on zoning matters.

In sum, the literature review of the problem in different locations clearly indicates the existence of a number of externality related issues with respect to transient vacation rentals. Whereas the impacts on output, employment, earnings and tax revenues are generally positive, there are other costs associated with the operations of TVRs related to disturbances, parking, water and sewer services, pressures on the long run stock of housing, on the character of residential neighborhoods, and the urbanization of agricultural and rural lands. There is also concern over the safety and security of the guests as well as the residents.

An extended cost-benefit analysis, which incorporates valuation of both positive and negative externalities often used for social decision making, is again beyond the scope of this report. However, it may be noted that there are a number of management tools in economic theory to manage externalities and make the social and economic outcome more efficient. As referenced above, these involve tools such as legislations, fines and specific taxes to deal with negative externalities and subsidies for consumers and Producers and provision of public goods and services in the case of positive externalities.

III. ECONOMIC IMPACTS OF TRANSIENT VACATION RENTALS (TVRs) ON MAUI COUNTY

The only other documented research regarding the impact of TVRs on Maui was done by The Kauaian Institute in August 2005. Although some definitional and legal differences exist between Bed & Breakfast Rentals and other private homes available for short-term rentals, in this study, all such rentals are considered to be Transient Vacation Rentals (TVRs).

a) Data Sources

The American Community Survey, for Maui County Hawaii done by the US Census Bureau for 2006 is used for this study. This provides a Population and Housing Narrative Profile and is an up-date over the US Census Bureau figures for 2000.

Information regarding total number of visitors, average length of stay, demand for lodging types, total visitor expenditures, visitor plant inventory by islands was all found through perusing DBEDTs Annual Visitor Research Reports from 2000-2007. We also used the input-output tables to make impact estimates using 2006 data consistent with The Kauaian Institute estimates that used data for 2003. This study, in essence, up-dates the impacts from the previous study for a year for which complete data exists.

Information on TVR visitor expenditures was derived by means of private communication with DBEDT officials.

The Kauaian Institute conducted searches over the internet and in the print media to provide the best available estimate of TVRs in Maui County. We have reported the total counts of B & Bs and other TVRs from both sources, namely, DBEDT and The Kauaian Institute as we did not investigate the numbers ourselves. There is no district-wise information regarding TVRs in Maui County in our report due to time constraints.

b) Data Comparability

DBEDT reported 653 transient vacation rentals (TVRs) in Maui County and 617 on Maui Island in the 2006 Annual Visitor Report. The study done by The Kauaian Institute estimated the number of TVRs on Maui Island alone to be 1095 units (295 Bread & Breakfast units and 800 Single-family units) by July 2005. The Kauaian Institute estimate of the number of TVRs on Maui Island thus exceeds that estimated by DBEDT by 478 or 77%.

It is beyond the scope of this analysis to reconcile the difference between the DBEDT and Kauaian Institute estimates via primary research. It seems likely that the DBEDT numbers are from the optional survey on the back side of the Agricultural Declaration Form all inbound travelers fill out. Since the

survey is optional, any TVR estimate based on this data could only accurately estimate the TVR number if there was 100% compliance. This is highly unlikely. Thus, the DBEDT TVR number is conservative, in all likelihood excessively so. In contrast, the Kauaian Institute Study's inventory lists were reviewed area by area by a small group of reliable, professional TVR booking agents specializing in those areas. The review eliminated duplicates (same property, different website, possibly different property name, etc.), confirmed the number of rental units on the property, confirmed if it was B&B or TVR, and provided additional (below the radar) units that were not initially found.

In our opinion, the comprehensive nature of this primary data collection process performed by the Kauaian Institute would result in a more accurate count of the (2003) TVR number than the (optionally reported) DBEDT data. Thus, the Kauaian Institute's estimated Maui County TVR number is used for our analysis purposes.

In estimating the market share for visitor lodgings by accommodation types in Maui County we had to drop the data for 2000 and 2001 as information on TVRs are not strictly comparable with information given for most recent years.

c) Maui County Housing Characteristics

The American Community Survey of Maui County done by the US Census Bureau in 2006 reported 64,000 housing units in the county. Of these, 48,000 were occupied dwellings.ⁱ The number of owner-occupied dwellings was 28,000 and the number of renter-occupied dwellings was 19,000.ⁱⁱ

The Maui County Census survey data suggests that 25 percent (16,000) of the 64,000 housing units are unoccupied dwellings. It is not clear how many of those unoccupied homes are "seasonal" homes. Approximately, 64 percent of the housing units are single-unit structures and the other 36 percent multi-unit structures. This implies that in percentage terms, TVR units accounted for 1.71 percent of all housing units available in Maui County or 2.28 percent of all occupied Housing Units.

d) Number of Maui Visitors

Table 1 shows the Maui County Lodging Demand by Visitor Lodging Choice. Table 1 shows that between 2000 and 2006, total visitors to Maui County increased from 2,246,253 visitors to 2,477,316 visitors, a gain of 10.3 percent. The figures for the total number of visitors were down for years 2001 through 2004 compared to a 2000 base year, but recovered in 2005 and posted a successive gain in 2006. Economic forecasts are for visitor numbers to remain relatively flat for the 2007-2008 period before resuming an upward trend in 2009.

Table 1 : Maui County Lodging Demand by Visitor Lodging Choice(Source: *Hawaii Visitor Research Reports 2000-2006, DBEDT*)

Lodging Type	2000	2001	2002	2003	2004	2005	2006
Hotel*	1,273,679	1,102,568	1,099,959	1,097,701	1,088,990	1,077,167	1,040,891
Condo*	498,425	447,965	434,100	478,093	473,284	504,137	522,327
Timeshare*	65,471	87,474	108,050	111,191	127,455	147,042	178,568
Bed & Breakfast	31,217	27,746	28,737	29,082	27,469	28,924	30,599
Friends / Relatives	124,978	119,190	143,309	144,866	141,700	151,341	169,752
Mixed**	252,483	263,824	325,272	335,514	348,928	437,869	535,179
Total Visitors	2,246,253	2,048,768	2,139,427	2,196,447	2,207,826	2,346,480	2,477,316

* These accommodations only. **Staying in multiple accommodations

e) *TVR Share of Maui Visitors*

Table 2 shows that the number of visitors staying in transient vacation rentals (TVRs) increased from 59,115 visitors in 2000 to 105,967 visitors, a gain of 79.3 percent over the period. The number of visitors staying in TVRs as a share of all visitors to Maui County (including those staying with families and friends) was 4.3 percent in 2006, up from a 2.8 percent level in 2000 (derived from Tables 1 & 2). This 2000 to 2006 increase

in the percentage of total Maui visitors staying in TVRs equals 53.5 percent. The size of the absolute increase in Maui visitors staying in TVRs and the increase in the visitor percentage of total Maui visitors staying in TVRs suggests an increasing visitor preference of TVR accommodations on Maui with time when viewed in the context of a much smaller (10.3 percent) increase in total Maui visitors over this same time period.

Table 2 : Maui County TVR Demand by Visitor Number

Year	Rental Houses	B&B	TVR Total
2006	75,368	30,599	105,967
2005	65,195	28,924	94,119
2004	54,624	27,469	82,093
2003	49,232	29,082	78,314
2002	17,220	28,737	45,957
2001	23,061	28,780	51,841
2000	26,558	32,557	59,115

f) *Visitor Demand and Market Share of Lodgings by Accommodation Type for Maui County*

Table 3 combines Tables 1 and 2 data to more clearly reflect the TVR demand segment of the lodging market. Table 3 also eliminates the "Friends and Family" category as this category of visitor does not constitute demand for market lodgings. We characterise the lodging market serviced by hotels, condos and

timeshare as the "institutional" market as these lodging providers are generally managed by third party institutions, not the lodging owner as is the case for a TVR. Table 3 clearly shows that these institutional lodging providers service the largest absolute number of visitors on Maui. However, Table 3 also shows that the market share of visitors they accommodate declined from 86.6 percent in 2000 to 75.5 percent in 2006.

Table 3 : Adjusted Maui County Lodging Demand by Visitor Lodging Choice

Lodging Type	2000	2001	2002	2003	2004	2005	2006
Hotel*	1,273,679	1,102,568	1,099,959	1,097,701	1,088,990	1,077,167	1,040,891
Condo*	498,425	447,965	434,100	478,093	473,284	504,137	522,327
Timeshare*	65,471	87,474	108,050	111,191	127,455	147,042	178,568
TVR	59,115	51,841	45,957	78,314	82,093	94,119	105,967
Mixed**	177,733	197,452	271,916	286,282	330,440	414,952	506,663
Total	2,074,423	1,887,300	1,959,982	2,051,581	2,102,262	2,237,417	2,354,416
Market Share	86.6%	84.9%	82.3%	82.2%	81.8%	78.7%	75.5%

Market share is the sum of that for hotels, condos and timeshares.

Figure 1 shows that of these 3 institutional accommodation types, only timeshare registered any market share gain from 2000 to 2006 (37.6 percent). Mixed accommodations also registered a market gain over this period (55.1 percent) but both gains are significantly less than the market share gain of TVRs,

which showed a 91.6 percent market share increase from 2000 to 2006. This market share gain reinforces the observation just noted. That is, there appears to be an increasing visitor preference for TVR-type accommodation services with time.

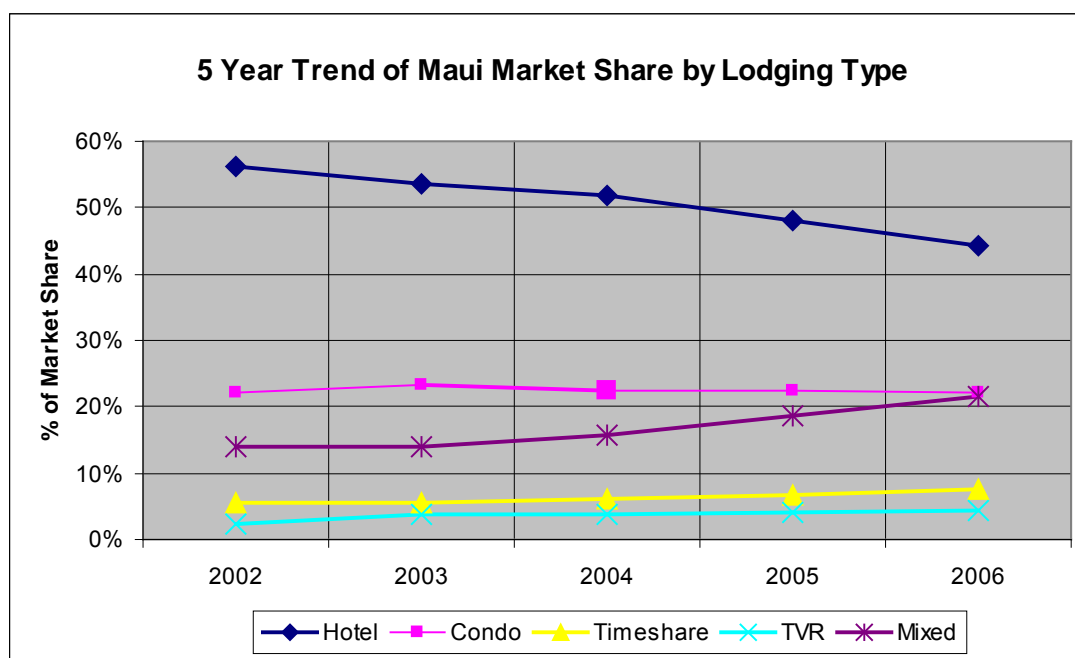


Figure 1 : Market Share by Accommodation Type

g) *Supply of Lodging by Accommodation Type for the State of Hawaii and by Islands*

Table 4 provides information regarding the supply of visitor lodgings by accommodation type for Maui and Statewide. Statewide, the total number of hotel units declined by 0.8 percent and TVRs (i.e. B&Bs + individual vacation units) by 17.3 percent over 2005

levels. In contrast, for Maui County the total number of units declined by only 0.2 percent and the total number of TVRs declined by only 11.0 percent over 2005 levels. It seems reasonable to conclude that the TVR declines statewide as well as in Maui County are the result of regulatory threats by governing authorities.

Table 4 : Supply of Lodgings by Type of Accommodations, State of Hawaii, 2006

Island	Type	Available Units	Properties	Change From 2005
Maui	Apartment/Hotel	37	5	-8
	Bed & Breakfast	122	30	6
	Condominium Hotel	7830	114	321
	Hostel	37	3	0
	Hotel	7595	27	-379
	Individual Vacation Unit	495	71	-75
	Timeshare	1959	16	107
	Other	366	15	0
	Total	18441	281	-28
Moloka'i	Bed & Breakfast	3	2	0
	Condominium Hotel	259	6	0
	Hotel	141	3	0
	Individual Vacation Unit	29	22	-1
	Timeshare	15	0	0

Island	Type	Available Units	Properties	Change From 2005
	Other	4	1	0
	Total	451	34	-1
Lana'i	Apartment/Hotel	1	1	0
	Bed & Breakfast	3	1	0
	Hotel	362	3	0
	Individual Vacation Unit	1	1	-2
	Total	367	6	-2
Statewide	Apartment/Hotel	347	21	-14
	Bed & Breakfast	598	179	-27
	Condominium Hotel	17235	232	1988
	Hostel	342	13	-5
	Hotel	43637	141	-2424
	Individual Vacation Unit	2014	531	-424
	Timeshare	7271	45	344
	Other	1072	54	-48
State Total	Total	72516	1216	-610

Table 4 also shows that TVRs accounted for 3.4 percent of all lodging types in Maui, 7.1 percent on Molokai and 1.1 percent on Lanai. In total for Maui County, TVRs accounted for 3.4 percent of total visitor lodgings which is slightly less than the statewide percentage of 3.6%. Hotel lodgings were less on Maui (42 percent) than statewide (60 percent) but taken with the (institutionalized lodging) categories of condominium hotels and timeshares the percentages are the same (94 percent). These 3 categories would seem to interchange given the condominium and time share conversion of hotel lodging units, the category of which declined accordingly from 2005 to 2006.

It is informative note that TVRs are the largest non-institutionalized providers of lodging units in Maui County as well as statewide. If efforts to regulate the TVR industry are too restrictive the supply of Maui (non-institutionalized) accommodations may be insufficient to service the increasing demand for this accommodation type with potential negative economic impacts.

h) Daily Spending of TVR Visitor

On average, a TVR visitor spent \$159.16 per day in Maui County. Approximately, 47 percent of the amount expended was on lodgings which amounted to \$74.70.ⁱⁱⁱ Expenditures on lodgings were followed by expenditures on food and beverage (\$30.72), transportation (\$16.79), shopping (\$15.38), entertainment (\$15.28) and all other (\$6.29) in order of importance. Thus the average TVR visitor spent \$84.46 daily on other items besides lodging while visiting Maui County.

We perform the estimation of the economic impacts on TVR lodging expenditures as well as total TVR visitor expenditures to highlight the fact that the full economic impact of the TVR industry exceeds the TVR visitor expenditure solely on lodging.

i) Estimated TVR Lodging & Total Related Revenues from TVR Visitors in Maui County

Lodging (Total) Revenues for TVRs = Total Annual Number of TVR Visitors X TVR Visitor Length of Stay X TVR visitor daily lodging (total) expenditures.

Where:

- Maui TVR visitor number (2006) = 105,967 (see Tables 3 or 4)
- Maui TVR visitor daily expenditure
 - Lodging = \$74.70 (as noted above)
 - Total = \$159.16 (as noted above)
- Average length of stay in Maui County per visitor range of estimates:
 - 6.85 days estimated from DBEDT data for Mixed and TVR accommodations
 - 7.36 days estimated from DBEDT data for all types of accommodations
 - 9.5 days estimated by RAM from anecdotal observations.^{iv}

We calculate that total annual lodging and total expenditures of Maui visitors staying in TVRs. The lodging expenditure indicates spending directly related to Maui property owners willingness to supply TVR services to accommodate this visitor market segment. Total expenditures more broadly measure the overall direct economic impact of serving the TVR market segment by TVR property owners. As such, total expenditures more accurately measure the overall economic impact of the TVR industry in Maui County. The economic impact of any reduction of TVR visitors to

Maui due to any policy or regulation reducing the number of TVRs on Maui should use these impact estimates.

- Direct lodging expenditures
 - \$54.2 million for a 6.85 average length of stay
 - \$58.3 million for a 7.46 average length of stay, and
 - \$75.2 million for a 9.5 average length of stay
- Direct total expenditures
 - \$115.5 million for a 6.85 average length of stay of
 - \$125.8 million for a 7.46 average length of stay, and
 - \$160.2 million for a 9.5 average length of stay

10 j) *Economy-wide Impacts of TVR Lodging and Total Expenditures on Maui County*

We used multipliers (Type II) from the 2002 State of Hawaii Input-Output Tables to estimate the economic impacts of Maui TVR visitor lodging and total expenditures. These dollar impacts which include direct, indirect and induced effects for each economic variable are as follows.

- Total output
 - For lodging expenditures^v
 - \$107.9 million from a 6.85 day length of stay
 - \$124.1 million from a 7.36 day length of stay
 - \$160.2 million from a 9.5 day length of stay
 - For total expenditures^{vi}
 - \$229.9 million from a 6.85 day length of stay
 - \$247.0 million from a 7.36 day length of stay
 - \$318.8 million from a 9.5 day length of stay
- Labor income (earnings)
 - For lodging expenditures
 - \$34.2 million from a 6.85 day length of stay
 - \$36.7 million from a 7.36 day length of stay
 - \$47.4 million from a 9.5 day length of stay
 - For total expenditures
 - \$72.5 million from a 6.85 day length of stay
 - \$77.9 million from a 7.36 day length of stay
 - \$100.6 million from a 9.5 day length of stay
- Maui County jobs
 - For lodging expenditures
 - 966 jobs from a 6.85 day length of stay

- 1,038 jobs from a 7.36 day length of stay
- 1,339 jobs from a 9.5 day length of stay

◦ For total expenditures

- 2,508 jobs from a 6.85 day length of stay
- 2,694 jobs from a 7.36 day length of stay
- 3,478 jobs from a 9.5 day length of stay

• Hawaii State taxes

◦ For lodging expenditures

- \$7.4 million from a 6.85 day length of stay
- \$8.0 million from a 7.36 day length of stay
- \$10.3 million from a 9.5 day length of stay

◦ For total expenditures

- \$14.2 million from a 6.85 day length of stay
- \$15.3 million from a 7.36 day length of stay
- \$19.7 million from a 9.5 day length of stay

k) *Fiscal Impacts of TVRs on Maui County*

According to Hawaii Statutes, 44.8 percent of TAT (Transient Accommodation Tax) revenues belong to counties (State of Hawaii Department of Taxation, 2006). Maui's share of the TAT revenues meant for the counties is 22.8 percent (State of Hawaii Department of Taxation Title 14, 1995). According to the Annual Report of the Hawaii State Department of Taxation, Total Transient Accommodations Tax (TAT) for fiscal year 2006 was \$217,008,000 in the State of Hawaii which comprises 4.26% of total State tax revenues for 2006. Thus, the percentage of total state taxes generated by TVRs that would be paid to Maui for its share of the TAT equals 0.971%. Based on this percentage we estimate that Maui County's share of the additional revenues would be as follows.

• Maui TAT from State

◦ For lodging expenditures

- \$72.0 thousand for a 6.85 day length of stay
- \$77.3 thousand for a 7.36 day length of stay
- \$99.8 thousand for a 9.5 day length of stay

◦ For total expenditures

- \$137.8 thousand for a 6.85 day length of stay
- \$148.0 thousand for a 7.36 day length of stay
- \$191.1 thousand for a 9.5 day length of stay

There may be other Maui County-level tax consequences due to the current operation of TVRs. Based on the review of other studies presented above it is uncertain if these (property) tax consequences would be positive or negative.

A possible revenue opportunity for Maui County would be to increase property tax collections due to increased assessments of TVR building structures, improvements and associated land value in case TVRs are allowed to operate legitimately. It may be noted that Maui county government has already moved in this direction by imposing on the timeshare industry a much higher real property tax rate by creating a new tax category called timeshares in 2004 (Kalapa, 2005).

The justification for a new property tax category is that the Transient Accommodations Tax, or TAT is determined on the basis of the "fair market value." In the case of time share units it has been defined as "an amount equal to one-half the gross daily maintenance fees that are paid by the owner." An equivalent type of category could be created for TVRs.

l) Visitor Reductions and Substitutions Due to TVR Regulation

A reduction in TVRs could reduce the Maui visitor number if TVR visitors cannot or choose not to use an alternative lodging type if TVR lodgings are unavailable due to regulatory impacts. It is beyond the scope of this research report to address the issue of any TVR reduction on the Maui visitor number. However, one can reasonably surmise that in a competitive global market place with the capacity to provide a potpourri of lodging types, informed budget-conscious visitors would find alternative destinations to Maui if Maui lodging choices do not meet their specific lodging tastes and preferences, most specifically a TVR experience. It is safe to assume that this source of exogenous (out-of-state) expenditures would cease if TVR visitors make the choice to go to an alternate resort destination outside of the State of Hawaii.

If some of the TVR visitors do retain Maui as their resort destination and use alternate forms of lodgings such as hotels, condos or timeshares because TVRs are forced to cease Maui operations, then the economic impact in Maui County from this segment of visitors will likely be reduced due to the netting out effect. However, there would yet be a redistribution of income from TVR owners to non-TVOR accommodation owners and a loss of utility (satisfaction) to TVR visitors who must use a "second best" accommodation type during their stay in Maui County. It is again beyond the scope of this analysis to determine the extent of the substitution and income redistribution impacts of any policy eliminating or reducing TVRs.

It is informative to note that it appears that the simple threat of TVR regulation has reduced their number from 2005 to 2006 as discussed above in Maui County by 11.0 percent. If this reduction resulted in a proportionate reduction in visitors to Maui and their total expenditures, the economic impact would be a reduction ranging from:

- \$25.3 million to \$35.1 million in output

- \$8.0 million to \$11.1 million in labor income
- 276 to 251 Maui jobs
- \$1.6 million to \$2.2 million in Hawaii State taxes
- \$15.2 thousand to \$21 thousand in TAT revenues to Maui County.

Again as noted, it is beyond the scope of this research effort to determine whether visitors whose first preference is a TVR lodging experience substitute another Maui lodging type due to their unavailability, or choose an alternative resort destination. The extent to which the TVR visitor lacking his/her first lodging preference substitutes an alternative lodging type on Maui, the economic impact of a reduction in TVR numbers will be less than the numbers just reported. Similarly, if TVRs are eliminated altogether in Maui County and there is no substitution by the TVR visitor of an alternative lodging type, the economic impacts will be the full economic impact amount of the TVR industry estimated and presented above.

IV. POLICY IMPLICATIONS

Opponents of TVRs have attempted, through the political process, to prohibit the operation of TVRs in Maui County, limit them to commercial or resort areas where permitted through the use of outdated zoning ordinances and/or deny them needed permits to operate legitimately.

The policy proposal debated in Maui would have denied needed permits to TVRs and cause approximately 90 percent of them to cease operations by January 1, 2008. No grandfathering of existing TVRs would be permitted. Our study has shown that there are significant positive economic impacts of TVR operations in Maui. There is *prima facie* evidence that the TVR sub-sector of the lodgings industry has grown into an industry of significant size over the last two decades and that it is providing significant economic benefits to the populace of Maui County. These include contributions to economic output between \$222.9 and \$318.8 million, contributions to earnings between \$72.5 million and \$100.6 million with the generation of 2,508 to 3,478 jobs in the county.

According to an ex-Mayor of the Maui County Council, there were written assurances to concerned people that an appropriate bill legitimizing the activities of TVRs in Maui County would be brought forward and passed at which time the TVRs would be provided the necessary permits to operate legally. Owners of TVRs that were applicants for the permit withdrew their applications and were told they could continue to operate and the County would not enforce the existing law till revised. A possible alternative to a legal operation is an illegal one. As many TVRs are currently operating outside of the law, we estimate that some portion of the

range of total state tax revenues generated by TVRs (i.e. \$14.2 and \$19.7 million) are being lost to the State of Hawaii with a consequent, though much lower, loss of TAT revenues to Maui County. Maui could stand to gain tax revenues through increased property taxes if TVRs could operate as legitimate businesses and be required to pay their due share of taxes. Some of these additional funds can then be used to provide additional public goods and services such as water, sewer and parking in support of the visitor industry and for negative externality mitigation.

There are a number of negative externalities that have been associated with the transient vacation rental business. These need to be addressed to ameliorate citizen concerns. Fortunately, there are a number of policy instruments to mitigate the problems of negative externalities. These may involve up-dating community zoning laws taking into account current realities, citations for rowdy behavior and disturbing the peace in residential neighborhoods where TVRs may be permitted, fines for illegal and inappropriate parking, higher property taxes on TVR establishments to compensate residents, increased responsibility for TVR operators for the safety and security of the guests and mandatory evacuation plans in case of emergencies.

The possible impact on long term availability of housing is not a major concern given the large number of unoccupied housing in Maui. It has been shown that in other places outside of Hawaii, accessory dwelling units (ADUs) whether attached or detached have contributed to an increase in affordable housing and also generated important family income. These ADUs may be used for transient vacation rentals but they could also be used for housing local residents, if need be. The character of Ohana and local lifestyles need to be preserved as learning local customs and being exposed to native culture is one of the reasons why visitors choose to come to Hawaii. It is an irrefutable fact in resource economics that it is most efficient to let land gravitate to highest and best use.

Future trends in the tourism business in Hawaii will be determined by many factors not discussed in this study such as Hawaii's Tourism Strategic Plan, Small Business Policy, land use policy, availability of sufficient plant inventory, infrastructure policy and the recreational choices of baby boomers. However, based on our empirical investigations, we can state that there is a growing trend for transient vacation rentals (TVRs) in the Hawaii market as in other resort areas of the mainland and worldwide. Before the issue is subjected to short shrift and TVR closure, it might be prudent for county officials to work in concert with state officials and TVR operators to improve data gathering regarding TVR visitors and do an extended cost-benefit analysis and explore every option to address community concerns fairly and equitably.

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Notes

- ⁱ RAM estimates that 23,000 of the 64,000 are condos.
- ⁱ These are considered (by RAM) to generally be long-term, owner-occupied (non-vacation) rentals.
- ⁱ Information regarding daily expenditures of TVR visitors in Maui was gleaned from personal communication with Cy Feng, Economist, DBEDT October 30, 2007.
- ⁱ It is beyond the scope of our research efforts to substantiate the RAM visitor length of stay value for TVRs. It's ultimate credibility and any estimates we derive using this value rests with RAM. We can state, however, that a lower lodging rate per day does afford the average visitor a greater ability to stay longer (i.e. a greater length of stay) than higher priced accommodation types. The average TVR lodging rate (\$74.4) is less than average rates for other accommodation types. For example, the average daily Maui lodging expenditure across all lodging types in 2006 was \$93.4 and for hotels it was \$130. Additionally, a 9.5 day TVR length of stay estimate implies a TVR occupancy rate of 80 percent with an average visitor number per stay of 3 persons using the 2006 TVR visitor number. This would seem within the realm of reasonableness in the context of a UHERO reported 2006 average Maui occupancy rate of 80%, a DEBDT reported average party size across all lodging types on Maui of 2.17 in 2006 and the fact that individual TVRs may have multiple accommodation units which would not be accounted for in the TVR count used for our analysis.
- ⁱ The Type II multiplier category used for determining the indirect and induced effects of direct TVR lodging is for "accommodation."
- ⁱ The total expenditure Type II multiplier categories used for determining the indirect and induced effects of direct TVR total expenditures is the weighted average per the total expenditure distribution as shown in the following table.

Expenditure	Multiplier		<u>Multipliers</u>			
Category	Category	% of total	Output	Earnings	State Tax	Jobs
Total Lodging	Accommodation	46.9%	1.99	0.63	0.137	17.81
Total Food and Beverage	Eating and drinking	19.3%	2.06	0.60	0.095	27.24
Total Entertainment	Arts and entertainment	9.6%	1.97	0.77	0.09	34.97
Total Transportation	Transportation	10.5%	2.03	0.57	0.078	15.35
Total Shopping	Retail trade	9.7%	1.85	0.57	0.205	20.96
All Other	Other services	4.0%	2.08	0.69	0.095	27.5
	Weighted Average	100.0%	2.00	0.63	0.12	21.71



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Trade Credit Policy and Agency Theory: Evidence from Tunisian Export Companies

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GJMBR-B Classification: *JEL Code: E51, E50*



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I. INTRODUCTION

Trade credit is an important component of corporate finance. In France, Germany and Italy, trade credit is more than a quarter of company's total assets. In the United Kingdom trade credit represents 70% of total short-term debts (Guariglia and Mateut, 2006). Besides, trade credit is a major source of financing in emerging economies, like Tunisia, where the banking system rationed small companies (Bellouma, 2011 and Ge and Qiu, 2007). In fact, as Bellouma (2011) reports, the part of accounts payable in total liability is 40 percent and accounts receivable represent 60 percent total assets for small and medium Tunisian companies. Previous studies on SMEs and access to finance in Tunisia have focused mainly on bank credit (Bellouma and Omri, 2008; Bellouma, Benaceur and Omri 2009). Nevertheless, banks are not the single source of external finance for SMEs. Indeed, during credit rationing or monetary policy contractions, trade credit may fund working capital.

Research exposes two kinds of studies on trade credit. The first considers trade credit as an important substitute for short and long term bank credit (Petersen and Rajan, 1994; Alphonse, Ducret, and Eric, 2004 and Niskanen and Niskanen, 2006; Demiroglu et al., 2012).

The second type of studies build from the supply view to highlight the impact of trade credit terms on profitability (Bellouma 2011; Pike, Cheng, Cravens, and

Lamminmaki ,2005. More precisely, Schwartz (1974), Brick and Fung (1984) Emery (1984) and Smith (1987) apply several theoretical explanations to identify the existence of the trade credit and its use. Schwartz (1974) suggests a model based on transaction cost theory. Brick and Fung (1984) present a tax model; Emery (1984) proposes a financial model; Smith (1987) designs an asymmetric information model.

According to Jensen and Meckling (1976), agency relation between the company and its client implies adverse selection and moral hazard problems. Long, Malitz and Ravid (1993) consider the adverse selection problem to explain trade credit policy. To date, to my knowledge, there are no studies dealing with moral hazard problem. Consequently, this paper provides an extension of agency model of Jensen and Meckling (1976). I offer a complement for the argument that trade credit allows customers to reduce the ex-ante asymmetric information resulting from the difficulty to assess the quality of the product sold (Smith, 1987, Wei and Zee, 1997 and Pike et al., 2005). By introducing the moral hazard phenomenon, the approach exposes the parallel effect of asymmetric information. Indeed, the seller checks the risk of buyer default in an ex-post perspective. Therefore, in asymmetric information context, trade credit policy is a trade-off between the two phenomena. The time of the payment depends on trade credit policy and may occur after delivery and the seller assumes the credit risk. Otherwise, when the payment occurs before or on delivery, the buyer assumes the risk of lower quality product.

Trade credit concerns all businesses; trade credit is more important for small and medium- sized export companies. In fact, SMEs must be able to face international changes and competition especially in the context of the financial crisis that has spread from 2007 and continued to date (Katrien et al, 2012).

The study here proposes a model based on the agency theory. More precisely, this paper contributes to agency theory literature by clarifying asymmetric information problem in the buyer supplier dyads and highlighting both ex-ante and ex-post asymmetric information phenomena. Finally, in addition to this contribution of this paper, the econometric approach is based on panel data analysis to expose the effect of asymmetric information on trade credit by controlling Tunisian export SMEs in both individual and temporal sides.

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This paper is organized as follows. Section two describes the main theories and research on trade credit. Section three presents the data and methodology. Section four exposes the interpretations of the results. Section 5 concludes and suggests some further research studies.

II. THEORIES ON TRADE CREDIT AND HYPOTHESIS DERIVED

In the last three decades, some theories try to explain trade credit. Most of them rely on market imperfections, such as taxes, transactions costs and asymmetric information.

a) *Tax theory*

The acceptance of trade credit by the buyer depends on its ability to access to other sources of funds. The post payment offered by the seller implies an implicit interest rate which is incorporated in the price. Therefore, the buyer should determinate the real cost of the different financing alternatives. In this view, Brick and Fung (1984) consider the tax effect to compare the cost of trade credit with the cost of other sources of financing. If buyers and sellers are in different tax brackets, they haven't the same borrowing costs. The authors argue that firms in a high tax bracket gain by offering trade credit than those in low tax brackets.

Accordingly, buyers in lower tax bracket than the sellers accept trade credit and those in higher tax bracket could borrow from financial institutions. All other things being equal, buyers with low effective tax rates would choose trade credit and have higher levels of accounts payable than buyers with higher effective tax rate. Even some empirical studies support the tax theory, the argument provided does not seem to be adequate since it cannot explain trade credit between firms situated in the same tax bracket.

H1: Companies offer less trade credit when in low versus high tax bracket.

b) *Transactions costs theory*

Petersen and Rajan (1997) argue that information acquisition is the main source of trade credit cost advantages. In fact, suppliers have a better capacity to get information about buyers than traditional lenders (Schwartz, 1974). The occurrence and the number of the buyers' orders give suppliers information on the credit worthiness of their clients (Bellouma, 2011). For example, the buyer's denunciation of discounts for early payment alerts the supplier about the weak creditworthiness of the buyer and its potential financial difficulties.

The second source of cost advantage arises from the threatening power of the seller compared with financial institution. When the repayment chance is reduced, sellers can threaten buyers to cut off future

supplies. This power becomes stronger when the buyers have limited alternative suppliers of the product needed or when they represent only a small part of the seller's turnover (Kandori, 1992).

Besides, in case of buyer default, the seller can reclaim value from seizing goods that are supplied. Financial institutions can salvage value from existing assets as well. However, the supplier repossesses and sales goods at a low cost since he often trades in the same industry as the buyer and already uses the same channel. Accordingly to this cost advantage, Mian and Smith (1992) note that the trade credit offered is as greater as goods supplied provide better collaterals. Petersen and Rajan (1997) support that more the buyer transforms goods, the lower the advantage of seller compared to financial institutions will be.

Finally, trade credit is a flexible operational tool. Indeed, when demand fluctuates, the company may adjust price or production. Nevertheless, as advanced by Emery (1984), this traditional adjustment is costly and can be replaced by a change in trade credit terms. More precisely, terms can be relaxed or tightened in proportion to the demand. From an empirical view, Long et al (1993) find a positive relationship between the variability demand of the company and the offer of trade credit.

According to the transaction cost theory, trade credit exists in order to reduce costs related to the exchange relationship between the buyer and the seller. Then, as Ferris (1981) supports the improvement in transaction technologies may reduce the level of trade credit. Conversely, this decline has not been detected in recent years.

H2: Companies offer less trade credit when they support high versus low transaction costs.

c) *Liquidity theory*

Trade credit is the important source of financing that rationed Companies use (Bellouma et al., 2009; Bellouma and Omri, 2008, Petresen and Rajan, 1994). The central point of this idea, as Emery (1984) suggest, is that companies with high level of liquidity or which accede to capital markets can finance rationed companies by offering trade credit. Nielsen (2002) supports this assumption by showing that in a period of monetary contraction, credit rationed firms increase the amount of goods bought by trade credit.

In the same way, Petresen and Rajan (1997) obtain evidence supporting the negative relation between buyer's access to other sources of financing and the use of trade credit. Thus, financially constrained companies are more likely to use trade credit than companies with easier access to financial intermediaries. This justification is insufficient since it does not clarify why financially unconstrained companies use trade credit.

H3: Companies offer more trade credit when they have low versus high financial constraints.

d) *Asymmetric information and product quality theory*

Asymmetric information implies a difficulty of assessing the real creditworthiness of the buyer by the seller. As discussed before, the trade credit relationship gives supplier cost advantages in acquiring knowledge about buyer's financial situation. In trade credit relation, another problem may rise if buyers do not correctly know the quality of the acquired product. Thus, sellers provide trade credit to allow customers to evaluate the quality of the product before disbursement. As pointed by Smith (1987), trade credit is frequent only for some industries whose product quality is imprecise at an earlier moment.

Many authors have studied trade credit from this point of view (Deloof and Jegers, 1996; Wei and Zee, 1997; Pike et al., 2005). The main results of their studies show that small companies extend more trade

credit than large ones in order to establish the reputation of their product quality.

In an asymmetric information context, trade credit is offered to allow buyers to check the real quality of the goods before payment. However, the product quality theory does not explain why some companies do not provide credit or even oblige customer to reimburse in advance.

H4: Companies offer more trade credit when their reputation is not developed.

Though these theories have tried to explain the existence of trade credit, they cannot give a complete justification. In fact, some arguments are consistent with specific industries, products or financially constrained environment. Before presenting the arguments of agency theory that would explain the existence of trade credit, table 1 resumes the different theories discussed above.

Table 1: Summary of the previous studies

Arguments	Phenomenon	Authors
Information asymmetry	<ul style="list-style-type: none"> • default risk/monitoring costs • product quality 	Petersen and Rajan 1997 Long et al 1993
<ul style="list-style-type: none"> • Arbitrage • • 	<ul style="list-style-type: none"> • Tax differences • Liquidity 	<ul style="list-style-type: none"> • Long et al 1993 • Long et al 1993
<ul style="list-style-type: none"> • Transaction costs minimization 		Ferris, 1981, Long et al 1993, Nilsen, 2002

e) *Agency theory*

According to Jensen and Meckling (1976), the relationship between the company and its customers is an agency relation characterized by two informational problems: adverse selection and moral hazard.

Adverse selection emerges from ex-ante asymmetric information between seller and buyer (Dahlstrom and Ingram, 2003). Especially, when the characteristics of the goods acquired aren't observable by the latter. Pike et al., 2005 and Smith, 1987 study this problem by testing the product quality theory. However, the ex-post informational problem called moral hazard isn't yet studied. This phenomenon occurs if customer behaves opportunistically when the payment is due.

Therefore, agency theory can provide an explanation of the trade credit policy. In presence of ex-ante asymmetric information, the offer of trade credit has an important role in the mitigation of adverse selection problem. In fact, the supplier extends trade credit in order to communicate information about the characteristics and quality of the products sold. Moreover, the refusal to sell may be a result of moral hazard problem generated by ex-post asymmetric information between buyers and suppliers.

Generally, the main difference between explanation of the agency theory and other theories that try to clarify trade credit policy is the consideration of the tradeoff between adverse selection and moral hazard phenomena. From the above discussion, I derived two hypotheses:

H5: Companies offer more trade credit when there is a high level of adverse selection problem. H6: Companies that face a low level of moral hazard problem extend more trade credit.

III. METHODOLOGY

In this section, the companies included in the sample, the variables used and the statistical techniques applied in the investigation are presented.

a) *Data collection and sample characteristics*

Data come from Tunisian Export Promotion Center (CEPEX) and are based on the financial statements of small and medium-sized export companies in Tunisia. The CEPEX is a governmental institution which provides assistance for small and medium sized export companies in Tunisia operating in the private sector. Its principal aim is to promote the

expansion and development of Tunisian exports. It supports Tunisian Export SMEs abroad by providing adequate information, organizing promotional activities and programs of meetings between potential partners. I have restricted the sample to manufacturing companies where trade credit has a classical form. It includes 364 unlisted and independent export Tunisian SMEs observed from 2001 to 2011.

Table 2 : Distribution of SMEs by sector of activity

Activity sector	Companies Number
Food industry	136
Construction	96
Metal retail	24
Textile	104
Total	364

Table 2 shows the distribution of the sample by industry. In particular, 136 companies work at the food industry, 96 product construction materials, 104 run textile business and 24 operate in metal industry.

Table 3 : Sample characteristics

	n	%
Number of employees	190	52,2%
Up to 50	174	47,8%
50-100		
Company age		
0-10	70	19,32%
10-30	63	17,3%
30-50	117	32,14%
50 and more	114	31,32%
Export sales ratio	38	10,44%
Less than 10%	87	23,9%
10-25%	96	26,37%
25-50%	143	39,28%
Over 50%		
Type of the company	253	69,5%
Limited liability	111	30,5%
Limited corporation		

As shown in Table 3, the panel is mostly composed of limited liability companies (69.5%). The limited corporations represent 30.5%. 39.28% of companies in the sample export over 50% of their products towards foreign markets (U.S, Asia, Europe and Arabic Maghreb union). Only 31.32% employ more than 50 workers. Thus, they are considered as small and medium-sized companies.

b) Variables of the analysis

In order to verify if agency theory gives an explanation of the trade credit policy in asymmetric informational context, the following variables are retained:

i. The dependent variable

DSO_{it} : The day sales outstanding is measured by $[\text{accounts receivable} \times 365] / \text{sales}$. The DSO reflects the trade credit policy that supplier adopts. Thus, high DSO means that the company extends trade credit to its customer and differ payment for a long period (Petersen and Rajan, 1997).

The independent variable derived from product quality theory and adverse selection problem

PQD_{it} : The product quality degree is measured by the difference between the date of the company's creation and the date of observation. An important feature of the reputation is that a company adjusts its behavior relatively to risk as it matures (Diamond, 1984 and Herbig, Milewicz and Golden, 1994). Explicitly, the company becomes already known and selects less risky projects. As a result, potential customers require less time to verify the quality of the product since adverse selection costs are significantly reduced. The expected relationship between DSO and PQD is negative.

ii. The independent variables derived from liquidity theory

ROA_{it} : The return on assets of the seller is a second measure of the level of asymmetric information. It's calculated as earnings before interest and taxes divided by total assets (Bellouma et al, 2009). The supplier's profitability mitigates the effect of adverse selection on the buyer. In others words, profitability can be considered as the most evident sign of seller's performance.

DPO_{it} : The day of payable outstanding is calculated as $[\text{accounts payable} \times 365] / \text{purchases}$. In general, when the company delays the payment of its supplier, it releases additional resources that may be used to cover the amount of its accounts receivables (Uyar, 2009). Besides, known companies have the ability to increase the trade credit extended to their customers on one hand and to require more trade credit from their suppliers on the other hand. Therefore, a positive relation between DPO and DSO is expected.

iii. The independent variables related to tax theory

DR_{it} : The debt ratio is measured by the sum of total loans divided by total assets. This variable presents the proportion of company's debt relatively to its assets. It gives an idea about the leverage of the company and its potential risks (Bellouma et al., 2005). A high level of debt ratio implies a high tax charges if the company is situated in high tax brackets which would reduce the cost of borrowing.

iv. The independent variable capturing moral hazard

$RPBD_{it}$: The rate of bad debts' provision is calculated as the amount of provisions on the accounts receivables divided by current assets in the period. In practice, an important proportion of accounts receivable is not related to the payment capacity of the buyer. Non-listed companies have the legal right to not

communicate the financial information which makes the assessment of buyer's payment ability difficult (Zambladi, 2011). In order to maintain the market share, the seller has to extend trade credit. However, given the asymmetric informational context, buyers become more opportunistic and the level of bad debts' provision increases.

v. *The independent variable capturing transaction cost theory and moral hazard problem*

$CSTR_{it}$: The cost ratio is measured by the cost of goods sold divided by the total sales. If the buyer behaves opportunistically, the seller supports the costs generated from the goods sold. Consequently, the supplier's loss resulting from the moral hazard will be important. For those reasons, companies are expected to have more flexible credit policy when costs decrease.

vi. *Control variables*

$SIZE_{it}$: The size of the company is measured by a dummy variable which takes the value of 1 if the company employs more than 50 employees and 0 otherwise. Small companies face financial constraints and may suffer from the unavailability of resources. Thus, larger companies are more able to reduce cash gaps and to have more flexible trade credit policy (Raheman and Nasr, 2007).

$SECTR_{it}$: The sector is a dummy variable with four modalities: $Sectr_{it1} = 1$ if the company belongs to the food industry and 0 otherwise, $Sectr_{it2} = 1$ if it operates in construction sector and 0 otherwise, $Sectr_{it3} = 1$ if it has metal trade and 0 otherwise, $Sectr_{it4} = 1$ if it works in textile industry and 0 otherwise. These sectors can influence the company decision about trade credit policy. In fact, the current assets of a distribution company are very important compared to the manufacturing company (Deloof, 2003). Besides, the economic environment (the production factors, the production process, supply and demand, taxes, interest rate...) influences differently the trade credit decision of the company according to the sector in which it operates.

Table 4 presents the different explanatory variables and their expected sign according to the previous hypotheses.

Table 4 : Variables and their expected signs

Theory/ Phenomenon	Variables	Expected signs
Product quality theory	PQD	+
Adverse selection		
Liquidity theory	ROA	+
Liquidity theory	DPO	+
Tax theory	DR	+
Moral hazard	RPBD	-
Transaction cost theory	CSTR	-
Moral hazard		

c) *Data analysis and results*

To understand the relevant aspects of trade credit policy, table 5 reports the average and the standard deviation of the variables included in the study.

Table 5 : Descriptive statistics

N. OBS = 2912

Variables	Mean	Standard Deviation
DSO	92,4	38,4
PQD	6,5	2,8
ROA	0,01	0,4
DPO	94,5	32,2
RPBD	0,15	0,07
CSTR	0,55	0,3
DR	29,5	12,1

Small and medium-sized Tunisian export companies included in the sample collect their cash from receivables after an average of 92.38 days with a standard deviation of 38.41 days. Besides, they pay their purchases after an average of 94.25 with a deviation of 32.24 days. From these statistics, the companies follow a flexible collecting policy in order to increase their foreign share and to make their products known abroad. As observed, the Tunisian small and medium companies need to developed their reputation. In fact, the mean value of the product quality measured by the age of the company is 6.5 with a standard deviation of 2.8.

The mean value of return on asset is 0.014. The value of the profitability can deviate from the mean by 0.43. As a result, it is interesting to see whether the negative profitability of some Tunisian export SME is due to the trade credit policy and moral hazard problem. The average of debt ratio is 29.5% with a standard deviation of 12.1%. These values show a flexible financing structure of the companies in the sample and a greater reliance on internal financial resources.

The cost variable ratio has a mean of 54.7% and a standard deviation of 25.9%. Therefore, the companies included in the sample support different variable costs which depend on productivity, demand, expenses...Finally, the ratio of bad debt provision shows that 15.2% of accounts receivables are classified as doubtful. To verify the hypotheses and the expected relations derived from the different theories and the phenomena of adverse selection and moral hazard, I conduct a regression on panel data. The reason of this choice is that unlike cross-sectional methods, the panel data methodology controls the individual heterogeneity. However, the multiple-regression analysis is restricted to quantitative explanatory variables. As a result, I use the least square dummy variable (LSDV) method to consider qualitative explanatory variables into a linear model (Van Garderen and Shah, 2002). The LSDV is considered as a version of the fixed effects approach where differences across the individuals mediate the

impact of independent variables on the endogenous variable.

Let A_i the dummy variable, corresponding to the sector of activity. A_i is equal to 1 when the observation is

related to the company operating in the sector i and 0 otherwise. The model is as follows:

$$Y_{it} = \sum_{j=2}^k \beta_j X_{ijt} + \delta t + \sum_{i=1}^n \alpha_i A_i + \varepsilon_{it}. \quad (1)$$

Where Y is the dependent variable (Days Sales Outstanding), the X_i are the explanatory variables. The index i refers to the company, t refers to the time period.

ε_{it} is a disturbance term assumed to satisfy the usual regression model conditions. Thus, for the sector i , the equation of the regression when A_i is equal to 1 is:

$$Y_{it} = \sum_{j=2}^k \beta_j X_{ijt} + \delta t + \sum_{i=1}^n \alpha_i A_i + \varepsilon_{it}. \quad (2)$$

However, when A_i is equal to 0, the equation is:

$$Y_{it} = \sum_{j=2}^k \beta_j X_{ijt} + \delta t + \sum_{i=1}^n \alpha_i A_i + \varepsilon_{it}. \quad (3)$$

The specifications (2) and (3) of the model (1) make the regression possible with the use of OLS. Note that dummy variables are defined for all of the companies and their intercepts are the α_i . A dummy variable trap and a problem of multicollinearity will occur when the regression includes a dummy variable for every company in the sample as well as an intercept (Suits, 1957).

Mathematically the LSDV method is identical to the within-groups approach. However, there is an evident difference which is the number of degrees of freedom. Since the panel used in this study is balanced,

there are $n T - k - n$ degrees of freedom. In the within-groups methods, there are $n (1-T) - k$ degrees of freedom. To check the different hypotheses derived in this study on the trade credit policy, the regressions fitted include one by one the set of the variables. Table 6 illustrates five specifications. The first one corresponds to tax theory, the second is related to the cost transaction theory, the third verifies the liquidity theory, the fourth checks the product quality theory and the fifth estimates the impact of adverse selection and moral hazard on trade credit policy as the agency theory suggests.

Table 6 : Regressions' results of LSDV approach

	(I)	(II)	(III)	(IV)	(V)
Tax theory					
	(0,13)	DR -	-	-1, 57 -	-
Transaction cost theory					
CSTR	- (-0,81)	-	-0, 07	- (-1, 93)*	-0, 09
Liquidity theory					
ROA	-2, 48** (-0, 03)	-0,09 (-0, 51)	- (-2,04)**	-0,31 (-1,57)*	-0,88
DPO	- (-1,47)	-0, 14	- (-4,76)***	-0,5 (-1,1)*	-0,05
Product quality theory					

PQD	-0,04	-	-	-	-0,7603	(-)
			(-1,008)*			
Agency theory						
RPBD	-	-	-	-	-	-
			0,08			
			(1,25)**			
			Control variables			1,87)*
SIZE	0,13	0,098	0,055	0,14		0,30
	(0,11)*	(1,43)*	(0,69)*	(1,07)*	(2,43)**	
SECTR ₁	0,16	0,24	0,19	0,13		0,62
	(1,66)**	(2,27)**	(1,25)*	(1,47)*	(3,08)**	
SECTR2	0,21	0,39	0,03	0,014		0,05
	(2,01)**	(2,06)**	(1,17)	(1,82)**		(1,42)**
SECTR ₃	0,11	0,02	0,67 e-03	0,96 e-03		0,14 e-
	(0,47)*	(1,54)*	(0,56)	(0,69)		(0,34)
SECTR ₄	0,72	0,03	0,98	0,13		0,05
	(2,08)**	(1,81)*	(2,08)*	(1,86)*		(1,09)*
F	2,61	2,09	1,78	1,34		2,98
Prob > F	0,02	0,08	0,06	0,04		0,04
R squared	0,22	0,31	0,30	0,23		0,34
Aj R square	0,14	0,18	0,12	0,14		0,20
Root MSE	2,8e+09	2,5e+09	2,12e+09	2,01e+09		2,3e+09

Statistit between parentheses *** Significance at 1%. ** Significance at 5%. Significance at 10%

The first column (I) of the table 6 reports the results related to the tax theory. The regression includes the debt ratio (DR_{it}), the profitability (ROA_{it}) and the control variables ($SIZE_{it}$; $SECTR_{it}$) as independent variables. I consider the ROA variable since the interest is tax deductible only if the seller has positive earnings before taxes. For this specification, the profitability of the company has an influence on day sales outstanding. The debt ratio isn't significant. Therefore, tax arguments cannot explain trade credit policy. On the light of liquidity theory, the ROA_{it} influences positively the DSO_{it} . The day payable outstanding is negatively related to the DSO_{it} . As shown in column (II) of Table 6, these two variables are non-significant. In the third specification of the table 6, I test the arguments of transactions costs theory by using cost ratio ($CSTR_{it}$) and control variables as explanatory variables of the regression (column III).

The results show a non significant coefficient of this variable. Therefore, the transactions costs theory is not supported. As the product quality theory is based on ex-ante asymmetric information, the regression related includes the explanatory variables that proxy the

adverse selection phenomenon. The results (see column IV of Table 6) report a significance of coefficients of the variables capturing this phenomenon. Particularly, findings are consistence with the hypothesis that the greater the adverse selection problem the more trade credit offered. The PQD_{it} variable is negatively related to DSO_{it} . Thus, Tunisian export SMEs which reputation is not yet built, extend more trade credit to allow customers to check their goods. The ROA_{it} variable is inversely linked to DSO_{it} . This relationship implies that more profitable companies offer less trade credit. Hence, when the profitability of the supplier is low, the buyer supports a high adverse selection problem and accordingly needs more trade credit.

To check the agency theory, I incorporate the same explanatory variables related to the adverse selection phenomenon used in the product quality theory. The findings of agency model (see column V of Table 6) have the same sign and significance of coefficients when testing the product quality arguments. According to the moral hazard phenomenon, the regression results show that $CSTR_{it}$ is inversely related

to DSO_{it} . Therefore, suppliers supporting low costs will be not strongly affected in case of buyer default and, therefore, they extend more trade credit. According to this, the amount of bad debt losses that the seller supports is high when the credit is expensive. This argument is consistent with the expected negative relation between $RPBD_{it}$ and DSO_{it} . In fact, the increase of bad debt provision reduces the period of payment that the supplier gives to its customer. As a result, Tunisian export SMEs have to mitigate the high amount of bad debts by offering discounts to encourage even risky customers to pay earlier. In addition, this strategy may restrict the moral hazard problem since the time available for the buyer to develop opportunistic behavior is short.

Another way to avoid bad debts is to enhance the analysis and the comprehension of buyer payment behavior and habit. In fact, Tunisian export SMEs have to manage their relationship with foreign customers in order to reduce the moral hazard problem and to effectively increase their export turnover. By considering the control variables, $SIZE_{it}$ appears to be directly linked to DSO_{it} in all specifications. This positive and significant relation supports the liquidity theory. In fact, larger Tunisian export SMEs are more able to extend trade credit to those more constrained. As an alternative, smaller companies with low reputation level extend few trade credits. This finding is inconsistent with product quality theory under asymmetric information.

Finally, the findings show that the companies of the sample manage their day sales outstanding identically. In others words, independently of the activity's sector, all the companies try to increase the number of days required from the buyers to pay. The competitiveness of the foreign environment that the seller faces may explain this policy. In fact, the seller tries to boost his sales and to build his reputation abroad.

IV. CONCLUDING REMARKS

Firms use trade credit in different countries. The importance of this source of finance generates the question of why companies offer trade credit instead of leaving this function to financial intermediaries. Many theories try to give explanation for the existence of trade credit.

According to the tax theory, companies in high tax brackets extend trade credit to those belonging in low tax brackets. From the liquidity based view, unconstrained companies are more ready to offer trade credit than constrained ones. The arguments relating to the transaction costs theory highlights the advantages of the suppliers over banks in collecting information about customers. Another approach to trade credit is the suggestion that companies of undeveloped reputation must offer trade credit to allow their customers to assess the product quality.

Regarding these theories, the trade-off between different theories may determine the credit policy. Besides, in an asymmetric informational context, suppliers should take account of the creditworthiness of their customers. Thus, this paper proposes an agency model to explain the company's offer of trade credit on the basis of the adverse selection and moral hazard phenomena. The findings obtained do not support traditional arguments highlighted by the tax, liquidity and transactions costs theories.

However, the hypothesis derived from product quality theory is verified. Indeed, the adverse selection phenomenon explains how trade credit may mitigate the ex-ante asymmetric information that buyers support. Besides, from the agency theory view, the moral hazard phenomenon can explain the reticence of some companies to offer trade credit in order to avoid opportunistic behavior of the customers. The model tested posits that less known and more profitable Tunisian export SMEs are more likely to extend credit. Also, Tunisian export SMEs with high costs ratio and bad debts provision level decrease their day sales outstanding.

From the literature review, the trade credit offer is a response to adverse selection phenomenon however; moral hazard needs to be more explored. Thus, others proxies as the risk of the customers or the context of economics crises can enhance further research.

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Project Management of Romania's Transition to Euro: Insights, Solutions, Cost-Benefit Analysis

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Abstract- This paper addresses a pressing topic of present times on Romania's need to fulfill the European integration objective, namely to adopt the single European currency, euro. This paper addresses several key aspects of the economic context and then, based on reliable data, analyzes the stage of completion of the criteria of nominal convergence viewed from two perspectives. One perspective is on the absolute completion of these criteria and another from a relative completion, with reference to the percentage of effectiveness for achieving the criteria. Although this second method is not mentioned in EU's operating documents or in the accession and integration documents, we believe that, theoretically, it can be taken into account and may be an argument in favor of taking a political decision to accelerate Romania's transition to the single European currency. The paper discusses the advantages and disadvantages of the transition to the euro currency, the courses of action for this transition and some conclusions and suggestions. The paper highlights the advantages and benefits of a rapid changeover, the costs of delaying this process, the forces that can put it in a firmer motion.

Keywords: *euro, inflation, public debt, budget deficit, long-term interest, nominal convergence criteria, the maastricht treaty.*

GJMBR-B Classification: JEL Code: E40; E41; E42; E43; E44



PROJECT MANAGEMENT OF ROMANIA'S TRANSITION TO EURO INSIGHTS, SOLUTIONS, COST-BENEFIT ANALYSIS

Strictly as per the compliance and regulations of:



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Ion Corbu ^α & Aurelian Virgil Băluță ^σ

Abstract—This paper addresses a pressing topic of present times on Romania's need to fulfill the European integration objective, namely to adopt the single European currency, euro. This paper addresses several key aspects of the economic context and then, based on reliable data, analyzes the stage of completion of the criteria of nominal convergence viewed from two perspectives. One perspective is on the absolute completion of these criteria and another from a relative completion, with reference to the percentage of effectiveness for achieving the criteria. Although this second method is not mentioned in EU's operating documents or in the accession and integration documents, we believe that, theoretically, it can be taken into account and may be an argument in favor of taking a political decision to accelerate Romania's transition to the single European currency. The paper discusses the advantages and disadvantages of the transition to the euro currency, the courses of action for this transition and some conclusions and suggestions. The paper highlights the advantages and benefits of a rapid changeover, the costs of delaying this process, the forces that can put it in a firmer motion.

Keywords: euro, inflation, public debt, budget deficit, long-term interest, nominal convergence criteria, the maastricht treaty.

I. INTRODUCTION

What would someone's reason be, having the possibility to travel long-term and great distances, with a high-end car or with a cart to choose a cart?

Mutatis mutandis, in the logic of a common sense politics, liked by officials of the "lion cart" management, a high-end car, in the monetary system, Euro, is available to us and we refuse or delay, sine die, to take it! Why? If you read the reports, interventions or the views expressed by many officials in the field, you realize it all points out that it is not possible. And that, every time the due date approaches, another postponement is imposed.

It is a too high luxury, we might say, exotic, and having excessive costs, this odd preference of some technocracies in Romania for an obsolete conservatism to keep the RON currency at any cost.

Who loses and who wins from this hypocritical option? We say hypocritical because almost all officials support the transition to Euro - we actually committed to

this through the Accession Treaty, however, it can be said, very little is made to achieve this objective, if not, some make efforts to prolong sine die.

Cyprus has financial problems, our currency depreciates. Investors come, the currency depreciates, suggesting a false currency excess. Investors leave, the currency depreciates. Exaggerating a little, if the wind blows from the north, the currency depreciates, if the wind is blowing from the south, the currency devalues, if it blows from the East the currency depreciates, there is no other solution than depreciation. Therefore, we have a currency which, with few exceptions, is continuously depreciating and takes all sorts of shocks, more or less justified. It takes, as a cart does, all the shocks of a secondary road, parallel to the motorway where all the latest car versions are speeding away.

Therefore, the biggest loser, following this option of not taking a latest generation vehicle, is the Romanian economy. The economy, rather than developing, on healthy, competitive and strong grounds, is struggling to find solutions and to keep away from permanent shocks that the "the lion cart" sends with full force. And, along with the economy, the loss is for the citizens who do not have hope anymore, they no longer dream, not even of the welfare they had hoped for when they expressed their opinion in favor of the EU accession.

According to the rules of any project, there should be identified the forces which are opposed to it. From the transition delay, the following categories are to gain:

- a few technocrats that have important positions, have unexpected and of course, not transparent privileges;
- a few bureaucrats in the public administration;
- foreign capitals that charge excessively high and unreasonable interests, by invoking a so-called country risk, forgetting that Romania is a member of EU and NATO;
- non-performant companies, artificially kept with the „infusion" of extremely low salaries and which, in a loyal competition, should be closed down.

We thus enter in a vicious spiral. The part of the economy that is uncompetitive, becomes less competitive, the lack of competitiveness combined with monetary policy that are at least uneconomic and an untransparent mechanism of the exchange rate, will lead

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to the depreciation of RON currency, which will produce new shocks and losses, introducing other companies in the group of uncompetitive firms, that, by using a currency that is in constant devaluation, will reduce or cancel their small profits, becoming more uncompetitive and, obviously, the cycle repeats.

Romania will never be completely ready for the transition to the euro currency. So, what is there to be done? To resign or to take charge and see how we can move quickly to the adoption of the euro? Which is available to us. Let's make an effort to meet the conditions and get on the next generation car!

II. ROMANIA'S TRANSITION TO EURO – BACKGROUND

The transition to the unique European currency, Euro, although assumed by EU's Functioning Treaty and by each country's accession treaty, has become, as a result of the manifestations of the crisis (sovereign debt crisis, structural crisis, economies found in difficulty, etc. in countries like Greece, Spain, Italy, etc.), a controversial issue. The fact is, however, obvious. A total of 17¹ countries, that are part of the "eurozone", use this currency. Euro is used² more in Monaco, San Marino and Vatican, and is also used³ in Andorra, Kosovo (unrecognized as a state by Romania and Moldova) and Montenegro. Therefore, about 327 million Europeans use the European currency daily. On March 2013, Latvia signed the membership application for 1 January 2014 and Lithuania decided to switch to the eurozone starting with 2015.

Bulgaria, Hungary, Czech Republic and Poland have announced to stop their plans regarding the transition to the European currency until the monetary union solves its structural problems. Romania again postponed the decision to join the eurozone, considering that for the year 2015 it would not be possible. The three countries Great Britain, Denmark and Sweden openly oppose the European currency.

Therefore, the range of views on this matter is diverse. "A faster growth is possible if Latvia is in the eurozone⁴" said the Latvian Minister of Finance characterizing as historic the moment when Latvia signed the application for accession to the eurozone.

"Based on evaluations presented to the presidency, I think that January 1st, 2016 is a realistic

date for Poland's accession to the eurozone⁵", said in an interview, Roman Kuzniar, advisor to the Polish President.

Bulgaria has stopped its plans for the transition to the Euro currency. "Our thinking and public opinion has changed ... At this point, I see no benefit in joining the eurozone, only costs", said⁶ Simeon Djankov, Bulgaria's Finance Minister.

"Even the most optimistic forecasts say that Hungary will not be able to adopt the euro before 2018", said the Hungarian Prime Minister, Viktor Orban⁷.

In principle, Czech Republic meets the nominal conditions for the transition to the European currency but does not seem interested to give up its own monetary policy and its own exchange rate, though, lately, it seems to have changed its mind in favor of joining the Euro.

Although, from the start, Sweden has decided firmly against the Euro, perhaps observing the developments and steps taken by the eurozone in its strengthening, the Swedish Prime Minister said that his country could participate in Greece's rescue plan, although it is not a member of the eurozone and so it does not have such obligations. This statement may reflect a certain fear of Sweden to remain outside Europe. A kind of game at both ends. If the Euro project would fail, obviously, Sweden's anti-euro position would be fully justified. However, the evolution and improvement of the monetary union with the euro, proving its viability and, despite many skeptic opinions who want or wish its disappearance, turns out to be a strong currency and has become kind of a second international reference currency, it is useful and diplomatic not to remain outside this zone. Maybe this is why such a "helping hand" arises unsolicited, which no one was obliged to give.

Regarding the position of Romania, unfortunately, it is polarized. The President seems interested in a quick transition to euro and, in this respect, Romania should pass this option as a priority and will take all the efforts to fulfill the conditions of membership. The National Bank is basically a supporter of permanent postponement. The Government has not yet taken a decision on this issue and it seems that it is not yet sufficiently convinced of the urgency of the transition to

¹ Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Poland, Portugal, Slovakia, Slovenia and Spain

² With EU approval

³ Without EU approval

⁴ "Faster economic growth is possible if Latvia is inside the euro zone," said Vilks characterising the move as "historic". <http://www.telegraph.co.uk/finance/financialcrisis/9907426/Latvia-formally-applies-to-join-eurozone.html>

⁵ La Pologne pourrait adopter l'euro à partir du 1er janvier 2016, a estimé samedi le conseiller du président polonais à la politique internationale Roman Kuzniar. "Basant sur les évaluations menées à la présidence, je pense que le 1er janvier 2016 est une date réaliste de l'adhésion de la Pologne à la zone euro", a déclaré M. Kuzniar à la radio commerciale RMF FM. <http://www.lefigaro.fr/flash-eco/2012/12/15/97002-20121215FILWWW00555-pologne-adoption-de-l-euro-en-2016.php>

⁶ <http://online.wsj.com/article/SB10000872396390443759504577629323056333022.html>

⁷ <http://www.szon.hu/hungary-unlikely-to-join-euro-zone-before-2018-says-pm-orban/1921914>

euro, according to a disastrous mentality "now is not the time". And the people seem divided.

In conclusion, the context of Romania's possible and desirable decision to switch to the euro in the near future is complex, heterogeneous and dispersed. And the effective transition to the Euro should be addressed from at least two respects: one purely technical and related to the nominal convergence criteria and one of political decision on the economy seen as a whole, the need to bring to an end Romania's strategic choice to join the EU by this transition to the Euro, and finally, through the advantages and disadvantages of adopting the Euro.

There must be noted that the Economic and Monetary Union is a unified, consistent and a firm monetary policy. Its mission and main purpose is the monetary stability, allowing harmonious and balanced development of all European countries and reducing imbalances over time between countries belonging to the European Union.

Finally, the convergence, calculated (measured) by the fulfillment of the convergence criteria, according to the operating Treaty of the EU, requires a joint effort from countries to achieve a certain target on the economic, financial and social performance. This target can be achieved by various methods and strategies, specific to each country, but the result should be a common one, namely a stable, credible, strong and performant economy, close to the best performing EU economies. Such an economy can be addressed from the view of nominal convergence and real convergence.

III. LITERATURE REVIEW

The Maastricht Treaty⁸ stipulates the criteria to be met by a country in order to adopt the euro, respectively to participate in the Economic and Monetary Union. These criteria are known as nominal convergence criteria or the Criteria of Maastricht. These criteria are:

- low inflation rate; it must not exceed a maximum of 1.5 percentage points of the average of the three best performing economies in inflation; of the participating Member States in the year before the examination;
- low interest rates for long-term loans; the interests must not exceed the interest rates of the three best performing Member States participating in the year before the examination by more than 2 percentage points.
- the budget deficit should not exceed more than 3% of GDP;
- the cumulative public debt should not exceed 60% of GDP;

- the national currency has been part of the European Monetary System for at least two years before the examination for membership, without severe tensions;

The Maastricht Treaty does not stipulate anything about the issues of real convergence. In an analysis⁹ of Romania's transition to Euro, Mugur Isarescu, referring to the real convergence, has a personal view. "In the absence of clear criteria stipulated in the treaties, we believe that the most important actual convergence criteria are: the degree of economy's openness (expressed as a percentage of the sum of imports and exports from a country's GDP), the share of bilateral trade with the member states in the total of foreign trade; the structure of the economy (expressed as the share big sectors have in creating GDP: agriculture, industry, services) and the most synthetic criterion, the GDP / inhabitant (expressed either in the nominal exchange rate, or in the parity of standard purchasing power)".

In "Dilemmas of Romania's accession to EMU"¹⁰ it is mentioned: "A sudden strategy of accession to a monetary union implies that, starting from a certain day, Romania and the EU use the same currency, the euro, issued by the ECB, and the Romanian citizens are informed to exchange RON currency into Euro at a given exchange rate (we're assuming an exchange rate of Euro-RON of 1 Euro / 3 RON; starting from that date, the Romanians will simply buy 1 euro for 3 ron). For Romania, such a strategy would provide an important advantage. Firstly because the inflation rate will fall to the level of the EU, without costs in terms of unemployment. The Euro – currency issued by the ECB - is now the legal tender in Romania and, therefore, the inflation in Romania is equal to the inflation in the EU. Economic agents realize this and, therefore, correspondingly outline their inflationist expectations for Romania. Thus, Romania can immediately benefit from the reputation of the ECB. Taking over the currency and EU's institutions, Romania can immediately benefit from welfare gains arising from the monetary union". From this point of view, we can see the optimistic level of the ron/euro currency considering the terminus point of the monetary convergence process with the eurozone and also the prevalence of benefits over costs when the transition to the single currency is complete.

The European Central Bank also supports the existence of premises for the future project of transition to euro to be successful. "The maturity of euro"¹¹ takes

⁹ Mugur Isarescu, Romania: The Road to Euro. Presentation at the conference organized by the Academic Board of the University "Babes-Bolyai", 2004, updated release (March 2007)

¹⁰ Cristina Socol, Aura Niculescu, Dilemmas of Romania's accession to the EMU, Economic Publishing House, Bucharest, 2006

¹¹ European Central Bank, how the euro became our currency, short history of the euro banknotes and coins, Frankfurt am Main, Germany, 2007.

⁸ The Maastricht Treaty

place [so far] in good conditions, and the Eurosystem has gained considerable experience from introducing banknotes and coins and the managing their circulation. The experience will prove useful for the physical introduction of cash euro by the new EU Member States. Starting with the year 2007, the euro may gradually replace the national currencies of the 12 countries that joined the EU on 1 May 2004 and later: Bulgaria, Cyprus, Czech Republic, Estonia, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Hungary. The first of these countries was Slovenia, which joined the eurozone on 1st of January 2007. "

In an analysis of EBRD in 2012 about the prospect of Romania meeting the convergence criteria, there is emphasized: "Short-term macroeconomic perspective of Romania is uncertain, especially in light of turmoil resurfaced on global markets and within the eurozone in the second half of 2011. However, in the medium term, Romania has a strong potential for convergence with the EU, given that GDP per capita, in terms of purchasing power parity, is one of the lowest in the EU, standing at 45% of the EU average, provided that progress will be made in the domain of structural and institutional reforms"¹².

Fulfilment of nominal convergence criteria in the Romanian economy induces both positive and negative effects, and, in terms of project management, it contains benefits, and the potential costs are highlighted by economic theory. However, the decision to switch to the single European currency is based, as a basis, on the economic component, respectively on the more objective quantification of the advantages and disadvantages, but it is or has to be a political decision.

An important economic benefit is that reducing inflation and interest rates stimulates increased investment with a direct effect on GDP growth. It thus improves economic performance effect on salaries convergence.

Respecting the restrictions of deficit and public debt, according to the nominal convergence criteria may slow down economic development as a result of lowering investment, which is one of the most unpleasant economic costs of the project. You can not make public investment more than the maximum budgetary provisions plus a share of the budget deficit that is up to 3% (at the limit, theoretically, this deficit can be entirely destined for investment).

Also, the real convergence favors or not nominal variables, generating itself specific costs and benefits. With the GDP growth there will be a non-inflationary increase of salaries and obviously of contributions, which is an important benefit. An increase in contributions leads to an increase in budgetary resources, decrease of public debt and of the budget

deficit. The difference in productivity between the assets in the commercial circuit and the assets which are not part of the commercial circuit, along with the uneven increasing trends and outrunning increase of salaries in relation to productivity, will lead to an increased inflation according to the Balassa-Samuelson¹³ effect. Viewed through the Balassa-Samuelson effect, nominal convergence and the making of accelerated real convergence, as a result of inflationary pressures caused by the B-S effect, will generate restrictive monetary policies that will have, as a negative consequence, the B-S effect.

Expressed synthetically, Balassa-Samuelson effect states that: "any increase in productivity in a country (GDP/capita) generates an increase in the price level (in other words, nominal convergence is impossible at the same time with the real convergence)"¹⁴.

IV. ASPECTS FOR MEETING THE NOMINAL CONVERGENCE CRITERIA IN THE STRATEGY FOR ROMANIA'S TRANSITION TO EURO

In Table 1 we summarize The situation of meeting the nominal convergence criteria by Romania for adopting the Euro currency, hypothetically taking as the year of examination, 2013.

Regarding criterion 1, price stability, it is observed the decreasing trend of average annual inflation rate, reaching 3.4% in 2012. However, the reference for this indicator is a dynamic one. The graphic in Figure 1 shows the annual average inflation rate for 2010-2012 for the EU countries and then selecting the three best-performing countries, in terms of inflation.

¹² EBRD Strategy for Romania, approved by the EBRD Board of Directors in its meeting of 28 February 2012.

¹³ http://en.wikipedia.org/wiki/Balassa%E2%80%93Samuelson_effect

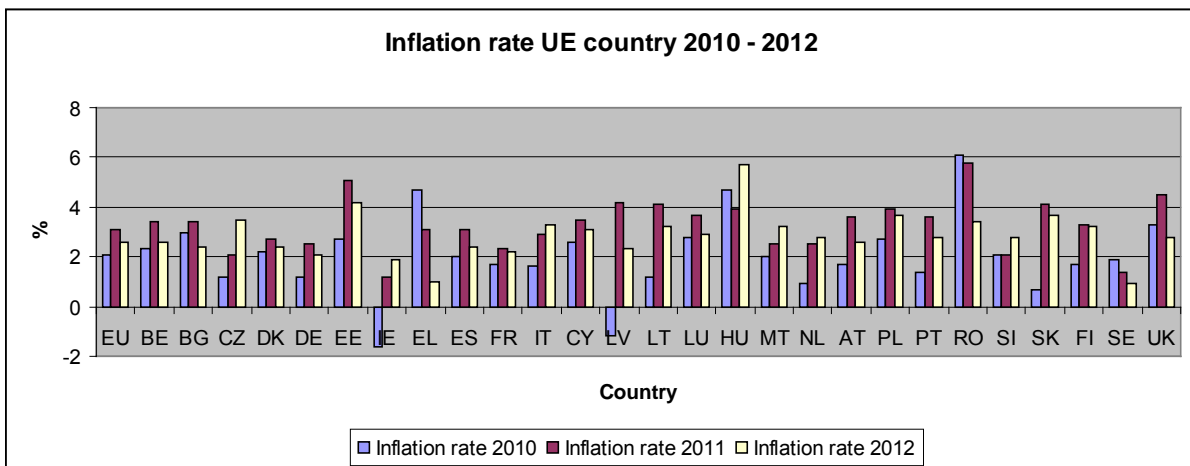
¹⁴ Cristian Paun, International Finance Course, Bucharest, 2011.

Table 1: The situation of Romania's fulfillment of nominal convergence criteria for adopting the Euro

Criteria	Nominal convergence criteria	Values according to the Maastricht criteria	Romania 2009	Romania 2010	Romania 2011	Romania 2012	If it meets the criteria or not
1. Price stability	Inflation rate annual average %	< 1,5 pp. above the average of the three most performant EU members (1,6% reference level)	5,6*	6,1*	5,8*	3,4*	No
2. The situation of public finances	Budget deficit from the GDP %	under 3%	-9*	-6,8*	-5,5*	-2,8**	Yes
	Public debt from the GDP %	under 60%	21,0 23,6*	30,5*	33,4*	34,34**	Yes
3. The participation to the European Monetary System exchange rate mechanism	Exchange rate (RON/EURO), appreciation/depreciation percentage compared to the average for 2 years	+/-15%	+1,6/-18,2	+10,32 / +2,65	+3,27 / -3,55	+10,04 / +2,32	Yes
4. Convergence of interest rates	Long-term interest rates (% per year)	<2 pp. above the average of the three most performant EU members according to price stability (5,3%)	9,7*	7,34*	7,29*	6,68*	No

*Eurostat data

** Calculated by the authors based on the data from The National Statistics Institute of Romania



Source: Graph prepared by the authors based on data taken from Eurostat

Figure 1

Table 2 : The fulfillment of the criteria „Inflation rate annual average” of Romania for the years 2010 ÷ 2012 %

YEAR	Three most performant EU countries	Interest rate annual value %	Annual average of interest rates of the three most performant EU countries %	Accepted exceeding percentage %	The maximum value of interest rate accepted for Romania %	Real annual value of Romania's interest rate %	Conclusions
2010	SK	0,7*	0,9333	1,5**	2,4333	6,1*	Does not meet the criteria of convergence
	NL	0,9*					
	DE	1,2*					
2011	IE	1,2*	1,5666	1,5**	3,0666	5,8*	Does not meet the criteria of convergence
	SE	1,4*					
	CZ	2,1*					
2012	EL	1*	1,2666	1,5**	2,7666	3,4*	Does not meet the criteria of convergence
	SE	0,9*					
	IE	1,9*					

Source : Tabel calculated by the authors based on data taken from different sources.

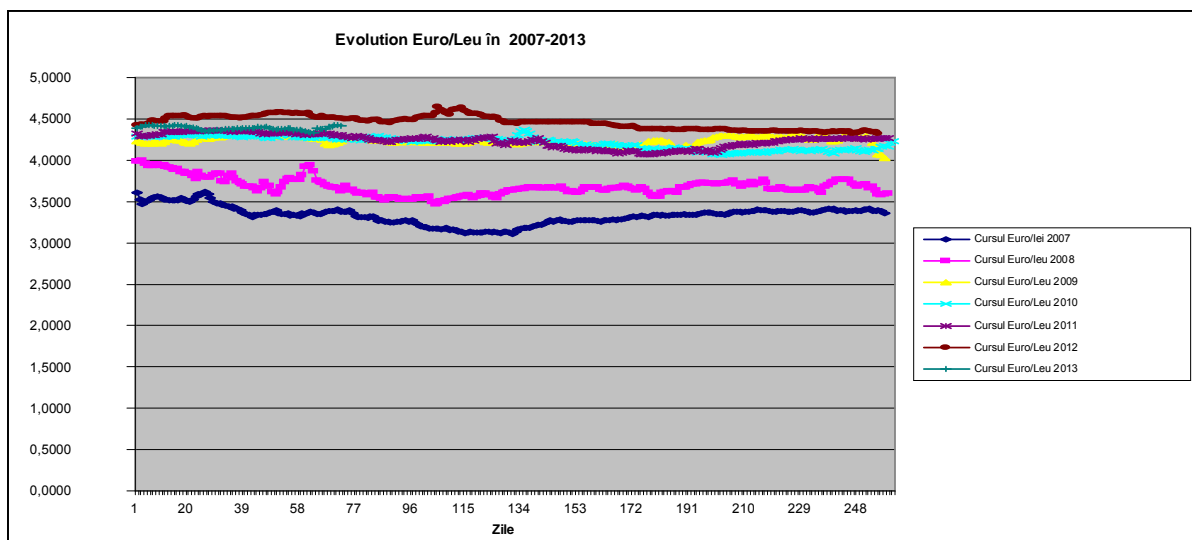
*Eurostat data

**According to convergence criteria

As shown, in each of the three years analyzed, the most powerful countries were different and also inflation values were different from year to year. From Table 2, it results that the inflation rate that Romania would have been entitled to for the year 2012 is 2.7666%. But it had an inflation indicator value of 3.4%. Therefore, Romania does not fulfill this criterion. The criteria 2 and 3, shown in Table 1, are met.

Regarding criterion 3 the following comments should be made. From the graphs of Figures 2 and 3,

made based on daily exchange rates series of EUR - RON, results that after the accession of Romania to the EU in 2007, and to date, the national currency depreciated continuously. Thus, if in 2007 the thes situation was 1 euro = 3 - 3.5 ron, in 2008 it was situated in the 3.5 - 4 ron zone. In the last three years a convergece was made in the area of 4 - 4.5 roni with some intervals of exception. At the moment we are witnessing a stabilization of the euro / ron around 4.5 RON / EUR.

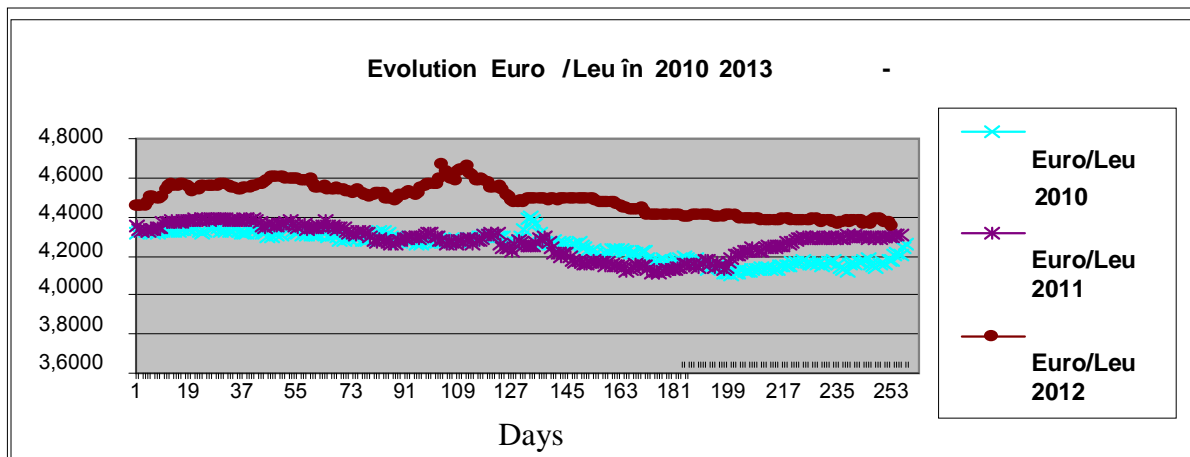


Source : Graphic prepared by the authors based on data from NBR www.bnr.ro

Figure 2

Figure 3 presents the daily trend curves of the euro-ron exchange rate for 2010 and 2011, two years prior to 2012, the year that is examined in this paper. It is

observed a proximity of the annual change rate curves and the relative stabilization in the second half of 2012, curve brown, around 4.4 ron for eur.



Source : Graphic prepared by the authors based on data from NBR www.bnr.ro

Figure 3

Based on the statistical series of the annual average exchange rate, presented in Table 3, and the daily exchange rates, in the graph of figure 3, which provided the minimum and maximum deviations from the average value of the annual average exchange rate

of the last two years prior to the examined year, respectively 2012, Table 4 analyzes the behavior of the national currency as if it participated in the exchange rate mechanism of the European Monetary System (ERM II).

Table 3 : Exchange rate currency market – in Romania annual series *

Data	EUR average
	(RON/EUR)
	CURSA EURM
2012	4,4560
2011	4,2379
2010	4,2099
2009	4,2373
2008	3,6827
2007	3,3373
2006	3,5245
2005	3,6234

Source : BNR

*Annual average exchange rate is calculated as a simple arithmetic average of the monthly average exchange rates

Table 4: Romania's participation to the European Monetary System exchange rate mechanism*

Year	Average of the last 2 years Ron/Eur	Average annual exchange rate Ron/Eur	Maximum Ron/Eur exchange rate Ron/Eur	Minimum Ron/Eur exchange rate Ron/Eur	Maximum deviation from the annual average of last 2 years	Minimum deviation from the annual average of last 2 years	Maximum deviation from the annual average of last 2 years %	Minimum deviation from the annual average of last 2 years %	Conclusions
2012	4,2239	4,4560	4,6481	4,3219	0,4242	0,098	10,0429	2,3201	Meets the criteria
2011	4,2235958	4,2379	4,362	4,0735	0,1384	-0,1501	3,2769	-3,5537	Meets the criteria
2010	3,9599958	4,2099	4,3688	4,0653	0,4088	0,1053	10,3233	2,6592	Meets the criteria

*Simulation based on real data from the NBR

Source : Table calculated by the authors based on data from NBR

The conclusion deduced from the analysis presented in Table 4 is that Romania meets the nominal convergence criteria 3 for 2012. In fact, this criterion is met including for the years 2011 and 2010, the

maximum and minimum deviations being within the margins of $\pm 15\%$.

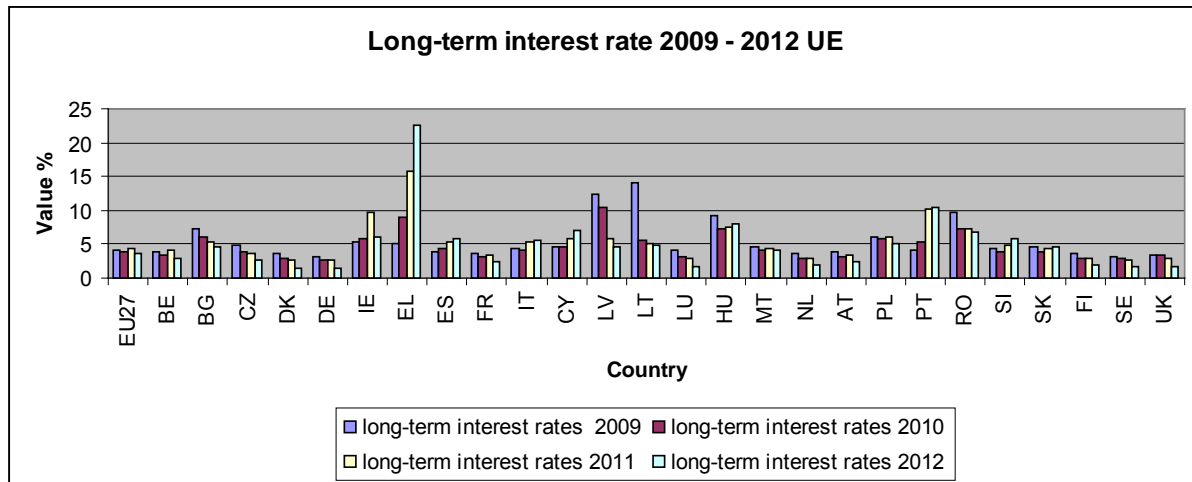
For analysis of nominal convergence criterion 4, we used the statistical series in Table 5.

Table 5: Long-term interest rate

geo\time	2009	2010	2011	2012
EU27	4,13	3,82	4,31	3,74
BE	3,9	3,46	4,23	3
BG	7,22	6,01	5,36	4,5
CZ	4,84	3,88	3,71	2,78
DK	3,59	2,93	2,73	1,4
DE	3,22	2,74	2,61	1,5
IE	5,23	5,74	9,6	6,17
EL	5,17	9,09	15,75	22,5
ES	3,98	4,25	5,44	5,85
FR	3,65	3,12	3,32	2,54
IT	4,31	4,04	5,42	5,49
CY	4,6	4,6	5,79	7
LV	12,36	10,34	5,91	4,57
LT	14	5,57	5,16	4,83
LU	4,23	3,17	2,92	1,82
HU	9,12	7,28	7,64	7,89
MT	4,54	4,19	4,49	4,13
NL	3,69	2,99	2,99	1,93
AT	3,94	3,23	3,32	2,37
PL	6,12	5,78	5,96	5
PT	4,21	5,4	10,24	10,55
RO	9,69	7,34	7,29	6,68
SI	4,38	3,83	4,97	5,81

SK	4,71	3,87	4,45	4,55
FI	3,74	3,01	3,01	1,89
SE	3,25	2,89	2,61	1,59
UK	3,36	3,36	2,87	1,74

Sursa : date Eurostat



Source : Chart prepared by authors based on data taken from the Eurostat website

Figure 4

The graph in Figure 4 shows long-term interest rate developments for all EU countries for the years 2009 ÷ 2012. From Table 5 and the graph in Figure 4, we pulled the values of long-term interest rates for the three most performants economies each year, and we calculated the maximum percentage value of long-term interest rates accepted by Romania for meeting the criteria. As shown in Table 5, the real average long-term annual interest rate exceeds the maximum allowable percentage so that the criteria are not fulfilled. The exceeding ranges from 2.64 percentage points in 2011, the smallest overflow, and 4.4133 percentage points, the largest overflow. Also to be noted that the trend of the average annual long-term interest rates for Romania is low: from 9.69% in 2009 to 6.68% for 2012, but this decrease was not sufficient to reach the threshold required by the euro system exigencies. To be pointed out that this criterion, as well as "price stability" criterion, targets a dynamic value in the sense that the economic performance of EU countries are also variable in terms of hierarchy (which determines the three best performing EU economies) and annual average values. Therefore, the effort to achieve these goals must be sustained and the result of this effort cannot be known in advance. It should also be noted, Figure 5, that the long-term interest rate trend for the three best-performing EU countries in the period 2009 ÷ 2012 was a decreasing one. It results that, in order to catch up with the best three EU countries on these criteria, criteria 1 and 4, either Romania must decrease faster or benefit from an

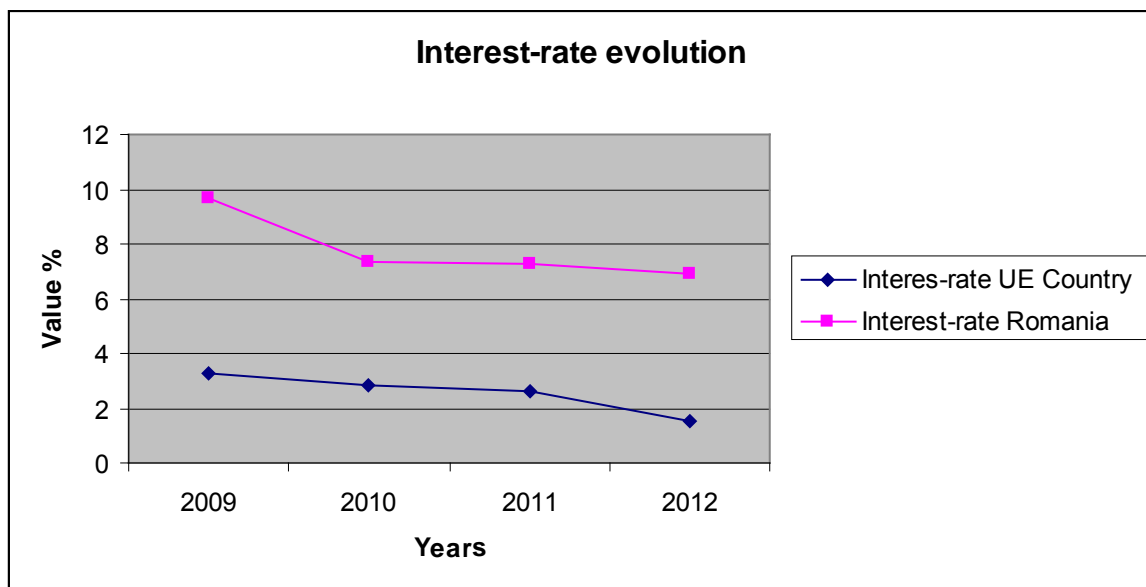
eventual economic favourable conjuncture, in which the economic performance of the three best performing EU economies are not so powerful. Otherwise, the gap will remain.

Table 5 : Analysis of the convergence criterion rates for Romania in 2013

Years	Country	Long-term interest rate %	Annual average value of the three best performing countries %	Annual average long-term interest rates for Romania %	The acceptable percentage of maximum excess for the average value <2%	Maximum percentage of long-term interest accepted by Romania for meeting the criteria	Overflow	Conclusions
2009	DE	3,22*	3,2767	9,69*	2	5,2767	4,4133	Does not meet criteria
	SE	3,25*						
	UK	3,36*						
2010	DE	2,74*	2,8533	7,34*	2	4,8533	2,4867	Does not meet criteria
	SE	2,89*						
	DK	2,93*						
2011	DE	2,61*	2,6500	7,29*	2	4,6500	2,6400	Does not meet criteria
	SE	2,61*						
	DK	2,73*						
2012	DK	1,4*	1,4967	6,68*	2	3,4967	3,1833	Does not meet criteria
	DE	1,5*						
	SE	1,59*						

* Eurostat data

Source : Table made by the authors



Source : Chart prepared by authors based on data taken from the Eurostat website.

Figure 5

Analyzing the actual data of nominal convergence¹⁵ compared with the data predicted by the National Commission for Prognosis, it appears that the forecast was optimistic, both nominal convergence indicators not being reached. Thus, for 2012, it was projected an inflation rate of 2.6% but 0.8% more was actually achieved, totaling 3.4%. As for the exchange rate, the forecasted value was 3.3 ron/eur and actual value realized in the year 2012 was 4.4560 ron/eur. Therefore with a depreciation of 1,156 ron, 35.03% respectively.

În drum spre euro							
Proiecția principalilor indicatori macroeconomici de către Comisia Națională de Prognost							
Indicator	2007	2008	2009	2010	2011	2012	2013
Produsul Intern Brut							
mid. euro	121,1	133,8	158,4	182,9	208,01	233,12	258,7
Crestere reală anuală (%)	6	6,5	6,1	5,8	5,8	5,7	5,7
Exporturi (mid. euro)	29,4	34,8	40,7	47,4	54,8	63,3	72,8
Importuri (mid. euro)	50,9	58,5	66,2	74,4	82,7	91,5	100,8
Deficit comercial FOB - CIF (mil. euro)	21,5	24	25,5	27	27,8	28,2	28
Deficitul de cont curent							
mid. euro	16,9	18,2	19,7	21,4	21,9	21,9	21,3
% din PIB	14	13,6	12,5	11,7	10,6	9,4	8,2
Inflația (sfârșitul anului) %	6,5	5,8	4,0	3,5	3,0	2,6	2,3
Cursul de schimb mediu lei/euro	3,34	3,55	3,45	3,38	3,33	3,30	3,25
Numărul mediu de salariați (mil. persoane)	4,7	4,8	4,9	5,05	5,1	5,2	5,28
Salariul mediu net (euro)	312	338	387	432	478	523	574

Source : National Commission of Prognosis

Figure 6

Tables 6 and 7 and the graphs from Figures 7 and 8 present the comparative evolution of the long-term exchange rate and interest rate for Romania and for some of the main countries aspiring to the eurozone for 2003 ÷ 2012 based on actual statistical data, and for 2013 ÷ 2014 based on values expected. We also presented the evolution of EUR / USD and the development of a country aspiring to join the EU,

namely Turkey. We noticed that the highest fluctuation of the exchange rate occurred in Poland, Romania and Turkey, and the least fluctuating were Bulgaria, Latvia and Lithuania. Therefore, it can be seen that all countries aspiring to the eurozone make the effort to achieve nominal convergence criteria.

Table 6 : ECU/EUR exchange rates versus national currencies

1 ECU/EUR = ... units of national currency (annual average)

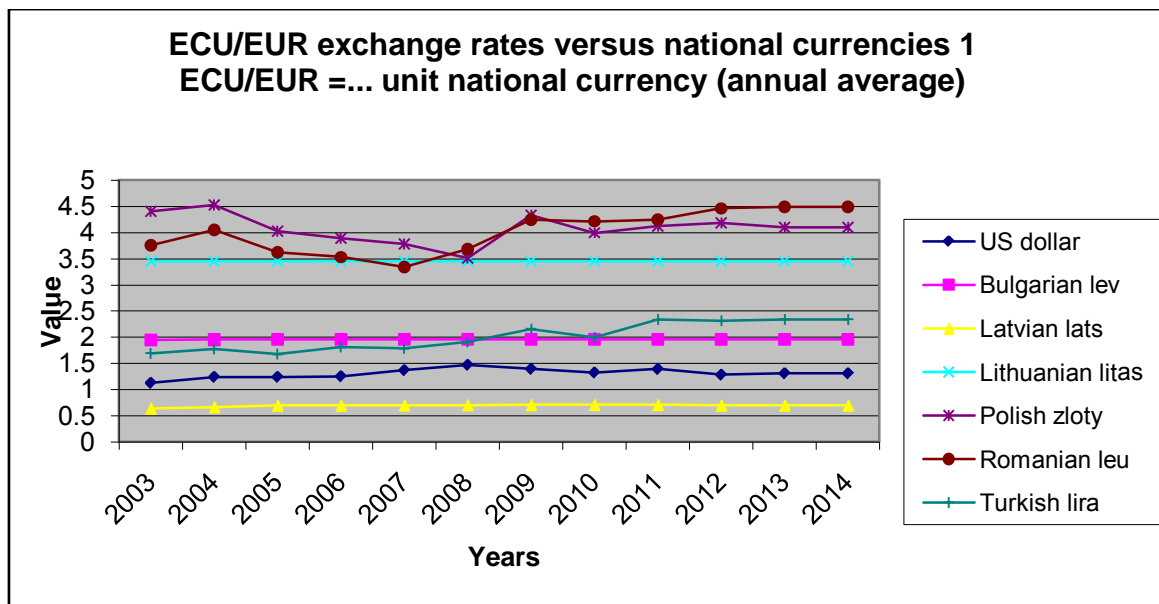
currency\time	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
US dollar	1,1312	1,2439	1,2441	1,2556	1,3705	1,4708	1,3948	1,3257	1,392	1,2848	1,3119	1,3119
Bulgarian lev	1,949	1,9533	1,9558	1,9558	1,9558	1,9558	1,9558	1,9558	1,9558	1,9558	1,9558	1,9558
Latvian lats	0,6407	0,6652	0,6962	0,6962	0,7001	0,7027	0,7057	0,7087	0,7063	0,6973	0,6965	0,6965
Lithuanian litas	3,4527	3,4529	3,4528	3,4528	3,4528	3,4528	3,4528	3,4528	3,4528	3,4528	3,4528	3,4528
Polish zloty	4,3996	4,5268	4,023	3,8959	3,7837	3,5121	4,3276	3,9947	4,1206	4,1847	4,0956	4,0956
Romanian leu	3,7551	4,051	3,6209	3,5258	3,3353	3,6826	4,2399	4,2122	4,2391	4,4593	4,4899	4,4899
Turkish lira	1,6949	1,7771	1,6771	1,809	1,7865	1,9064	2,1631	1,9965	2,3378	2,3135	2,3439	2,3439

Source : data taken from the Eurostat website ¹⁶

¹⁵ In this paper we only analyzed nominal convergence issues and only tangentially have made references to real convergence.

¹⁶ http://appsso.eurostat.ec.europa.eu/nui/show.do?query=BOOKMARK_DS-054902_QID_-154EECFD_UID_-3F171EB0&layout=TIME,C,X,0;CURRENCY,L,Y,0;OTP,L,Z,0;UNIT,L,Z,1;INDICATORS,C,Z,2;&zSelection=DS-054902OTP,AVG;DS-054902INDICATORS,OBS_FLAG;DS-054902UNIT,NAC;&rankName1=OTP_1_2_-1_2&rankName2=INDICATORS_1_2_-1_2&rankName3=UNIT_1_2_-1_2&rankName4=TIME_1_0_0_0&rankName5=CURRENCY_1_0_0_1&sortR=ASC_-1_FIRST&pprRK=FIRST&pprSO=CUSTOM&ppcRK=FIRST&ppcSO=ASC&sortC=ASC_-1_FIRST&rStp=&cStp=&rDCh=&cDCh=&rDM=true&cDM=true&footnes=false&empty=false&wai=false&time_mode=ROLLING&lang=EN&cfo=%23%23%23.%23%23%23%2C%23%23%23

1_2&rankName4=TIME_1_0_0_0&rankName5=CURRENCY_1_0_0_1&sortR=ASC_-1_FIRST&pprRK=FIRST&pprSO=CUSTOM&ppcRK=FIRST&ppcSO=ASC&sortC=ASC_-1_FIRST&rStp=&cStp=&rDCh=&cDCh=&rDM=true&cDM=true&footnes=false&empty=false&wai=false&time_mode=ROLLING&lang=EN&cfo=%23%23%23.%23%23%23%2C%23%23%23



Source : Chart prepared by authors based on data taken from the Eurostat website

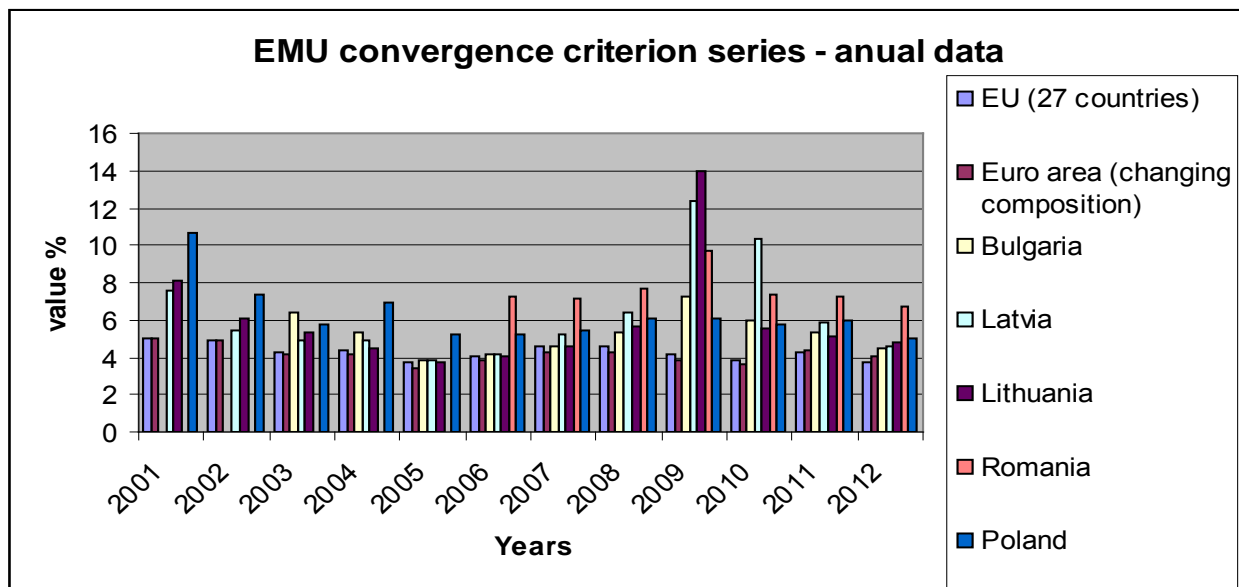
Figure 7

Table 7: EMU convergence criterion series - annual data%

geo\time	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EU (27 countries)	5	4,92	4,23	4,38	3,7	4,03	4,6	4,5	4,1	3,8	4,3	3,74
Euro area (changing composition)	5	4,91	4,14	4,12	3,42	3,84	4,3	4,3	3,8	3,6	4,4	4,01
Bulgaria	:	:	6,45	5,36	3,87	4,18	4,5	5,4	7,2	6	5,4	4,5
Latvia	7,57	5,41	4,9	4,86	3,88	4,13	5,3	6,4	12	10	5,9	4,57
Lithuania	8,15	6,06	5,32	4,5	3,7	4,08	4,6	5,6	14	5,6	5,2	4,83
Poland	10,68	7,36	5,78	6,9	5,22	5,23	5,5	6,1	6,1	5,8	6	5
Romania	:	:	:	:	:	7,23	7,1	7,7	9,7	7,3	7,3	6,68

Source : data taken from the Eurostat website ¹⁷

¹⁷ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00097>



Source : Chart prepared by authors based on data taken from the Eurostat website

Figure 8

V. DISCUSSION

From the analysis presented above, in absolute terms, 'yes' or 'no', it results that Romania fulfills two nominal convergence criteria for the transition to euro. The other two criteria are not met.

However, if we consider that the nominal convergence criteria have been met in certain proportions, the situation can be nuanced. Criterion 1 had a hopeful evolution. Price stability, represented by the inflation rate was, in 2012, 3.4% as against 2.7666%. Therefore, there was an excess of 0.6334% meaning 22.89% higher than admitted criteria. In terms of effectiveness of achieving the target, it can be said that the objective was achieved at a rate of 77.1%.

Criterion 2 was met, being registered, for the budget deficit, an amount of 2.8% against the allowed 3%. So in terms of effectiveness of achieving the target we can say that the objective was achieved at a rate of 107.1%

Also, criterion 2 was satisfied, registering, for the public debt, a value of 34,34% compared to 60% as was allowed. And here, in terms of effectiveness in meeting the target, the percentage is above par,

meaning 174.72%. If it is granted, for the total of criterion 2, equal share to the two subcriteria, respectively the budget deficit and public debt, it can be said that, on average, criterion 2 was achieved at a rate of 141%.

Criterion 3 was also met, recording the following values: +10.04/+2.32% against the $\pm 15\%$. If we use the same assumption of efficacy in reaching the objective, it can be considered that the goal has been achieved at rate of 345%.

Criterion 4 has been met with a value of 3.4% against the 2.7666% which could be maximum allowed. In terms of efficiency in reaching the objective, this was achieved at a rate of 77.1%.

Briefly, the situation of effectively meeting the nominal convergence criteria, as a whole, assuming equal shares assigned to each criterion and calculating the percentage of achieving the objective, is presented in Table 8. Column 2 shows the absolute terms of "yes" or "no" in meeting the criteria, and in column 3, in relative terms, the efficacy in reaching objective envisaged by comparing the actual values achieved at the maximum permitted levels, according to the convergence criteria rate.

Table 8 : The effectiveness of meeting the nominal convergence criteria

Criteria	Meeting the criteria	Meeting the criteria (percentage)
1	2	3
1. Price stability	No	77,1%.
2. Public finance situation;	Yes	141%.
3. Participation in the exchange rate mechanism of the European Monetary System	Yes	345%.

4. Convergence of interest rates	No	77,1%.
Overall rating assuming equal shares are allocated, respectively 25% to each criterion.	2 Yes 2 No	160,05

Source : table created by the authors

If the problem is approached in absolute terms, "yes" or "no", Romania in the year 2012, does not meet the criteria for nominal convergence for changeover to the euro and therefore Romania's request to switch to euro should be rejected.

The situation may change for a nuanced assessment. In the sense that, overall, the two criteria are fulfilled much better than required and the other two are not 100% satisfied, but have a high degree of compliance, namely 77.1%. Overall, analyzed from this perspective, and the percentages of achievement compensating each other, we believe that in the year 2012 Romania has met the criteria of nominal convergence at a rate of 160%. This approach, at least in theory, would allow the start of talks with the EU, and start procedures for switching to the euro.

The problem, we believe, is the political decision which must be based on a cost-benefit analysis from the perspective of the majority of citizens, not a minority. In our view, the changeover to euro should be top priority for Romania and should be done as soon as possible. First, because it is a criterion of European integration. Second that, according to the argument above, under the rules of general statistics, we meet the criteria of nominal convergence. Third, because we have this possibility: to use a strong and stable currency which will be, as highlighted for Latvia by his Finance Minister, "a faster economic growth is possible if Latvia is in the euro area".

The EU has many enemies and it still cannot be affirmed a hundred percent that the European integration process is irreversible. However, despite all the criticism, skeptics and even enemies of this construction, the EU develops, integrates and strengthens. Here's what Olli Rehn, European Commission Vice President and Commissioner for Economic and Monetary Affairs, declared in the Report regarding the alert mechanism: supporting macroeconomic adjustment in the EU¹⁸: "The EU is going through a difficult process of correcting macroeconomic imbalances that have accumulated in the decade before the crisis. There have been many developments and reforms already paying off. But the rebalancing process is far from being completed, marking the economic landscape for many years. Through the Procedure regarding macroeconomic imbalances, the Commission provides guidance to

Member States to ensure appropriate policies to combat imbalances and promote sustainable economic growth and creation of jobs". Overall, EU has managed to handle all the undesirable effects of the crisis. Moreover, its vulnerabilities were identified, lessons were learned from mistakes or past shortcomings and an improvement and modernization has been achieved. One of these directions is the fiscal pact that will be implemented and which will contribute to the introduction of greater rigor and discipline in all EU economies. The mechanism has a relatively high degree of complexity but feasible. Accordingly, our political decision to be made is: do we keep going with EU and take the last two major steps to integrate or not? Meaning do we enter the Schengen Area and adopt the euro currency or do we postpone it indefinitely?

We must bear in mind that EU does not stand still. And, as it grows, the gap between us and the EU increases. Moreover, there are rumors that the current nominal convergence criteria will be tightened even more, real¹⁹ convergence criteria²⁰ will also be sought. Since february 2012 it was introduced a dashboard for monitoring macroeconomic indicators to detect trends manifestation of macroeconomic imbalances. These indicators²¹ are:

- 1) 3 year backward moving average of the current account balance as % of GDP
- 2) net international investment position at end of year in % of GDP
- 3) 3 years percentage change of the real effective exchange rates based on HICP/CPI deflators
- 4) 5 years percentage change in share of world exports (export market shares) measured at current prices
- 5) 3 years percentage change in nominal unit labour cost
 - 1) year-on-year changes in house prices relative to the final consumption price index

¹⁹ Annexes 1 ÷ 7 presents the evolution of some of the main indicators of real convergence

²⁰ As of 14/02/2012, was introduced in Eurostat a "Tableau board procédures déséquilibre macroéconomique (PDM)" which monitors "Les indicateurs d'Eurostat aident à la detection des déséquilibres macroéconomiques"

²¹ Macroeconomic Imbalance Procedure Scoreboard Headline Indicators, 30 January 2012, Statistical information (Eurostat – February 2012) Commission européenne, Luxembourg, <http://epp.eurostat.ec.europa.eu>

¹⁸ European Commission, Press release Alert Mechanism Report: Underpinning macroeconomic adjustment in the EU, Brussels, 28 November 2012, http://europa.eu/rapid/press-release_IP-12-1275_en.htm

- 2) private sector credit flow in % of GDP
- 3) private sector debt in % of GDP
- 4) general government sector debt in % of GDP
- 5) 3 year backward moving average of unemployment rate
- 6) year-on-year changes of total financial sector liabilities

It is expected that, in the demand analysis of the changeover to euro, some or all of these indicators, be requested and examined. And, perhaps, given the bad experience that the EU authorities have had with the Greeks, who have manipulated statistics, it is expected that these indicators be strictly monitored and enforced mandatory in the evaluation procedure of admission in the eurozone.

Therefore, in terms of opportunity, in our view, we now have a chance that we should exploit to the full. Or else there is the risk, for a long period of time, to remain on the outside. The future looms a united Europe but with two speeds: one for the elite and one for others. Based on cost-benefit analysis and the current state of convergence indicators to the requirements eurozone, we recommend Romania to be with European elite.

VI. ADVANTAGES AND DISADVANTAGES OF ROMANIA'S TRANSITION TO THE EURO

In an intervention at a seminar in 2006, the Czech National Bank Deputy Governor, Miroslav Singer ²², presented the main advantages of the changeover in a less technical language, more synthetic. They concern two levels: the macroeconomic and microeconomic level.

a) *Macroeconomic benefits*

- ✓ "Reducing the risk of monetary and financial turbulence
- ✓ Disciplinary effect on the economic policies undertaken
- ✓ Reducing the risk of premium loans to less developed economies
- ✓ The possible stabilization of long-term interest rates."

b) *Microeconomic benefits*

- ✓ "Eliminating the risk of exchange rate evolution in comparison with the eurozone

- ✓ Reducing transaction costs
- ✓ Increasing international transparency of prices
- ✓ Increasing foreign trade "

The changeover, however, would have a major advantage, not emphasized in the analyzes and reports we have consulted. What is it about. The competitiveness of Romania is always invoked, as a kind of fatality that could keep us on hold in terms of the euro currency. In our opinion, we are in a vicious circle. With african wages and western prices, work motivation is very low. And so, a natural reaction of a Romanian employee is born, of a somewhat passive resistance, performing this economically incorrect polarization for a European state. And this reaction manifests itself, synthetically, by a behaviour such as: you pay us poorly, we will not work well. To not work well is lack of production, meaning lack of receivables from which the employees will obviously be paid less and the cycle repeats. If the constant rise in prices is considered (inflation target failure is largely the responsibility of NBR) and the erosion of purchasing power of wages as a result of a controlled national currency depreciation, the circle becomes even „more vicious". Therefore, breaking the vicious circle can't be done other than by interrupting the chain that feeds it. And the changeover to euro would be a good opportunity to break such a vicious circle.

It is easy to prove that it's about labor demotivation and about a relatively "subversive", undeclared action in terms of using a weak currency. Over ten thousand doctors that work abroad and are well paid, are competitive. Otherwise they would not be employed and wouldn't have kept their workplace. The same reasoning can also be applied for engineers, construction workers, farmers, etc.. The changeover to euro would better reflect salary levels in Romania compared to other EU countries and it would not be left to the discretion of local monetary policy, but should be protected by a strong, stable and secure currency. A true financial flywheel would not be so easily influenced by economic and political shocks. In the summer of 2012, political instability led to a local currency depreciation in a fast pace. If we were in the eurozone, the monetary component wouldn't have emphasized the economic effects of the political crisis in 2012.

Moreover, the changeover could be used in meeting, perhaps, the most synthetical, important and necessary indicator, designed to reveal the diminishing gap between living standards in the EU and Romania, the average wage. The motivation of Romania's EU accession was Europe standards alignment. So setting a certain target of reaching European average wage level, in parallel with the euro changeover, would break the vicious circle of so-called "lack of competitiveness".

²² Miroslav Singer, Vice-Governor, Czech National Bank, Impacts expected after the adoption of the euro: dangers and opportunities Introduction of the EURO seminar Prague, 2nd October 2006 http://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/public/media_service/conferences/speeches/download/singer_20061002_introduction_euro.pdf

A correct view on this issue would be the setting, for a time horizon of, say, 15 years, a goal to reach European average salary. An example is shown in Table No. 9.

Table 9 : Targeting to achieve the European average salary

2015/2016	2020	2025
50% of the average European salary	75% of the average European salary	90% of the average European salary

This timeframe²³ would allow a viable adaptation of enterprises to the average European salary by improving technologies, restructuring production, introduction to manufacturing innovative, competitive products. It will stimulate to remove from offering of products or services that "withstand" the market just due to the fact that labor is poorly paid. This would cure the economy and lead to Romania's alignment in competitiveness to European standards in terms of sustainable growth in GDP.

c) *Other benefits of adopting the euro currency*

- European currency is a stable currency in relation to the RON, and the economy will assume this stability. In addition, the stability, specific to the euro, implies low inflation and low interest rates with beneficial effects on public finances.
- Establishing a single market and price transparency of products and services which, over time, should be homogenized.
- Elimination of currency exchange costs and simplification of commercial transactions.
- Stimulation of travel
- Constitutes a positive element from the point of view of the citizen psychology as a belonging to a set of economic and political values, euro currency representing, through its unity and symbolism, an element of togetherness and unity.
- Facilitates international trade and intra-community transactions of resident firms in Romania
- Protects against economic shocks and increases in raw materials (oil, minerals, coal, metals).

d) *Disadvantages*

- ✓ Abandonment of the independent monetary policy by the State which adopts the euro. This means it will not be able to regulate the money supply in circulation and will not be able to change interest rates. Therefore, a decrease in production or an increase in unemployment will not be "solved" through monetary methods, namely printing money.
- ✓ The mechanism of an imposed monetary policy eliminates the possibility of countries to solve their

problem of internal imbalances, generating new imbalances, namely increases the budget deficit and public debt.

- ✓ As known, unofficially, the tone in the EU is given by Germans and French. In case of divergence of fiscal and monetary policy, it is difficult, if not impossible, for another country that adopted the euro, and especially eastern countries, to impose their views. Due to its economic strength, Romania will not have a decisive role in monetary policy making of the eurozone. Often though, economic decisions taken abroad on the basis of clear criteria, were better than internal solutions based on group interests.
- ✓ It is expected that, as a first step, Romania faces some price increases. But the use of euro currency will allow faster development of the Romanian economy that will allow wage growth, with direct implications on the purchasing power of employees. Also, wage growth will lead to the additional collection, without increases in rate quotas, of taxes and fees which will increase budgetary resources. Therefore, medium and long term, we expect an increase in living standards. Upward adjustment mechanism of prices and wages will allow harmonization of the cost structure between Romania and the eurozone countries.

VII. MAIN ACTIONS TO FULFILL REGARDING THE OBLIGATION OF ADOPTING THE EURO ASSUMED BY THE ACCESSION TREATY

Due to the fact that, so far, all all predictions of achieving this objective were missed, it is required a substantive reform strategy for the transition to the single european currency. We believe that the following areas should be considered:

- Setting up an interdisciplinary committee with government, civic participation, from the National Bank of Romania and the academic community.
- Discussion and review of Romania's strategy for the euro.
- Establishment of a working group and development of a schedule of activities necessary to implement the strategy with deadlines and responsibilities. Failure to undertake tasks under this planning leads to exclusion of persons who have not fulfilled its staff duties.

²³ In our view this process should be accelerated, meaning achievement of the European average salary should be made between 5 and maximum 7 years.

- Monitoring by the Romanian government of the stage of the activities necessary to achieve the strategic objective of Romania's transition to the euro.
- Initiate and support all actions necessary to achieve the objectives of nominal convergence with a special attention on inflation and long term interest, with involvement of institutions whose responsibilities fits these aspects. The inclusion in management contracts of measurable objectives regarding convergence would act as a decisive step for the euro to enter the final phase.
- With the failure of 2015 for entry into the ERM, the closest term would be 2016 or 2017. Any extension of time will produce only losses for Romania.

VIII. CONCLUSIONS AND PROPOSALS

Adopting the euro should become a national priority.

It is necessary to also review the substantive reform of the national strategy regarding Romania's transition to the euro.

Several scenarios for Romania's transition to the euro must be developed and the most convenient scenario must be adopted, as a political decision, based on public debate. Strategy and scripts must be prepared for the move to the single currency and not to demonstrate the necessity of a delay or inability of a changeover.

There have to be taken necessary measures to implement fiscal and monetary policies for the achievement of nominal convergence criteria.

In parallel, efforts should be made for economic recovery and for achieving real convergence. To this end, economic policies should be revised and private business should be encouraged.

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Anexa 1

Tabel 1: Indicatorii economici de convergență								
		Stabilitatea prețurilor	Finanțele publice			Cursul de schimb		Rata dobânzii pe termen lung
		Rata inflației IAPC ¹⁾	Țară cu deficit excesiv ^{2),3)}	Excedentul (+)/deficitul (-) bugetar ⁴⁾	Datoria publică brută ⁵⁾	Monedă care participă la MCS II ⁶⁾	Cursul de schimb față de euro ⁶⁾	Rata dobânzii pe termen lung ⁶⁾
Bulgaria	2010	3,0	Nu	-3,1	16,3	Nu	0,0	6,0
	2011	3,4	Da	-2,1	16,3	Nu	0,0	5,4
	2012	2,7 ⁷⁾	Da ⁸⁾	-1,9	17,6	Nu ⁹⁾	0,0 ¹⁰⁾	5,3 ¹¹⁾
Republica Cehă	2010	1,2	Da	-4,8	38,1	Nu	4,4	3,9
	2011	2,1	Da	-3,1	41,2	Nu	2,7	3,7
	2012	2,7 ⁷⁾	Da ⁸⁾	-2,9	43,9	Nu ⁹⁾	-1,8 ¹⁰⁾	3,5 ¹¹⁾
Letonia	2010	-1,2	Da	-8,2	44,7	Da	-0,4	10,3
	2011	4,2	Da	-3,5	42,6	Da	0,3	5,9
	2012	4,1 ¹⁾	Da ⁸⁾	-2,1	43,5	Da ⁹⁾	1,1 ¹⁰⁾	5,8 ¹¹⁾
Lituania	2010	1,2	Da	-7,2	38,0	Da	0,0	5,6
	2011	4,1	Da	-5,5	38,5	Da	0,0	5,2
	2012	4,2 ¹⁾	Da ⁸⁾	-3,2	40,4	Da ⁹⁾	0,0 ¹⁰⁾	5,2 ¹¹⁾
Ungaria	2010	4,7	Da	-4,2	81,4	Nu	1,7	7,3
	2011	3,9	Da	4,3	80,6	Nu	-1,4	7,6
	2012	4,3 ¹⁾	Da ⁸⁾	-2,5	78,5	Nu ⁹⁾	-6,1 ¹⁰⁾	8,0 ¹¹⁾
Polonia	2010	2,7	Da	-7,8	54,8	Nu	7,7	5,8
	2011	3,9	Da	-5,1	56,3	Nu	-3,2	6,0
	2012	4,0 ¹⁾	Da ⁸⁾	-3,0	55,0	Nu ⁹⁾	-2,4 ¹⁰⁾	5,8 ¹¹⁾
România	2010	6,1	Da	-6,8	30,5	Nu	0,7	7,3
	2011	5,8	Da	-5,2	33,3	Nu	-0,6	7,3
	2012	4,6 ¹⁾	Da ⁸⁾	-2,8	34,6	Nu ⁹⁾	-2,8 ¹⁰⁾	7,3 ¹¹⁾
Suedia	2010	1,9	Nu	0,3	39,4	Nu	10,2	2,9
	2011	1,4	Nu	0,3	38,4	Nu	5,3	2,6
	2012	1,3 ¹⁾	Nu ⁸⁾	-0,3	35,6	Nu ⁹⁾	1,9 ¹⁰⁾	2,2 ¹¹⁾
Valoarea de referință ¹²⁾		3,1%		-3,0%	60,0%			5,8%

Sursa: Comisia Europeană (Eurostat) și BCE.

1) Variații procentuale anuale medii. Datele pentru anul 2012 se referă la perioada aprilie 2011-martie 2012.

2) Se referă la situația în care o țară a constituit obiectul unei decizii a Consiliului UE privind existența unui deficit excesiv pentru cel puțin o parte a anului.

3) Informațiile pentru anul 2012 se referă la perioada anterioară datei-limită pentru transmiterea datelor statistice (30 aprilie 2012).

4) Procent în PIB. Datele pentru anul 2012 provin din prognozele Comisiei Europene – primăvara anului 2012.

5) Variații procentuale anuale medii. Datele pentru anul 2012 sunt calculate ca variații procentuale ale mediei pentru perioada 1 ianuarie 2012-30 aprilie 2012, comparativ cu media anului 2011. Valoarea pozitivă (negativă) indică aprecierea (deprecieră) în raport cu euro.

6) Rate ale dobânzii anuale medii. Datele pentru anul 2012 se referă la intervalul aprilie 2011-martie 2012.

7) Valoarea de referință se referă la perioada aprilie 2011-martie 2012 pentru inflația măsurată prin IAPC și pentru ratele dobânzii pe termen lung și la anul 2011 pentru soldul bugetar și datoria publică.

Figure 1

Anexa 2

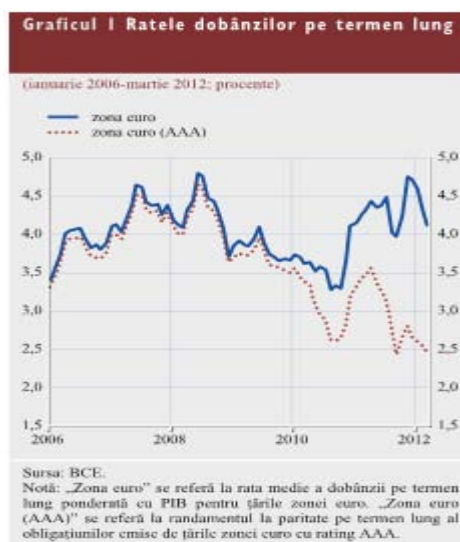
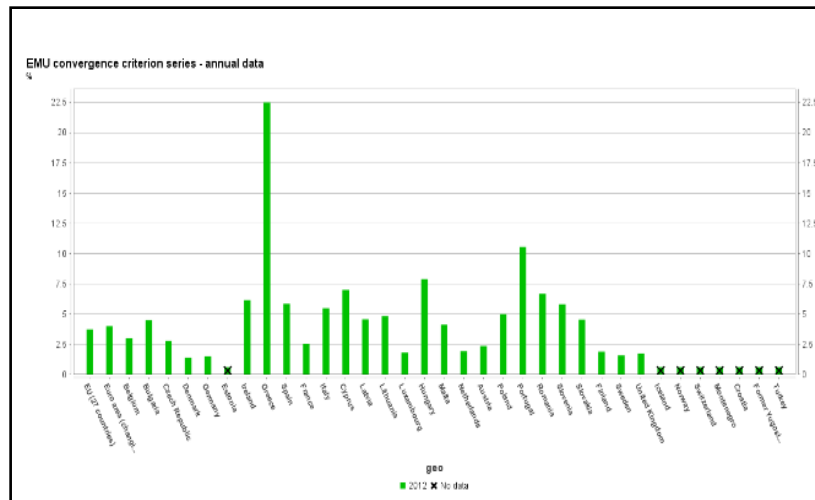
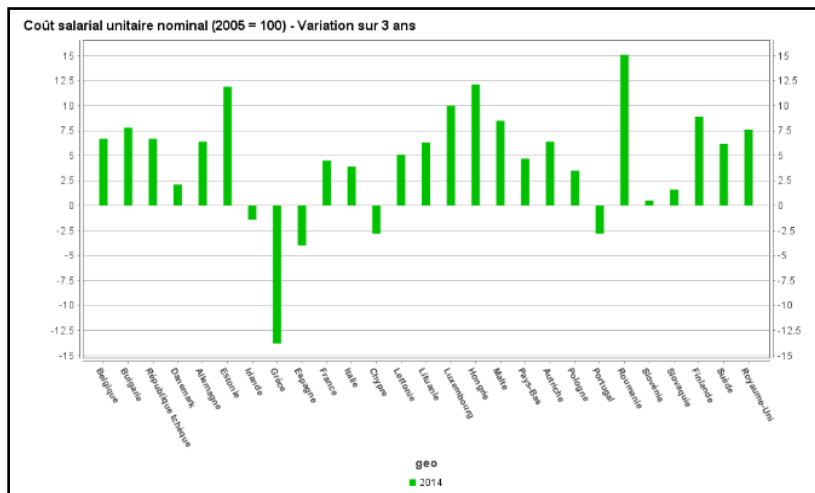


Figure 2



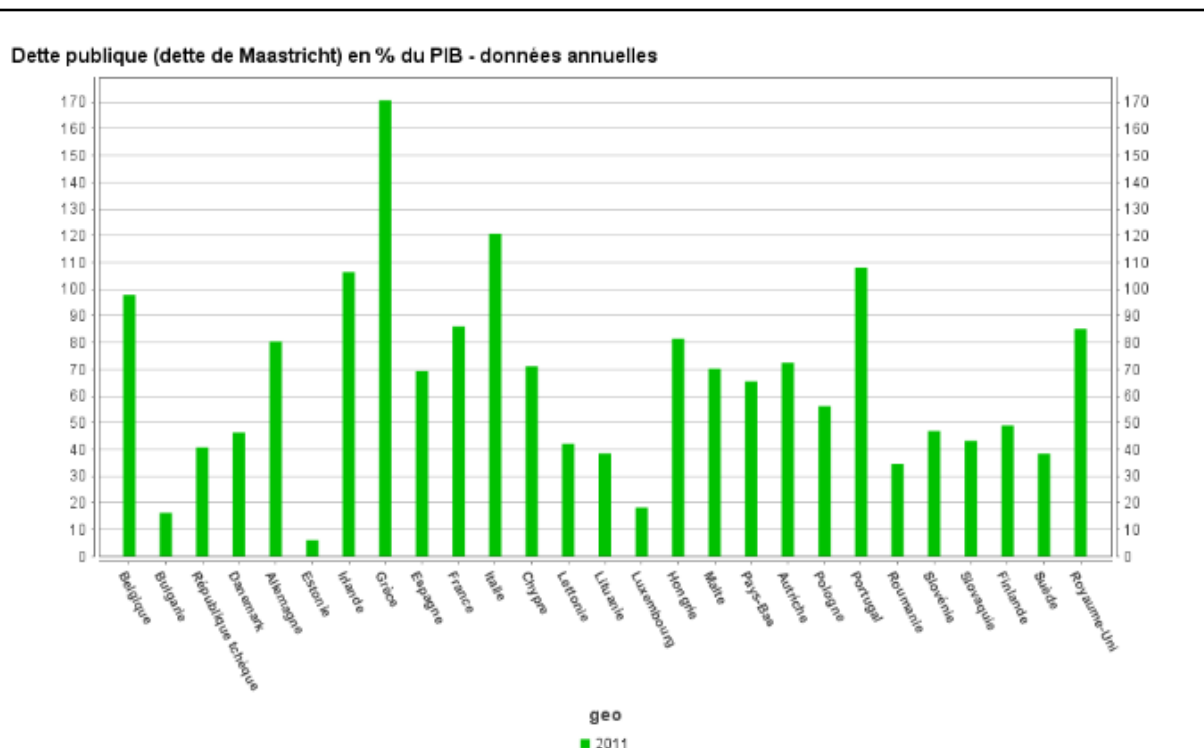
Source: Chart prepared by authors based on data taken from the Eurostat website

Figure 3



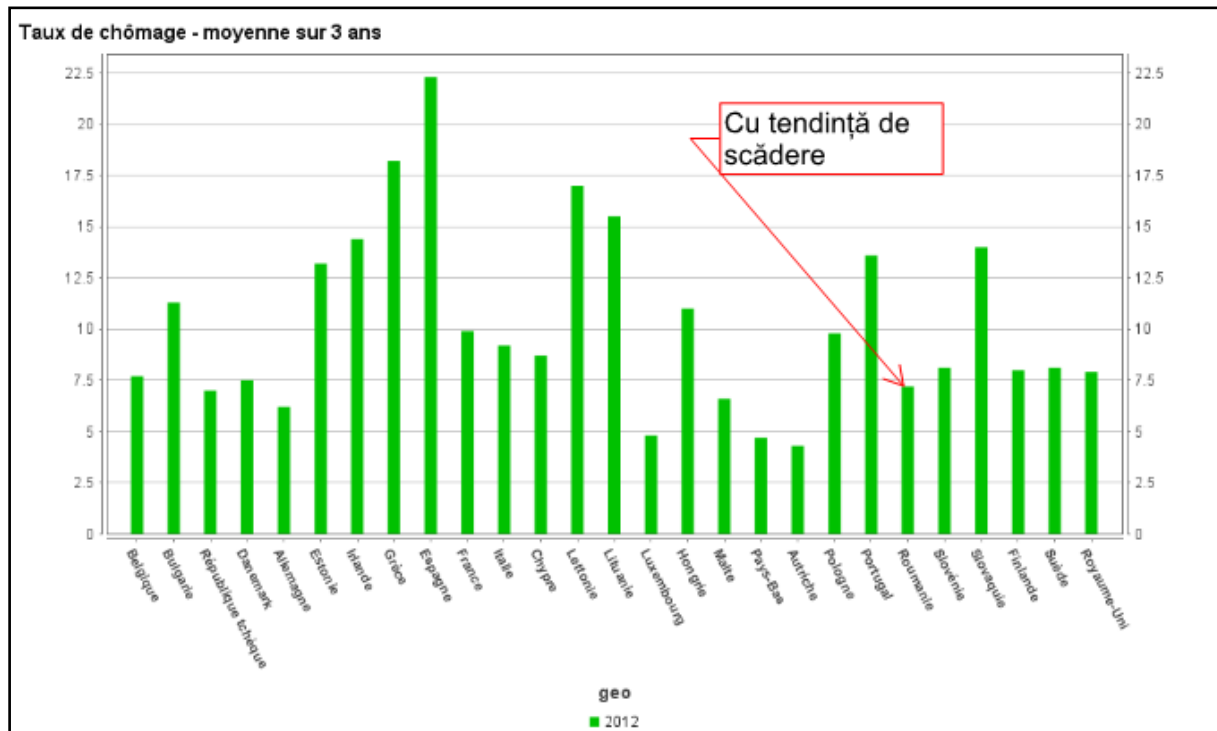
Source: <http://epp.eurostat.ec.europa.eu/tgm/graph.do?pcode=tipslm10&language=fr>

Figure 4



Source: <http://epp.eurostat.ec.europa.eu/tgm/graph.do?pcode=tipsgo10&language=fr>

Figure 5



Source: <http://epp.eurostat.ec.europa.eu/tgm/graph.do?pcode=tipsun10&language=fr>

Figure 6

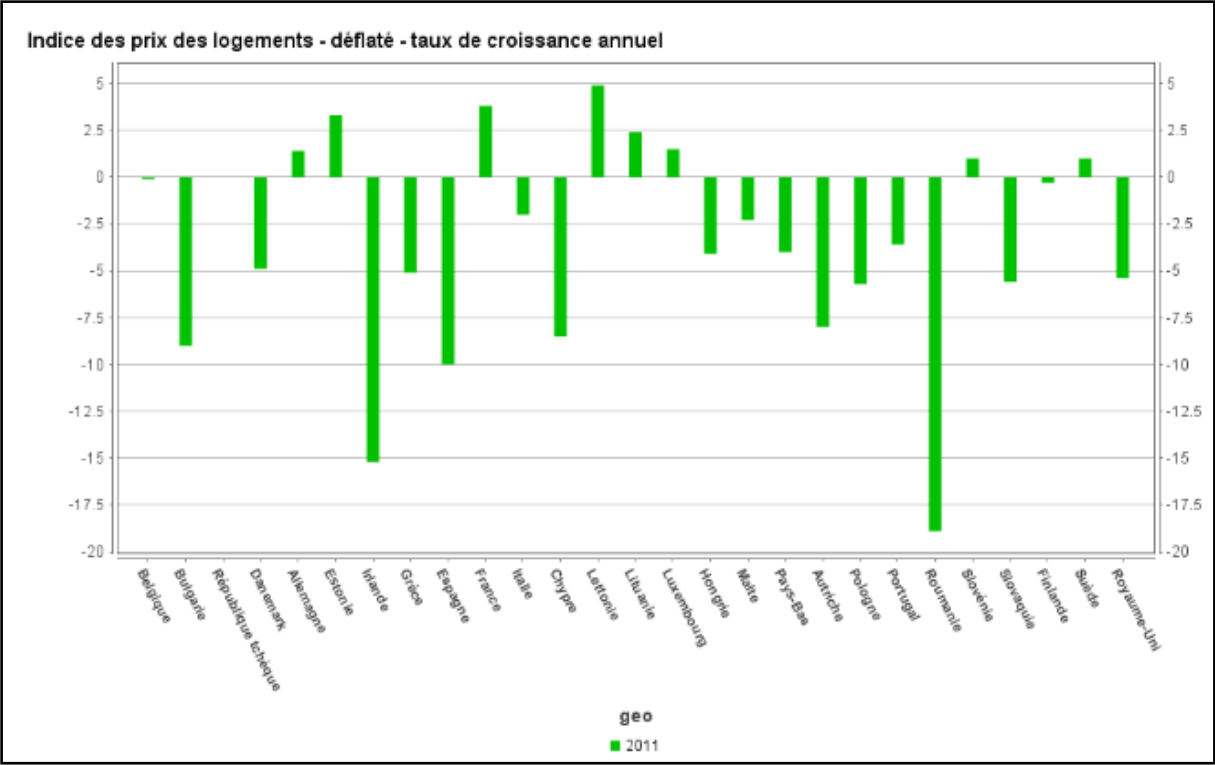


Figure 7



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Growth Achieved and Sustain by the BPO Sector in India

By Ms. Alka Raghunath

MITM INDORE, India

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Keywords: *business process outsourcing, ites, kpo, fdi.*

I. INTRODUCTION

Business Process Outsourcing (BPO) can be defined as the act of utilizing services of third party by a company in short even a small function like birthday celebration may also be outsourced for few activities in the main task and in the mean time your time and efforts may be reduced of course with some cost. Nowadays many companies cannot perform all the tasks in the company itself due to cost and expertise, the outsourcing in short is an old tradition followed even in ancient India and various tasks were performed through the skilled people. Most popular services are Data Capture, call center, document management, and recent emerging areas like KPO, LPO, and e-learning.

Many other countries like China, the Philippines and few other countries including America are giving stiff Competition to Indian BPO sector. This paper highlights on the status of Indian BPO Sector merger and acquisition adopted as growth strategy by India BPO Companies and risks with its solutions are also given to benefit the BPO companies. India became familiar with Business Process Outsourcing" only in the early and mid 1990"s, but now the entire country seems to be quivering with the „BPO fever“. The foreign direct investment (FDI) in the country owes a lot to this sector, which is progressing at a break-neck speed. The different kinds of services offered by BPO's include Customer Support, Technical Support, Telemarketing, Insurance Processing, Data Processing, Internet / Online / Web Research and so on. The cheap labour costs and the pool of skilled, English-speaking Indians have always been the two foremost factors contributing to the BPO boom in the country. As the National Association of Software Services and Companies (NASSCOM) points out, the other equally motivating factors include strong quality orientation among players, ability to offer round-

the-clock services based on the country's unique geographic location, positive policy environment which encourages investments and a friendly tax structure, which places the BPO industry on almost equal footing with IT services companies. The studies conducted by NASSCOM and the global consultants McKinsey & Co. brought to light certain amazing facts on the Indian BPO segment. According to a NASSCOM study, the country's flourishing BPO sector is estimated to have achieved a 54 per cent growth in revenue in 2003-04. A key employment - generating sector in the country; the BPO segment created job opportunities for around 74,400 additional personnel in India in the same year. By the end of 2008, the BPO sector is expected to employ over 1.1 million Indians, It is true that the Indian BPO sector is witnessing an unprecedented boom but the flip side of the industry cannot be ignored. For some time, the Indian BPO industry has been battling certain complex problems such as labour attrition, poor infrastructure and lack of data protection laws. The IT industry has, during the last decade, been probably the most attractive sector to work in. It has, therefore, been able to get the best talent. The challenge now is to safeguard and build on this prime position. Attractive compensation, challenging assignments, good working conditions and growth opportunities are amongst the main determinants of where talent gravitates, along with the indefinable "glamour value" of an industry or a specific company. Taking care of these parameters is a necessary task for the IT industry. Retaining talent is a major challenge for companies, especially in a growth boom, when a lot of "seduction" of employees between one company and another is commonplace. However, the attrition rate for the industry as whole, (i.e., people moving out of IT into other industry sectors) has been low. Even so, this will continue to be a challenge at both levels: for the individual company and the industry. The IT industry has provided an excellent physical work environment. It needs to continue to be a leader in providing these facilities, including food, fitness and sports facilities. While these "add-ons" are not inconsequential, work satisfaction through challenging, cutting-edge assignments, and substantial growth prospects are definitely major determinants for retention. Providing these is critical, and is of particular importance in the ITES/BPO sector, where attrition rates tend to be high for just these reasons. Compensation is probably the single most important parameter in most cases. The

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challenge here is to provide an attractive package in the context of rising expectations, and yet minimize overall cost escalation. In this situation, "poaching" people from other companies by offering higher pay packages is self-defeating for the industry as a whole. An important corrective lies in ensuring an ever growing and sufficiently large supply pipeline of fresh entrants.

II. SIGNIFICANCE OF STUDY

In today's competitive world skilled workforce is an asset which has to be leveraged for enhancing organization Performance. There are numerous opportunity for human asset who hamper the performance of organization by quitting for better opportunity elsewhere not only organization has to make extra efforts to identify the right replacement but also has to give sufficient period for the individual to perform. The organization has to make pro active efforts to retain people. Retention is a crucial issue pertaining to BPO firm. The study attempts to explore employee attrition and retention strategies of BPO organization and also a comparative analysis of same.

III. REVIEW OF RELATED LITERATURE

a) Books

Sah, S.L. (1999) in his book "Information Technology" entitled described that Information Technology is the synthesis of computers and communication networks. If information technology is the brain of hi-tech industry, telecom is the heart. The reach and power of telecom and IT outpace politics and even geographical boundaries. World Wide Web spans, across space and time to put cyber surfers in contact with each other. India is the sixth largest exporters of computer software in the world. There are about 200,000 IT professionals in India today. This book covers the development of computers and communication system in India and abroad. New frontiers of Information Technology have been described elaborately.

Baveja, Arun (2000) in his book "Introduction to Information Technology" touched that the growth in electronic information begins to demand a new philosophy of the nature and function of information so also the activities of the information professional must, in this setting at least, change and adapt. No longer able to adopt custodial role in managing and organizing the materials and artifacts of information, the librarian or information scientist must adopt a facilitating strategy, aimed at creating the conditions for a user to negotiate the information sphere successfully.

Baveja, Arun (2000) The main aim of the book entitled "Information Technology and Development" is to encourage a critical debate on the role of information technology and the development process and to contribute to more informed decision making concerning information technology development, adop-

tion, transfer and utilization. The book is a Vehicle for information exchange and sensitization on the growing gap between the developed and developing world, the role of information technology in this process, and its impact on the excluded and included sectors of society, especially with reference to the current globalization trends.

Suri, R. and Diwan, Parag (2000) in his book "Information Technology Laws: Laws Relating to Cyber and E-Commerce" dealt legal issues, concepts related with Electronic Commerce, Computing, Information superhighways etc. The book is divided into twelve chapters. The first two chapters look into transformation of our society into an information oriented. The next four chapters look into the concept of theft of information and data protection, the copyright issues pertaining to information technology have been given adequate coverage. The chapter nine and ten deals with issues of individual privacy and surveillances technology. The electronic commerce law dwells extensively on various issues, pertaining to electronic commerce transactions such as proposal agreement, contract, electronic fund transfer, digital signature etc. This book provides the exhaustive text of Information Technology Act 2000, cyber related crime, IT cyber sites and important cases.

Batra, B.B. (2001) in the book "Information Technology Challenges and Opportunities" reflected that the twentieth century witnessed the rapidly accelerating advent of information technology. The electronic communications and news media have become commonplace and indispensable; computers have proliferated, becoming increasingly fast, powerful, small and cheap, so that now there is scarcely a human activity in which they are not to be found, bearing an increasing share of the burden of repetitive information processing. This book deliberately discussed the challenges and opportunities of information technology in the new millennium.

Fernandez, Ashwin (2001) the book entitled "Information Technology and Management" that the new technology revolution has shrunk the planet to a tiny global village. The modern society is leading to overall improvements in work, commerce, health, and entertainment though the fruitful facilities made by information technology.

Pohola, Matti (2001) in his book "Information Technology, Productivity, and Economic Growth: International Evidence and Implications for Economic Development" often-advocated view that the information technology revolution will change the world must stem from the basic premises that investment in IT has a visible impact on productivity and economic growth. But how can we measure this impact and how large is it? By surveying previous studies and by presenting new micro- and macroeconomic evidence, this collection shows that in recent years the use of IT in the production of goods and services has had a strong influence on

productivity and economic growth in industrial and in newly industrialized countries. Yet developing countries seem neither to have invested in IT nor benefited from such investments to the same extent as industrial countries. There is concern that information is becoming a commodity, like income and wealth, by which countries are classified as rich and poor. The author has argued that investment in infrastructure, physical capital, and education is the key to economic development. This is an old policy prescription in the economics of development. What is new is the suggestion that the IT content of these investments should be high. The use of IT is so widely spread throughout the world economy that no single country can avoid investing in this technology if it wants to improve the standard of living of its citizens. Besides providing citizens with access to IT and to IT education and training, governments should promote participation in the information society, thus generating a sufficiently strong demand base for information products. By developing advanced applications of IT, and by becoming a model for the private sector, governments can alter worker, firm, and consumer attitudes, and lower their costs of adopting IT. The use of IT, not necessarily its production, is what matters for economic development.

Paliwal. P.K. and Balakrishnan (2001) book titled "Information Technology for the Next Millennium" demonstrated that burgeoning electronic publishing and resources made available via digital imaging facilities are replacing direct hard copy print resources. If the right decisions are not made to invest in building the needed skills and technology infrastructure, some libraries will face even more serious problems in meeting their users' needs. It will be only a matter of time until all libraries will be forced to use resources beyond the traditional printed book and journal. Society as a whole is becoming increasingly computer literate and more visually oriented. Some of the most important issues pertaining to information technology for the next millennium are thoroughly explained in this book.

Shikarpur, Deepak, (2005) this book titled "BPO Digest", IT can do for India in the next ten years what oil had done to middle east in the seventies and later. If proper thrust is given to the infrastructure (Education, electricity, roads, bandwidth, water etc.) and the government sustains the liberalization of the economy, India will soon become a developed nation. BPO and low-cost and high equality solutions will ensure that India will become world's back office for global service business.

Rohit Pareek, R. Srinivasan, Snigdha Tripathi and Partosh Sharma, in their article titled as "BPO in India, the Road Ahead" concluded as – This research paper aims to capture the changing hues of the off shoring industry and provide critical insight into the key strategic and operational issues that service providers are being asked to address. The research paper

contains best practices with respect to delivery models and reflecting the Grow in competitiveness and uniqueness of the Indian BPO sector.

Gokul Raghwan, Arvind Das and Dr.R.Gopal, in their article titled as "Challenges in the BPO industry", Mentioned that it is one of the biggest contributors to the country's GDP, with soaring revenues, increased job opportunities, and a promise to change the lifestyles of the educated Indian youth the BPO/KPO/ITES industry is the brightest star in the business firmament. The industry is currently sized at \$2.3 billion, and is forecasted to grow. The better margins expected at the higher end of the value chain might act as a deterrent of companies in accepting low-end work. As more and more companies decide to become involved in BPO and KPO, the number of working professional will increase. This will further drive the trend towards the migration of low-end services to high-end services. During 2000 to 2003, the US off-shored 2, 38,000 IT service jobs. E value serve predicts that this is likely to increase to 7, 75,000 jobs by FY 2010.

Rangana Ghatak, in his article titled as "How to Attain Sustainable Growth in the BPO Sectors in India: An HR Perspective", concluded as – India is one of the fastest growing major economies in the world. During 2005-06, the BPO industry's size and growth exceeded their forecasts. The global KPO industry is likely to become worth \$17 billion by 2010, wherein India's share will be \$12-\$14 billion! It is expected that IT/BPO sector to create 1.6 million jobs by 2010 and provide indirect employment to 6.5 million people by 2010. Indian will face a shortage of 5, 00,000 knowledge workers by 2010 (IT Services: 1,50,000 and BPO Services: 3,50,000) and total demand for IT professionals, (more than 1.1 mn) will exceed supply in 2007-08. In terms of job creation, the ITES-BPO industry is growing at over 50%. India confronts a potential shortage of skilled workers in the next decade. Talent management is a matter of great concern. This paper is an effort to identify the various problems the BPO and KPO sectors are facing and to find out what steps are taken or need to be taken so that Indian can be the world's third largest economy by 2035, as forecast by Goldman Sachs' report.

This paper identifies the challenges that the BPO sector will face in the near future and understands the factors to control the costs and quality of service. We have laid out the SWOT (strengths, Weaknesses, Opportunities and Threats) of the sector and location-analysis based on empirical data to get the deeper insight about the BPO industry's evolution.

b) Reports and Case Studies

Karnik, Kiran, (2000) in his report titled "Software- Strong Growth Momentum" presented that more than half the fortune 500 companies already have relationship with Indian IT services providers; there are

significant implications for Indian companies if they are to capture the full potential of the out sourcing trend.

Report of National Task Force on Information Technology (2000) this task force was set up by the Prime Minister in May 1998, and submitted report. The first report on Software development containing in for mation Technology Action Plan I in the form of 108 recommendations and was accepted and notified in the gazette of India dates 25.07.1998. The second integral part of the report is the matching policy framework for the IT hardware. Government approved 84 recommendations, known as IT Action Plan II.

ACCOCHAM (2001), India imported digit sable media products to the extent of 45\$ 198 million in 1996 when the applied tariff was 26 percent of course the does not take into account e-commerce services, be they financial, travel, design, etc. but then internally we do not tax these directly and today we do not really account for these, as such advice or service conveyed through fax or phone in not taxed.

Annual Report of Information Technology (2003-04) India has become one of the most preferred destinations for sourcing software and ITES. India in comparison to other low cost locations rank high in several critical parameters including, level of government support, quality of the labour pool, English language skills, cost advantages, project management skills, entrepreneurial culture, strong customer relationship and exposure to new technologies. This report has covered government initiatives, industry profile and human resource development in a very precise form.

NASSCOM'S Handbook Indian BPO Industry (2004), this handbook includes an overview of the Indian and worldwide ITES-BPO market-segment, manpower scenario in India and other emerging opportunities in ITES – BPO market segment. It also highlights some operational excellence issues such as information focus has been given to the infrastructure, real estate and facilities management challenges, while operating in India.

NASSCOM'S Strategic Review (2004) This study covered Indian software and services export, Indian Domestic IT market, ITES-BPO Industry, Economics of global sourcing of services, software products, embedded software and technology services, country competitiveness, emerging Growth Areas, Internet and E-commerce, E-governance, India's security environment, knowledge professionals, venture capital and private equity, telecom scenario in India, quality picture and India's policy environment.

IV. GROWTH OF BPO IN INDIA: AN OVERVIEW

The National Association of Software and Services Companies (Nasscom) has said the information technology (IT) and business process outsourcing (BPO) sector would meet the lower end of its growth

expectation for this financial year, owing to the currency volatility, low growth for global in-house centers and differentiated growth for various players.

Nasscom had given a growth guidance of 11-14 per cent at the beginning of this year. It has now said the industry would record growth of 11 per cent and revenue of \$75-77 billion. The estimates are based on analysis of Indian listed companies, multinationals, global in-house centers and various industry sectors such as IT services, BPOs, engineering, research & development and products.

Nasscom president Som Mittal said the economic outlook continued to be uncertain. "You have to see the growth guidance in the light of challenges such as delayed decisions and low visibility. Each company has a different story, a different growth rate and slowing of some of the select verticals. As an industry, we have been under-invested in verticals. We have seen faster growth in verticals like retail and health-care," he said. Nasscom said remote infrastructure management, BPO and testing were the growth drivers.

While India's growth story appears to be under a cloud, the IT-BPO industry expects to maintain a healthy momentum at 11-14 per cent in IT exports during 2012-13. NASSCOM, which is sticking to this growth forecast for the next 12 months, says it will review its guidance in October, depending on the global economic scenario. At the same time, according to NASSCOM, domestic revenues will witness a 13-16 per cent growth in rupee terms.

IT budget cuts by customers in the US and Europe, which account for the bulk of India's IT-BPO export revenues, have restrained the growth of India's major players. Several large IT-BPO organizations such as TCS and Wipro are waiting for deal closures in the April-June quarter to decide on whether they will meet or beat NASSCOM's guidance. Overall, India's IT services grew at 16.7 per cent in 2011-12, higher than the 16.3 per cent growth recorded in 2010-11. The country's share of global sourcing also increased by 3 per cent, rising to 58 per cent in the last fiscal.

V. INDIAN MARKET SIZE ESTIMATES OF BPO

India's domestic BPO market, with nearly 500 players, is set to grow of 33.3 per cent to touch revenues of \$6.82 billion by 2013, up from \$1.62 billion recorded in 2008.

Y2012 is a landmark year – while the Indian IT-BPO industry weathered uncertainties in the global business environment, this is also the year when the industry is set to reach a significant milestone—aggregate revenue for FY2012 is expected to cross USD 100 billion. Aggregate IT software and services revenue (excluding hardware) is estimated at USD 88 billion. Key Highlights during FY2012.

The below table shows the off shore BPO revenue, Indian BPO revenue and the total market potential of the world BPO industry

IT-BPO Revenue USD billion					
Year wise	2008	2009	2010	2011	2012
Export	41	47	50	59	69
Domestic	22	22	24	29	32
Percentage of GDP	6.40%	6.70%	6.50%	7.10%	7.50%

- a) Milestone year for Indian IT-BPO industry-aggregate revenues cross the USD 100 billion mark, exports at USD 69 billion
- b) Within the global sourcing industry, India was able to increase its market share from 51 per cent in 2009, to 58 per cent in 2011, highlighting India's continued competitiveness and the effectiveness of India-based providers delivering transformational benefits
- c) Export revenues (including Hardware) estimated to reach USD 69.1 billion in FY2012 growing by over 16 per cent; Domestic revenues (including Hardware) at about USD 31.7 billion, growing by over 9 per cent
- d) Software and services revenues (excluding Hardware), comprising nearly 87 per cent of the total industry revenues, expected to post USD 87.6 billion in FY2012; estimated growth of about 14.9 per cent over FY2011
- e) Within Software and services exports, IT services accounts for 58 per cent, BPO is nearly 23 per cent and ER&D and Software Products account for 19 per cent
- f) The industry continues to be a net employment generator - expected to add 230,000 jobs in FY2012, thus providing direct employment to about 2.8 million, and indirectly employing 8.9 million people
- g) As a proportion of national GDP, the sector revenues have grown from 1.2 per cent in FY1998 to an estimated 7.5 per cent in FY2012
- h) The industry's share of total Indian exports (merchandise plus services) increased from less than 4 per cent in FY1998 to about 25 per cent in FY2012
- i) While the global macroeconomic scenario remained uncertain, the industry exhibited resilience and adaptability in continually reinventing itself to retain its appeal to clients

Embracing emerging technologies, increased customer-centricity, deepening focus on new markets, adopting new business models are some successful growth strategies followed by the industry

VI. INTERESTING FACTS ABOUT THE INDIAN BPO INDUSTRY

- a) The BPO sector in India is estimated to have reached a 54 per cent growth in revenue
- b) The demand for Indian BPO services has been growing at an annual growth rate of 50%
- c) The BPO industry in India has provided jobs for over 74,400 Indians. This number is continuing to grow on a yearly basis. The Indian BPO sector is soon to employ over 1.1 million Indians
- d) 70% of India's BPO industry's revenue is from contact centers, 20% from data entry work and the remaining 10% from information technology related work
- e) Indian BPOs handle 56% of the world's business process outsourcing.

VII. INDIAN BPO'S POSITION AMONG THE WORLD'S FIFTY BEST MANAGED BPO VENDORS

NASSCOM recently conducted a survey and evaluated the leading BPO service providers across India. The top fifteen business process outsourcing companies in India are:

- WNS Group
- Wipro Spectramind
- Daksh e-Services
- Convergys
- HCL Technologiess
- Zenta
- ICICI Onesource
- MphasiS
- EXL
- Tracmail
- GTL Ltd
- vCustomer
- HTMT

- 24/7 Customer
- Sutherland Technologies

VIII. FACTORS LEADING TO GROWTH IN THE IT/ITES SECTOR ARE

- Low operating costs and tax advantage.
- Favorable government policies.
- Technically qualified personnel easily available in the country.
- Rapid adoption of IT technologies in major sectors as Telecom, Manufacturing and BFSI.
- Strong growth in export demand from new verticals and non-traditional sectors as public sector, media and utilities.
- Use of new and emerging technologies such as cloud computing.
- SEZ as growth drivers; as more of SEZs are now being set up in Tier II cities and about 43 new tier II/III cities are emerging as IT delivery locations.
- All these factors have given IT/ITES industry in India a strong competitive position with high market share.

IX. FUTURE PLAN FOR GROWTH OF BPO

The 11 per cent growth target also reflects the hurdles some of the top IT services firms have been facing. The top four-five providers account for 40-45 per cent of overall export revenue. Infosys gave a revenue guidance of just five per cent for this financial year, while Wipro continued to grow at one to two per cent on a quarterly basis.

N Chandrasekaran, chairman of Nasscom and chief executive and managing director of TCS, said companies were investing in new technology and domain solutions. "As we crossed the \$100-billion mark last year, we still have enough opportunities to make the industry double its size and to be able to do so, we have set up a committee under N R N Murthy," he said. Despite the challenges the sector has seen through the year, Mittal said he was confident the Indian outsourcing model would grow.

Sudin Apte, principal analyst and chief executive, Offshore Insights, said, "We had maintained the industry would manage to grow eight to 10 per cent for FY13. But this is the average for the overall industry. Individually, some companies would do better. The good news is 2013 and 2014 seemed well than this year."

X. CONCLUSION

Business Process Outsourcing (BPO) spells exciting opportunity for Indian software companies. Some of the big software companies in India have been

actively exploring this area of business. HCL Technologies entered the BPO business through acquisition of Apollo Contact Center, operated by British Telecom in Ireland. Wipro has chosen the strategic investment route, by investing in Spectra mind eServices Private Ltd. Infosys technologies entered the BPO business by floating a separate company, while Emphasis BFL setup a successful subsidiary, Source, for its foray into BPO business.

XI. FUTURE SCOPE

In the long run, the BPO foray by frontline companies will work only if these players have a larger strategic intent in mind. By choosing to concentrate on high-margin activities, frontline companies can position themselves at the higher end of the IT enabled services value chain and thereby erect entry Barriers for low-end players. They can also use the BPO space to create cross-selling opportunities among New/existing set of clients, by offering systems integration and high-end consulting services. They can create greater confidence in their clients through fixed-price contracts, and gain expertise and process-related competencies in different vertical segments, further increasing the scope to penetrate New markets.

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De La Compétitivité Des Pays: Cas Del' Algérie A Travers Les IDE

Par Matouk Belattaf, Abdenour Mouloud & Sylia Belattaf

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Abstract- The competitiveness of nations has become essential for successful integration into the global economy. It is determined by the productivity with which a nation or a region uses its various resources and determining the standard of living of the nation. Algeria is carried low scores, despite the sustained economic growth, macroeconomic stability, substantial foreign exchange reserves and external debt insignificant. It gets bad ratings by independent institutions. The objective of this paper is to analyze the competitiveness of Algeria, locate its position relative to its partners, identify the real obstacles to the acquisition of competitive advantages, and propose actions to be implemented to allow the countries to become more competitive.

Keywords: *competitiveness, attractiveness, economic performance, growth, innovation, algeria.*

GJMBR-B Classification: JEL Code: F43, O49



DE LA COMP TITIVIT DES PAYSCAS DE LALGRIE A TRAVERS LES IDE

Strictly as per the compliance and regulations of:



De La Compétitivité Des Pays: Cas De l'Algérie A Travers Les IDE

Matouk Belattaf ^α, Abdenour Mouloud ^σ & Sylia Belattaf ^ρ

Résumé- La compétitivité des nations est devenue essentielle pour réussir l'insertion dans l'économie mondiale. Elle est déterminée par la productivité avec laquelle une nation ou bien une région utilise ses différentes ressources en déterminant ainsi le standard de vie de la nation. L'Algérie réalise de mauvais scores, malgré la croissance économique soutenue, une stabilité macroéconomique, d'importantes réserves de changes et une dette extérieure insignifiante. Elle reçoit de mauvaises notations par les institutions indépendantes.

L'objectif de ce papier est d'analyser la compétitivité de l'Algérie, situer sa position par rapport à ses partenaires, déceler les véritables freins à l'acquisition d'avantages compétitifs, et proposer des actions à mettre en œuvre pour permettre au pays de devenir plus compétitif.

Mots-clés: compétitivité, attractivité, performances économiques, croissance, innovation, algérie.

Abstract- The competitiveness of nations has become essential for successful integration into the global economy. It is determined by the productivity with which a nation or a region uses its various resources and determining the standard of living of the nation. Algeria is carried low scores, despite the sustained economic growth, macroeconomic stability, substantial foreign exchange reserves and external debt insignificant. It gets bad ratings by independent institutions.

The objective of this paper is to analyze the competitiveness of Algeria, locate its position relative to its partners, identify the real obstacles to the acquisition of competitive advantages, and propose actions to be implemented to allow the countries to become more competitive.

Keywords: competitiveness, attractiveness, economic performance, growth, innovation, algeria.

I. INTRODUCTION

La compétitivité des nations, essentielle pour réussir l'insertion dans l'économie mondiale, est déterminée par la productivité avec laquelle une nation ou une région utilise ses différentes ressources. La théorie de la compétitivité a fortement évolué de Smith à Porter (diamant de compétitivité), alliant facteurs macro et microéconomiques de compétitivité. Pour les pays développés, l'Etat est un canalisateur/stimulateur pour les entreprises, sources de compétitivité. Dans les

économies en développement, il doit toujours jouer un rôle actif et direct dans le diamant de compétitivité car le secteur privé n'est pas encore important pour assurer un taux d'investissement suffisant, et fragile pour affronter la concurrence étrangère. L'Algérie réalise de mauvais scores, malgré une croissance soutenue, une stabilité macro-économique, des réserves de changes importantes et une dette extérieure insignifiante. L'Algérie reçoit de mauvaises notations dans les analyses publiées par les institutions indépendantes. Le classement de référence sur la compétitivité des nations, le Business Competitiveness Index, publié par le Forum Economique Mondial, classe l'Algérie pour la période 2006-2007 à la 76^{ème} place sur 125 pays classés, derrière la Tunisie 30^{ème} et le Maroc 70^{ème}. Les relatifs et récents progrès sont loin d'être suffisants et d'atteindre les fortes potentialités du pays. L'on essaiera d'analyser la compétitivité de l'Algérie, de la situer par rapport à ses partenaires et de déceler les freins à l'acquisition d'avantages compétitifs.

a) De la compétitivité en général

Le concept de compétitivité est complexe et possède de nombreuses définitions souvent utilisées pour exprimer différentes situations¹, toutes proches l'une de l'autre :

- ⇒ « La compétitivité est la capacité à fabriquer des biens et des services qui répondent aux exigences des marchés internationaux, tout en offrant aux citoyens un niveau de vie qui tout à la fois s'élève et puisse être préservé à long terme ».
- ⇒ « La compétitivité désigne la capacité d'entreprises, d'industries, de régions, de nations ou d'ensembles supranationaux de générer de façon durable un revenu et un niveau d'emploi relativement élevé, tout en étant et restant exposés à la concurrence internationale ».
- ⇒ « la compétitivité d'une nation est la capacité à améliorer durablement le niveau de vie de ses habitants et à leur procurer un haut niveau d'emploi et de cohésion sociale ».

Ainsi parler de la compétitivité et l'attractivité d'un territoire, cela revient à dire qu'un pays peut être compétitif du fait de ses fortes parts de marché à

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¹ Rapport du Conseil d'Analyse Economique sur la compétitivité, selon l'Agenda de Lisbonne de 2000

l'étranger et de son excédent commercial, en même temps, avoir un territoire attractif, c'est-à-dire compétitif dans la mesure où il va peut attirer des investissements. La compétitivité d'un pays est liée à son attractivité, donc à sa faculté à attirer sur son sol des activités mais aussi sa capacité à contribuer à l'amélioration du bien-être de sa population. En somme, la compétitivité est un ensemble de conditions propices à la croissance, sur lesquelles l'action publique peut avoir une influence positive ou négative. Les domaines où la compétitivité peut intervenir comme outil de décision sont les suivants : Education-Recherche ; Attractivité du territoire ; Choix de paramètres de productivité ; Choix de compromis entre dépense publique et qualité des services publics ; Incitation aux coopérations internationales ; Change et du taux d'intérêt ; Institutions du marché du travail ; Réglementation de la concurrence sur le marché des biens et services ; Intervention de l'Etat dans le capital d'entreprises ou avec des subventions, ...

Plusieurs des éléments précédents semblent s'appliquer tant aux entreprises qu'aux Etats. Deux entreprises en compétition se livrent une véritable guerre : perdre et tomber en faillite, ou rachetée par l'autre. En revanche, deux Etats qui rentrent en concurrence sur certains marchés, peuvent progresser en même temps, tous les deux. Parfois deux entreprises sont en concurrence pour certains produits tout en coopérant sur d'autres (études, sous-traitance,...). Les Etats peuvent être en concurrence pour l'attraction des IDE mais entrent en coopération ou partenariat au niveau de certaines entreprises, d'opérations d'aide étrangères, ...

b) Définitions de compétitivité par les institutions internationales et régionales

Les institutions internationales et régionales ont défini la compétitivité des territoires, sous l'angle des performances sur les marchés internationaux et intérieurs « captifs », du bien-être et de la préservation des patrimoines, ... Compétitivité intégrant le bien-être des populations, le développement durable², selon l'observatoire européen, LEADER.

⇒ *La performance sur les marchés internationaux*: La compétitivité d'un territoire, d'une nation peut être appréciée par le niveau de vie de ses habitants (PIB/hab.). Pour l'OCDE, c'est « la capacité de produire des biens et services qui passent le test des marchés internationaux, tout en maintenant des niveaux de revenus élevés et durables », ou « la capacité des entreprises, des régions, des nations ou des zones géographiques supranationales d'engendrer, tout en étant exposées à la

concurrence internationale, des niveaux de revenu et d'emploi relativement élevés³ »... définition reprise par l'UE⁴.

⇒ *Performances sur les marchés intérieurs « captifs »*: L'OCDE et l'UE accordent une place centrale aux activités exposées à la concurrence internationale. Pour Cambridge Econometrics (CE), « la compétitivité d'une région dépend des facteurs qu'elle procure aux entreprises pour affronter avec succès la compétition sur le marché local, national et international⁵ ».

⇒ *Bien-être et préservation des patrimoines*: selon LEADER⁶, « un territoire devient compétitif s'il affronte la concurrence du marché et assure la durabilité environnementale, économique, sociale et culturelle, fondée sur des logiques de réseau et d'articulation interterritoriale ». Les 4 dimensions de la compétitivité de la capacité des acteurs à :

- Mettre en valeur leur environnement, en assurant la préservation et le renouvellement des ressources naturelles et patrimoniales (*dimension environnementale*) ;
- Produire et retenir un maximum de valeur ajoutée en renforçant les liens sectoriels et combinant les ressources des atouts pour une meilleure valorisation (*d. économique*) ;
- Agir efficacement sur la base d'une conception partagée du projet, encouragée et concertée entre différents niveaux institutionnels (*d. sociale*) ;
- Trouver leur place par rapport aux autres territoires, pour faire épanouir leur projet territorial et sa viabilité dans la globalisation (*positionnement dans le contexte global*).

c) Critères de compétitivité

A la diversité de la compétitivité correspond celle des indicateurs de performances pour l'évaluer.

i. Limites et inconvénients de l'usage du PIB/hab. comme mesure du niveau de vie

Cet indicateur n'étant qu'une moyenne, donc ne reflète pas une répartition « réelle et équitable » et occulte « la misère » d'une grande partie de la population. La compétitivité suppose continuité et durabilité, le PIB/hab. avec son évolution ne peuvent l'assurer ni décrire l'aptitude de l'économie à offrir durablement un certain niveau de vie. Il ne faut pas

³ OCDE, Industrial competitiveness, Paris 1996.

⁴ Rapport périodique sur la situation socioéconomique et le développement des régions de l'UE ; partie 2, les facteurs qui sous-tendent la compétitivité, pp 75 et suivantes.

⁵ Cambridge Econometrics, Regional competitiveness indicators, for the EC, Cambridge, sept. 1998.

⁶ Farrel G. et al, « la compétitivité territoriale : construire une stratégie de développement territoriale à la lumière de l'expérience LEADER », cahiers de l'innovation, Observatoire LEADER, sept. 1999

² MATUHE (ministère de l'AT, de l'urbanisme, de l'habitat et de l'environnement), « Etude sur la compétitivité territoriale », rapport de synthèse, Royaume du Maroc, déc. 2002, pp11 et suivantes.

confondre pouvoir d'achat et bien-être, car le confort, la quiétude, la qualité et la cadre de vie ne puissent être obtenus avec de l'argent (qualité et propreté de l'air, silence....)

ii. La compétitivité-prix

Dans un contexte de concurrence parfaite, pour comparer les prix, il suffit de confronter les coûts. Pour la compétitivité de deux pays, l'on compare coûts salariaux unitaires et productivité du facteur travail. Si les coûts pour un pays s'accroissent plus rapidement que la productivité (hausse du SMIG, des salaires), ses prix à l'exportation connaîtront alors un accroissement,

perdront des parts de marché, et doit réagir pour retrouver sa compétitivité : soit jouer sur le taux de change (dévaluation de la monnaie, sauf dans une zone monétaire aux marges de manœuvre réduites), soit provoquer une déflation, ralentissant fortement l'économie, et entraînant le chômage. Enfin, pour faire jouer la compétitivité-prix, il faut une amélioration globale de la productivité dans l'économie permettant l'amélioration durable du PIB. Cet aspect de compétitivité-prix peut être illustré par la comparaison de productivité dans certains pays développés.

Tableau 1 : PIB/hab. et productivité en 2002

Pays	PIB/hab.		Productivité			
	OCDE	Eurostat*	Horaire		Par travailleur	
			OCDE	Eurostat	OCDE	Eurostat
Etats-Unis	100	100	100	100	100	100
France	77	76.1	103	106.6	88	96.4
Allemagne	75	72.5	101	91.7	80	79.8
Belgique	78	77.5	111	106.3	95	99.8
Royaume uni	74	78.2	79	78.6	74	80.9
Union européenne	73	72.8	91	88.2	80	84
Irlande	89	91.3	103	103.6	94	104.2
Italie	75	71.5	105	91.8	94	89.6
Japon	74	73.4	72	67.5	72	73.6

Source: Selon OCDE & Eurostat. (*) Calculs son faits en SPA (standard de Pouvoir d'Achat)

NB. En rapport aux sources et aux méthodes utilisées, les résultats sont évidemment différents.

iii. La compétitivité par la qualité et l'innovation

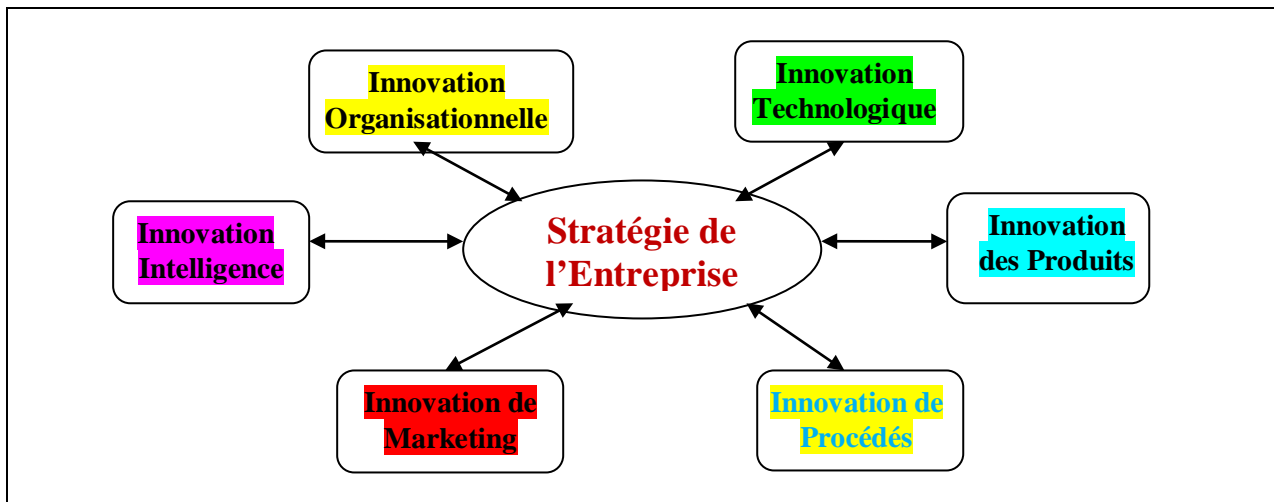
Comparer des produits selon leur prix et choisir le plus cher car de meilleure qualité. Parfois l'on est porté sur les produits « dernier cri » car plus récent, donc plus innovant.

- ⇒ La contribution des TIC à la croissance et la compétitivité: une étude⁷ récente a mis en exergue l'influence de la diffusion des TIC dans une économie. L'innovation améliorant la compétitivité provient de la technologie, du renouvellement des produits, de nouvelles méthodes de ventes, de changements organisationnels de l'entreprise ou de montages financiers innovants.
- ⇒ Innovation commerciale: le commerce électronique de biens et services, via l'Internet, permet des avantages divers supérieurs au commerce traditionnel.
- ⇒ Innovation organisationnelle: les entreprises doivent mieux s'organiser pour maintenir les clients: délais courts, qualité irréprochable, adaptation aux demandes de la clientèle.

Innovation financière: En cas de manque d'argent ou d'interdiction de prêter (précepte musulman), il faut trouver des montages financiers pour des projets.

⁷ Artus P et Cette G. « Productivité et croissance : diagnostic macroéconomique et lecture historique » rapport CAE, 2004, cité par D. Martin, « Mondialisation et délocalisation », tome 2, 30 oct. 2005 ;

La démarche pluridimensionnelle de l'innovation: le schéma suivant synthétise les six dimensions de l'innovation entrant dans le cadre de la stratégie de l'entreprise:



Source: Etabli par nous-mêmes

iv. Les autres critères de compétitivité

- ⇒ Les aptitudes des biens et services à résister à la concurrence: l'offre compétitive gagne une place significative dans le marché local ou international. L'offre innovante fait de l'entreprise un acteur concurrent et compétitif, par la qualité, prix, disponibilité,
- ⇒ La pérennité: soutien de la compétitivité durable de l'entreprise, d'un pays, par une politique d'investissements dans la formation, recherche, moyens de production et infrastructures de base et télécoms, stabilité et sécurité de l'environnement social.
- ⇒ La compétitivité du travail et de la fiscalité: elle est au niveau de productivité, des impôts, charges et taxes sur le travail et du taux de change favorisant/encourageant les exportations.
- ⇒ Le caractère contestable des indicateurs agrégés utilisés pour exprimer la compétitivité: indice de rigidité de l'emploi, indice de liberté économique...

v. La compétitivité d'un pays et les dépenses publiques (DP)

La compétitivité fiscale et la compétitivité-prix exigent un faible niveau des impôts et charges. La bonne corrélation entre les DP et la bonne gouvernance pour une bonne compétitivité entraînent des emplois et du niveau de vie des générations futures : les transferts sociaux dont l'importance varie selon les pays et les effectifs dans la fonction publique (l'Etat plus grand employeur ...)

La compétitivité d'un pays dépend des différentes actions entreprises dans divers domaines :

- ⇒ Développer les industries de haute technologie et de l'innovation ;

- ⇒ Orienter les efforts de vente vers les pays à forte croissance ;
- ⇒ Réorganiser l'industrie et les services pour profiter des TIC ;
- ⇒ Améliorer et perfectionner la formation des travailleurs ;
- ⇒ Améliorer la législation du travail et Diminuer la fiscalité ;
- ⇒ Mettre au point et en pratique un ensemble d'éléments d'un programme.

vi. Les indicateurs de compétitivité

La compétitivité d'une entreprise se mesure par la part de marché, le niveau des prix et la qualité des produits et celle d'un territoire est difficile à l'évaluer ou la quantifier. Les indicateurs de compétitivité territoriale sont des éléments aux valeurs intrinsèques susceptibles de fournir un plus à un territoire pour être compétitif⁸.

vii. Les différentes approches du concept de compétitivité

- ✓ Les approches de la Banque mondiale et de l'OCDE: les organismes internationaux, centrent leurs recherches sur le concept de compétitivité des nations. Les critères retenus pour l'évaluer permettent d'apprécier les performances de l'économie et le contexte de développement d'une activité compétitive : PIB, le PIB/hab., répartition des revenus, niveau et structure des exportations, part des IDE, dépenses publiques, dotations en infrastructures économiques, de transport et niveaux de qualification des populations.
- ✓ L'approche de la Commission européenne: la

⁸ MATUHE, op. cit ; p 13

compétitivité régionale au cœur de sa politique d'aménagement du territoire : cohésion économique et sociale, préservation des bases naturelles de la vie et du patrimoine culturel,

compétitivité plus équilibrée du territoire, et ce, en prenant en considération les indicateurs et les variables suivants.

Tableau 2 : Indicateurs de disparité territoriale calculés par région

Indicateurs	Variables
Population	<ul style="list-style-type: none"> • Densité de population ; Taux de croissance de la population • Taux de croissance des migrations de la population
Economie	<ul style="list-style-type: none"> • Niveau du PIB/hab. et PIB spa par hab. • Evolution du PIB/hab. et PIB spa par hab.² • Répartition de l'emploi par secteur
Chômage et marché du travail	<ul style="list-style-type: none"> • Taux de chômage ; Evolution du taux de chômage • Taux de chômage des jeunes ; • Taux de chômage des femmes • Taux de chômage de longue durée • Part des femmes dans l'emploi à temps partiel total • Femmes employées à temps partiel (en % femmes) • Femmes employées à temps partiel (en % emploi total) • Taux de croissance de la population active (hommes/femmes)

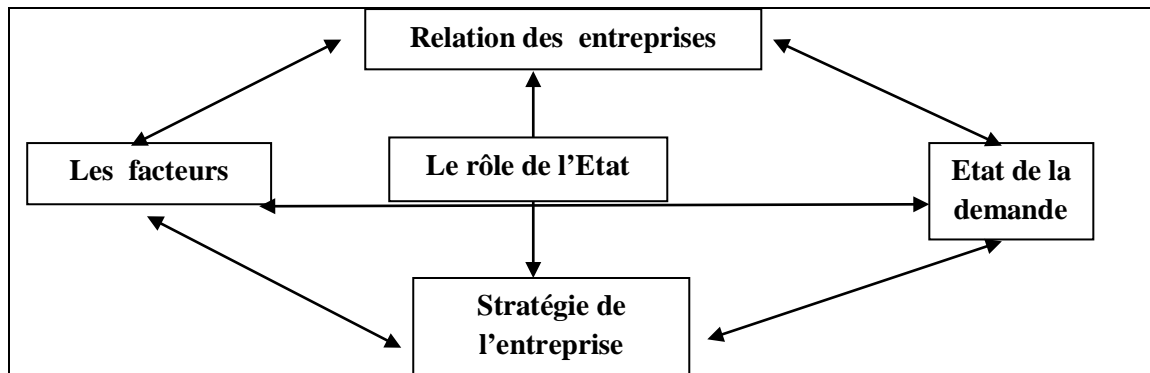
Source : Matuhe, op. cit ; p 15

La compétitivité d'un pays dépend aujourd'hui comme le diamant de l'avantage national, composé de 4 grands déterminants : facteurs de base, demande intérieure, filières industrielles et industries apparentées, structure et stratégie des entreprises, car créant l'environnement dans lequel les entreprises naissent et

apprennent à devenir performantes. Ainsi la concentration géographique des entreprises permet la formation de pôles de compétitivité, l'innovation, anticiper et répondre à la demande du marché. Ce qui forme un cluster dynamique et innovant, donnant un avantage compétitif pour la nation.

d) Le Diamant de Porter⁹

Michael Porter définit 4 grands paramètres dynamiques formant les déterminants de l'avantage concurrentiel d'une nation, le « *losange* » ci-dessous:



⁹ Michael E. Porter «The Competitive Advantage of Nations», New York: The Free Press, 1990. Republished with a new introduction, 1998.

Ces 4 déterminants forment le contexte dans lequel naissent et s'affrontent les entreprises. Chacun contribue pour une part à la réussite d'une entreprise ou d'un secteur au sein de l'environnement national. Mais la réussite ne tient pas à la compréhension et à l'exploitation d'un ou deux déterminants au détriment des autres. Les 4 facteurs créent un système interactif et c'est à l'intérieur de ce système que naissent les entreprises. Ainsi les firmes et les secteurs d'activité doivent prendre conscience des changements et s'adapter en conséquence s'ils veulent maintenir leur réussite à long terme.

Selon Porter, les entreprises acquièrent un avantage concurrentiel, lorsque le pays d'origine accumule rapidement des savoirs et des actifs spécialisés, assure une information continue sur les besoins relativement aux produits et aux procédés, et quand le cadre national incite fortement les entreprises à innover et à investir, et améliorant ces avantages au fil du temps.

Les travaux de Porter et l'étude de la dynamique des avantages concurrentiels à l'aide de son modèle ont éclairé les rouages de la formation des grappes dans un secteur. Pour des raisons d'efficacité et de coopération concurrentielle, des entreprises se regroupent en fonction d'activités particulières dans un secteur donné. Ainsi, les entreprises produisant des biens similaires sont souvent proches, géographiquement. Les firmes qui soutiennent le premier groupe de concurrents sont également à proximité, ce qui crée des grappes concurrentielles.

i. *Les déterminants de l'avantage concurrentiel*

M. Porter estime qu'il existe 4 principaux facteurs susceptibles de constituer l'avantage concurrentiel d'une nation.

- Les facteurs: Il s'agit des facteurs liés aux ressources d'une nation: main-d'œuvre, terre arable, ressources naturelles, capital et infrastructure. Il s'agit essentiellement des facteurs de production, la base même de la théorie classique des échanges. Selon cette théorie, chaque nation exploite le capital de facteurs dont elle dispose et exporte les biens qu'elle produit en excès. Porter affirme que cette théorie trop simple ne s'applique plus au monde complexe des échanges internationaux. Il fait valoir que les facteurs primordiaux de la différenciation concurrentielle ne sont pas « *hérités* » mais plutôt créés dans le cadre d'une nation. « *Ainsi, ce n'est pas tant le réservoir de facteurs disponibles à un moment donné qui importe que le rythme auquel ils sont créés, valorisés et spécifiquement adaptés à telle ou telle industrie. Paradoxe surprenant, on observe qu'une abondance de facteurs peut jouer au détriment et non en faveur de l'acquisition d'avantages concurrentiels.* »

- La demande: Les caractères de la demande intérieure pour un bien ou un service offert par un secteur constituent le deuxième déterminant de l'avantage concurrentiel d'une nation. L'influence de la demande intérieure sur les économies d'échelle est évidente, mais elle est avant tout d'ordre dynamique. « *La demande module le rythme et la qualité des progrès et des innovations accomplis par les entreprises d'un pays.* »

Selon Porter, trois caractéristiques jouent un rôle important:

- La composition de la demande intérieure (la nature des besoins des consommateurs);
- Le volume et le type de croissance de la demande;
- Les mécanismes par lesquels les préférences intérieures sont transmises aux marchés étrangers.

Michael Porter affirme que c'est la qualité de la demande sur le marché intérieur qui l'emporte sur la quantité, dans la détermination de l'avantage concurrentiel.

En effet, le modèle du losange indique que la composition de la demande intérieure définit la façon dont les entreprises appréhendent les besoins des consommateurs et les satisfont. En effet, la clientèle intérieure peut donner à une firme une image claire de ses besoins et ainsi la rendre apte à mieux se positionner face à ses concurrents étrangers. La demande intérieure contribue par ailleurs à l'internationalisation des biens et services: cas des clients mobiles géographiquement ou des entreprises multinationales.

De toute évidence, la demande intérieure contribue par divers aspects à l'avantage concurrentiel d'une nation et chaque secteur doit l'évaluer en fonction du contexte mondial. Dans certains cas, la demande intérieure favorise l'émergence d'un marché et la création d'un besoin initial. Dans d'autres cas, la demande intérieure peut concourir à la stabilisation d'un marché et à une réussite à long terme.

- Industries amont et apparentées : C'est l'aptitude d'un secteur d'activités à collaborer avec ses fournisseurs attirés. La présence d'un bassin de fournisseurs dans le marché intérieur peut procurer des avantages à une entreprise. Une industrie de soutien, ou industrie amont, constituera un avantage pour de nouvelles firmes dans un secteur donné, en particulier dans les domaines où les produits sont nouveaux dans un marché émergent et en croissance. Une entreprise peut bénéficier de gains d'efficacité, de communications rapides et de produits à prix intéressants lorsque ses fournisseurs sont solides et à proximité géographique : « *l'avantage essentiel de la présence locale de fournisseurs se situe plutôt au plan des processus d'innovation et de modernisation* ». Avant tout, c'est

l'étroite collaboration entre une entreprise et ses fournisseurs (fournisseurs clés) qui lui permet de mieux satisfaire les besoins du marché et mène à la réussite. Grâce à cette interaction, qui peut naître grâce à la proximité géographique, l'entreprise peut bénéficier d'un accès rapide à l'information, aux idées neuves et aux innovations de ses fournisseurs. En retour, les fournisseurs y gagnent l'accès à l'information sur les produits et les débouchés, ce qui leur permet d'améliorer leurs intrants et procédés.

- De façon similaire, la présence d'industries apparentées procure des avantages concurrentiels à une nation et à ses entreprises. Les firmes « apparentées », qui disposent d'activités similaires ou identiques dans leurs chaînes de valeur respectives, peuvent coordonner ou partager ces activités, en particulier dans le domaine du développement. Les firmes concurrentes peuvent bénéficier de gains de coûts, d'occasions de production et d'innovation. Les firmes complémentaires, quant à elles, profitent d'économies de coûts ou d'innovations qui créent de nouvelles possibilités non perçues auparavant.
- Stratégie, structure et rivalité des entreprises : La stratégie de l'entreprise constitue le dernier déterminant de l'avantage concurrentiel d'une nation : le contexte dans lequel les entreprises sont créées, organisées et dirigées, contribuant à la réussite des uns et seront moins favorables à d'autres. La réussite naît de la conjugaison entre les opérations de gestion d'une entreprise et les sources d'avantages concurrentiels dans un secteur donné..

ii. *Le rôle de l'État*

Le rôle de l'État est d'influencer les 4 déterminants de l'avantage concurrentiel. Cette influence peut être positive ou négative selon son incidence sur le secteur d'activités et la nation. Les interventions de l'État qui visent les marchés de capitaux et l'éducation jouent un rôle sur les facteurs. Une influence subtile sur le marché peut apporter un soutien à la demande. L'État est souvent lui-même un gros client de biens et de services, ce qui est le cas avec les télécommunications : les organismes gouvernementaux achètent de nombreux services et produits destinés aux communications entre personnes. L'État peut aussi orienter la stratégie et la structure des entreprises par le biais d'une réglementation des marchés de capitaux, de la politique fiscale et de la législation antitrust.

- Politiques gouvernementales et « losange » de Porter: Il est important de retenir que l'intervention de l'État peut avoir des répercussions tant positives que négatives sur l'avantage concurrentiel d'une nation. Mais elle peut uniquement influencer sur le

cours des choses. Les conditions de réussite d'une industrie doivent préexister dans le cadre d'une nation, car « un gouvernement ne maîtrise jamais un avantage concurrentiel national, il ne peut qu'exercer une influence ». Selon Porter, les principes préalables nécessités par toute intervention gouvernementale pour améliorer l'avantage concurrentiel national sont :

1. Ce sont les entreprises qui se concurrencent, et non les pays;
2. L'avantage concurrentiel d'une nation dans une industrie n'est que relatif;
3. L'avantage concurrentiel naît du dynamisme, et non de gains de coûts à court terme;
4. La prospérité économique d'une nation exige que ses industries se valorisent;
5. L'avantage concurrentiel d'une nation est souvent concentré géographiquement;
6. Un avantage concurrentiel dans une industrie se construit au moins en une décennie;
7. Ce sont les différences qui procurent un avantage aux nations, et non les similitudes;
8. La plupart des catégories utilisées pour classer les industries sont dénuées de fondement;
9. L'avantage concurrentiel est pénible à préserver pour les entreprises et leur personnel.

Concernant les influences qu'exerce l'intervention de l'État sur les éléments du Diamant, il insiste sur l'interaction des 4 déterminants pour un avantage concurrentiel important ou durable à un pays. Avant d'adopter une politique positive sur un déterminant donné, les pouvoirs publics doivent analyser ses éventuelles incidences négatives dans d'autres domaines, pouvant surgir avec l'évolution d'un secteur d'activités. Un système n'est jamais totalement stable. La politique de l'État doit s'adapter, non pas en fonction des changements de gouvernements, mais du rythme de l'évolution de l'industrie.

- Les effets sur les facteurs: La productivité d'un pays est fonction des facteurs. Une entreprise connaît la réussite lorsqu'elle a accès à un réservoir de facteurs en progression: main-d'œuvre spécialisée, connaissances scientifiques, information économique et infrastructure. Il est important que les politiques gouvernementales soutiennent ces facteurs de façon positive, pour que les entreprises valorisent leurs propres facteurs de manière à améliorer leur position concurrentielle dans leur domaine: « l'avantage concurrentiel d'une nation ne tient pas tant à la présence de facteurs disponibles à un moment précis qu'aux mécanismes institutionnels, propres au pays, susceptibles d'enrichir constamment ces facteurs », selon Porter.
- ⇒ Enseignement et formation : Améliorer les compétences et les connaissances de la main-d'œuvre est l'une des conditions importantes pour

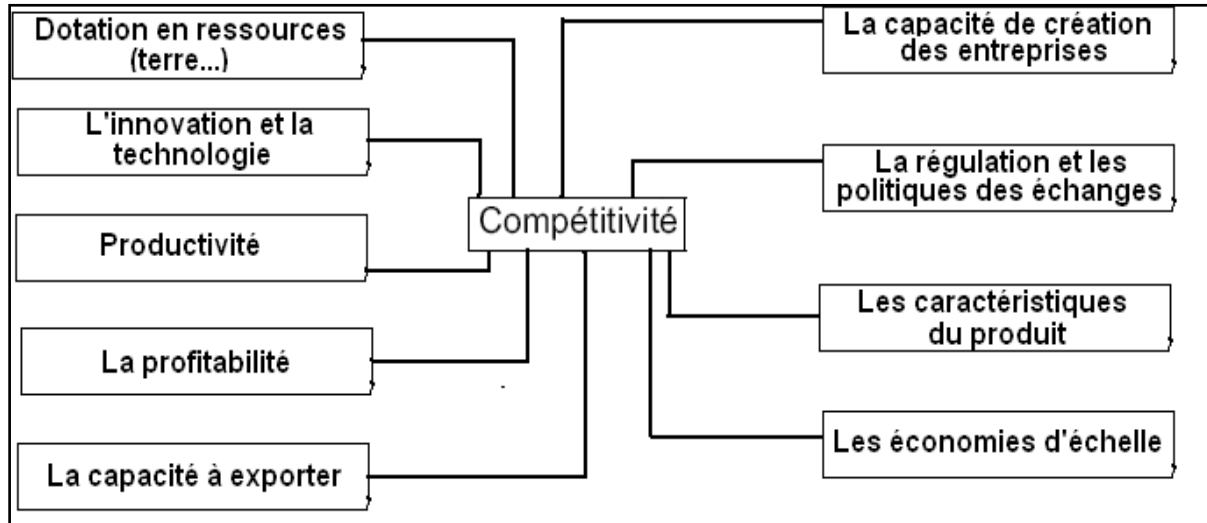
atteindre une productivité élevée et accroître les avantages concurrentiels sur le marché mondial. L'importance essentielle de l'enseignement et de la formation dans la création de l'avantage concurrentiel national est révélatrice : les industries les plus concurrentielles sont pour la plupart celles dont le pays a engagé de grands et exceptionnels efforts dans l'enseignement et la formation.

- ⇒ Science et technologie : La croissance économique d'un pays est directement reliée à son progrès technologique. Porter affirme : « Une politique de stimulation de l'innovation commerciale devrait aller au-delà de la recherche en science et technologie et tenir compte de la concurrence, de la réglementation et autres paramètres qui influencent le losange ». Il déclare que les investissements et incitatifs fiscaux constituent des mesures importantes, mais qu'il est aussi important de créer des forums et des activités de partage des connaissances entre des entreprises et d'un secteur. Cet échange d'idées et de savoirs stimule le développement de nouveaux produits le partage des connaissances effectué aujourd'hui sera avantageux pour tous dans l'avenir.
- ⇒ Infrastructure : Dans le monde de communications instantanées, l'infrastructure joue toujours un rôle central. Les réseaux de transport, de logistique et de télécoms représentent le cœur vital des entreprises du XXI^{ème} siècle. En effet, avec l'externalisation des fonctions et la localisation dans des pays étrangers, la dépendance face aux moyens logistiques, à l'informatique et aux communications croît de façon exponentielle. Ces infrastructures deviennent essentielles à la livraison des produits et jouent sur la compétitivité : donner accès à une infrastructure de qualité aux entreprises, pour éviter de subir un recul.

Au cours des 25 dernières années, de nombreux pays considérés comme pauvres durant les années 70 et 80 ont réalisé d'importants investissements dans leur infrastructure. L'Inde a dépensé des centaines de millions de dollars dans des bâtiments et les télécoms afin de stimuler le secteur des logiciels. Actuellement, elle regroupe sur son territoire un très grand nombre des réalisateurs de logiciels mondiaux qui travaillent pour une fraction du prix que cela coûterait en Amérique du Nord. La Corée du Sud a investi des sommes considérables dans l'infrastructure de télécoms et sa population a aujourd'hui accès à une connexion Internet à 50 Mbs. Le pays a aussi connu un développement phénoménal de l'électronique au cours des 15 dernières années (Samsung et LG), et s'est même attaqué au développement d'un réseau international et de logiciels destinés aux technologies mobiles.

- ⇒ La demande : L'enrichissement de l'avantage concurrentiel d'un secteur d'activité dans un pays exige une demande intérieure évoluée et de haute technicité. La demande sur le marché mondial tire un profit direct d'une forte demande intérieure au pays, confirmant l'hypothèse de Porter que l'essentiel tient aux conditions de demande spécifique de chaque industrie. Le principal souci du gouvernement est d'améliorer la qualité de la demande intérieure, ce qui, en retour, influencerait la demande étrangère.
- ⇒ Stimulation d'une demande précoce ou de haute technicité : L'État dispose de nombreux moyens pour stimuler les marchés dans son propre pays : création d'organismes de financement des entreprises pour acheter les produits les plus avancés, mesures incitatives comme les abattements fiscaux pour encourager la commercialisation de nouvelles technologies ou de nouveaux services. Mais la stimulation d'une demande précoce doit être accompagnée d'une évaluation du produit, qui doit se révéler attirant pour les marchés étrangers pour que le produit en question soit transférable aux consommateurs extérieurs avec la poursuite continue des efforts d'innovation.

Enfin, terminons cette partie par ce schéma des déterminants de la compétitivité



Source: établi par les auteurs

e) *L'Algérie dans bassin méditerranéen : quelles performances ?*

La compétitivité globale d'un pays est perçue à travers les indicateurs socioéconomiques dont la référence est l'espace euro-méditerranéen¹⁰.

i. *Compétitivité de l'Algérie à travers quelques indicateurs*

Nous présenterons à travers 3 graphiques et 4 tableaux les indicateurs suivants: IDH, taux de croissance économique, productivité du travail, qualité des institutions, commerce extérieur, compétitivité de l'environnement économique et les réformes prioritaires. Le niveau de vie varie de 1 à 8 dans les pays méditerranéens: le PIB par habitant est ainsi inférieur à la moyenne mondiale dans l'ensemble des pays n'appartenant pas à l'UE, à l'exception d'Israël, Libye et Croatie. L'emploi est un des défis majeurs des pays méditerranéens du sud : le taux de chômage y est souvent élevé : le taux de chômage est de 14,4 % en Algérie et il faudra augmenter de 29,9% le nombre d'emplois existants d'ici à 2020 (+ de 2 millions) pour maintenir le taux de chômage et d'activité constants.

La croissance des pays méditerranéens (PM) hors UE reste dynamique et atteint 5,3% en moyenne en 2007, contre 4,7% depuis 2000. Ces bonnes performances ont été obtenues malgré une inflation relativement forte. Mais les PM hors UE ne représentent qu'une faible part faible du PIB mondial (3,1 %), avec ceux de l'UE, cette part monte à 11,3%. L'Algérie se situe dans la moyenne de la région même.

La productivité dans les PM reste plus faible,

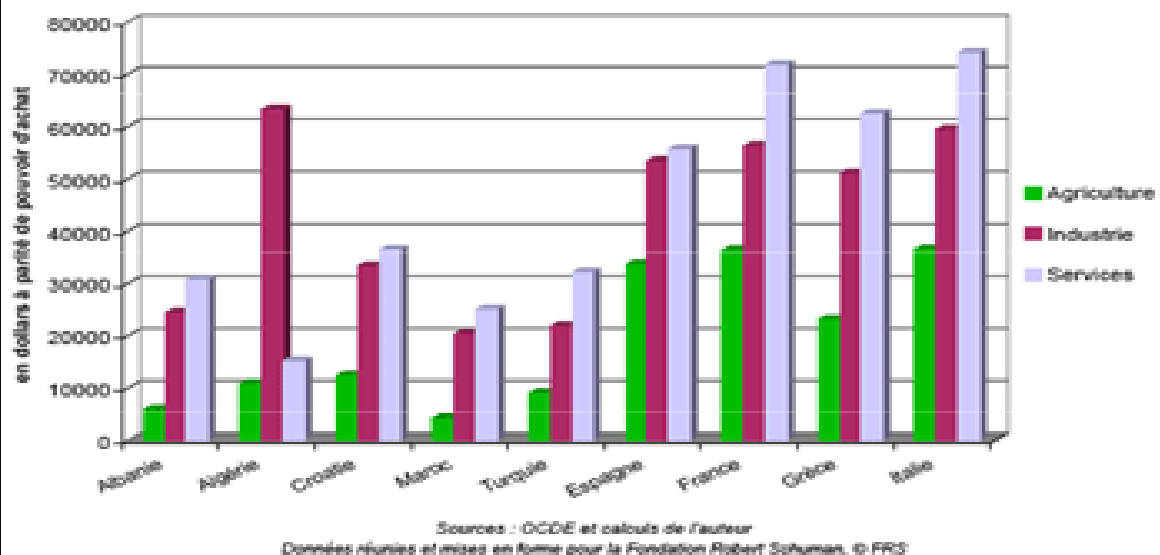
notamment dans l'agriculture. Dans les services, elle est la plus forte. L'Algérie constitue une exception à ce constat en raison de ses ressources pétrolières qui dopent la productivité de son industrie. Au contraire, la productivité des services y est faible: poids excessif de l'administration, avec un tiers de l'emploi total.

¹⁰ J F Jamet, « Les défis politiques et économiques de l'Union pour la Méditerranée », mars 2008. Les sources des tableaux et graphiques : données réunies par la Fondation Robert Schuman

1. Indice de développement humain (2005)



9. Productivité du travail par secteur d'activité dans quelques pays méditerranéens (2005)



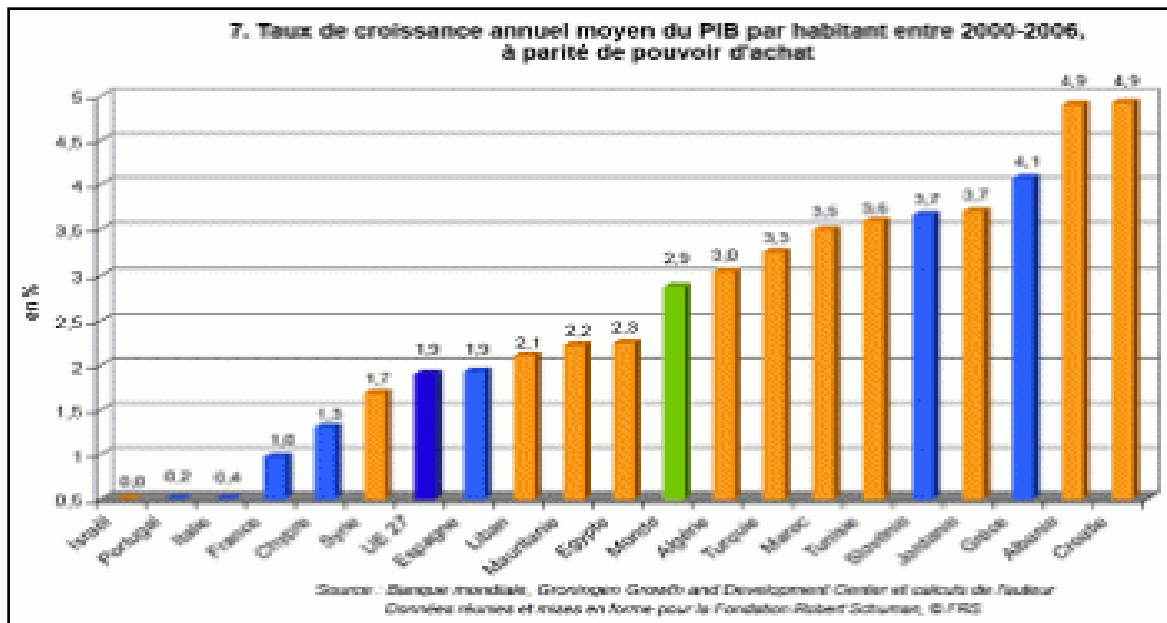


Tableau 3 : Qualité des institutions

	Risque politique (1) noté sur 100	Evaluation du caractère démocratique des institutions, noté sur 6	Dettes publiques en % du PIB
	2005	2006	2007
Albanie	68,5	4,5	53,7
Algérie	62,5	4,5	9,7
Bosnie-Herzégovine	nd	nd	39
Croatie	74	5,5	45,6
Egypte	60,5	2	105,1
Israël	62,5	6	82,7
Jordanie	72	3	67,2
Liban	56,5	5	183
Libye	68	1	4,8
Maroc	68,5	4,5	63,6
Syrie	57,5	1	37,3
Tunisie	72,5	2	64,5
Turquie	62	5	68,2
Chypre	82	6	61,5
Espagne	80,5	6	35,7
France	80,5	6	66,6
Grèce	76,5	6	81,7
Italie	78	5,5	105,6
Malte	86,5	6	66,5
Portugal	83,5	6	65,8
Slovénie	77,5	5	25,7
Union européenne	81,5	5,8	nd
Monde	76,5	4,15	nd

Source : International Country Risk Guide, Banque Mondiale et Eurostat, Données selon la FRS

(1) indice synthétique : stabilité du gouvernement, risques de conflit, niveau de corruption, rôle de l'armée et de la religion dans la vie politique, tensions religieuses et ethniques, sécurité intérieure et efficacité de l'administration. L'indice varie de 0 (risque maximum) à 100 (risque minimum).

La qualité des institutions constitue aussi, l'un des handicaps des PSEM

Les pays méditerranéens hors UE réalisent une faible part des exportations mondiales (3,2% en 2006). En outre, la plupart d'entre eux ont une balance

commerciale négative, à l'exception de l'Algérie, Libye, Maroc et Israël, ainsi que les barrières douanières: 20,2% en Tunisie, 18,9% au Maroc et 12 % en Algérie.

L'UE est de loin le principal partenaire commercial des PSEM. Néanmoins, les PM ont le plus

souvent une balance commerciale déficitaire avec l'UE : seules l'Algérie et la Libye ont un excédent du fait de leurs exportations pétrolières. Les PM représentent une part non négligeable des exportations de l'UE et de ses importations.

Tableau 4 : Commerce extérieur

	Balance commerciale en % du PIB	Tarifs douaniers moyens sur les importations	Importations nettes d'énergie en % de l'énergie consommée
	2007	2006	2004
Albanie	-7,4	6,6	58,6
Algérie	19,4	12	-403,8
Bosnie-Herzégovine	-15,3	7,2	30,9
Croatie	-8,4	4,9	56,1
Egypte	1,4	19,3	nd
Israël	3,7	3	91,7
Jordanie	-12,6	8,7	95,5
Liban	-10,6	7	95,7
Libye	29,9	nd	-369,3
Mauritanie	-6,8	10,7	nd
Maroc	0,7	18,9	95,2
Syrie	-5,6	nd	-60
Tunisie	-2,6	20,2	21,8
Turquie	-7,5	3,8	70,6
Chypre	-5,6	3,4	92,7
Espagne	-9,8	3,4	77,1
France	-1,6	3,4	50,1
Grèce	-9,7	3,4	66,2
Italie	-2,3	3,4	83,7
Malte	-9,4	3,4	nd
Portugal	-9,2	3,4	85,3
Slovénie	-3,4	3,4	52
Union européenne	-1,0	3,4	nd

Source: Banque mondiale et OMC, Données mises en forme par la Fondation Robert Schuman

Tableau 5 : Compétitivité de l'environnement économique

	Classement selon la compétitivité de l'environnement éco.* sur 127 pays	Classement selon la facilité de faire des affaires** sur 178 pays	Développement du secteur financier (crédits au secteur privé en % du PIB)
	2007	2007	2006
Albanie	122	136	15.0
Algérie	97	125	12.5
Bosnie-Herzégovine	107	106	62.5
Croatie	60	97	69.2
Egypte	70	126	52.2
Israël	20	29	97.5
Jordanie	48	80	97.5
Liban	ND	85	77.9
Libye	109	ND	7.2
Mauritanie	103	157	41.7
Maroc	53	129	66.3
Palestine	nd	117	8.0
Syrie	85	137	11.9
Tunisie	25	88	65.4
Turquie	48	57	31.7
Chypre	45	ND	ND

Espagne	27	38	157.0
France	17	31	99.5
Grèce	53	100	91.1
Italie	42	53	95.9
Malte	40	ND	105.5
Portugal	30	37	153.2
Slovénie	35	55	68.8
Source	World Economic Forum	Banque mondiale	Banque mondiale

(*) Indicateur synthétique évaluant la qualité des facteurs de production, des conditions de la demande locale, du contexte concurrentiel et du tissu industriel local.

(**) Indicateur synthétique évaluant la compétitivité fiscale, du degré de protection des investisseurs, de la facilité de créer une entreprise, de faire du commerce extérieur, d'employer et de licencier des travailleurs et d'obtenir des prêts.

Enfin, les indices synthétiques des institutions internationales montrent que les économies du bassin méditerranéen sont inégalement compétitives. Israël, Turquie, Jordanie et Tunisie, au-dessus de la moyenne mondiale, le reste insuffisamment attractif. La faiblesse de la compétitivité de l'environnement économique endigue les investissements, l'accès au crédit et le développement des PME (Algérie, Syrie).

Tableau 6 : Réformes prioritaires pour améliorer l'environnement économique

Niveau de priorité	1	2	3
Albanie	Qualité des infrastructures	Qualité des institutions et corruption	Procédures administratives
Algérie	Accès au crédit	Procédures administratives	Corruption
Bosnie-Herzégovine	Procédures administratives	Qualité des institutions et corruption	Qualité des infrastructures
Croatie	Procédures administratives	Qualité des institutions et corruption	Marché du travail
Egypte	Procédures administratives	Stabilité macroéconomique	Accès au crédit
Israël	Procédures administratives	Garantie du respect des contrats	Stabilité macroéconomique
Jordanie	Fiscalité	Création d'entreprises	Garantie du respect des contrats
Liban	Stabilité politique	Stabilité macroéconomique	Création d'entreprises
Libye	Qualité des infrastructures	Qualité des institutions et corruption	Accès au crédit
Mauritanie	Stabilité macroéconomique	Accès au crédit	Qualité des infrastructures
Maroc	Accès au crédit	Marché du travail	Corruption
Palestine	Stabilité politique	Procédures administratives	Création d'entreprises
Syrie	Garantie du respect des contrats	Accès au crédit	Procédures administratives
Tunisie	Accès au crédit	Fiscalité	Procédures administratives
Turquie	Procédures administratives	Stabilité macroéconomique	Marché du travail

Source: A partir des rapports de la Banque mondiale et du WEF (selon la FRS)

Enfin, il faut des réformes structurelles pour améliorer la compétitivité et développer les PM et principalement : simplifier les procédures administratives, accès au crédit, améliorer les infrastructures et lutter contre la corruption.

ii. Analyse de la compétitivité de l'Algérie à travers les IDE

La compétitivité de l'Algérie sera principalement prise sous l'angle des IDE, marqués par un cadre juridique réglementé par l'ordonnance d'août 2001 relative au développement de l'investissement. Le cadre juridique traduit la volonté politique d'encourager les IDE et de promouvoir les investissements et de bénéficier de leurs retombées positives sur l'économie.

a. Quelques données sur les performances socioéconomiques de l'Algérie

Tableau 7 : L'infrastructure de base de l'Algérie



Source: Rencontre d'affaires Algéro-Italienne en 28 janvier 2008. ([Http://www.andi.dz](http://www.andi.dz))

Le tableau suivant sur les différents indicateurs macroéconomiques, renseigne sur la situation économique du pays. Ces indicateurs sont-ils favorables aux affaires ?

Tableau 8 : Quelques indicateurs socioéconomiques de l'Algérie, en fin 2013

Indicateur	Valeur	Variation /2012
✓ Population	38,5 millions d'habitants	+
✓ Produit Intérieur Brut	213,1 milliards US\$	+
✓ PIB/Habitant	5540 US\$	+
✓ Dette extérieure	3,4 milliards US\$	-
✓ Taux d'inflation moyen	3,26 %	-
✓ Taux de croissance	3,5 %	+
✓ Réserves de changes	194 milliards US\$	+
✓ Exportations	65,92 milliards US\$	-
✓ Importations	54,85 milliards US\$	+
✓ Excédent commercial	11,06 milliards USD	-
✓ Taux de change DA/Euro	105 DA	+
✓ Taux de change DA/US\$	79,38 DA	+
✓ Taux de chômage	10 %	+

Source: Etabli à partir des données de l'ONS, la Banque d'Algérie, les Douanes algériennes, la Banque mondiale et le FMI (Ainsi que nos calculs et estimations).

Le pays se caractérise par un marché de plus de 38 millions de consommateurs, et enregistre une bonne situation financière. La dette du pays vis à vis l'étranger est presque totalement réglée (moins de 4 milliards de \$). Le PIB/habitant a enregistré une amélioration durant les dernières années, passant de 4000 \$/hab. en 2007 à 5540 \$ en 2013. En PPA, ce dernier dépasserait les 7000 \$.

b. Organismes chargés de l'IDE et de soutien à l'investissement

- Le Ministère chargé de la Participation et de la Promotion de l'Investissement (MPPI).
- Le Conseil National de l'Investissement (CNI)

- L'Agence Nationale de Développement de l'Investissement (ANDI).
- Autres Agences (spécialisées) chargées de la promotion de l'investissement étranger.
- Des guichets uniques décentralisés pour faciliter les procédures et les formalités de montage des projets.

Le principe: non discrimination entre les investissements étrangers et nationaux.

- Protection: L'article 52 de la constitution du 08/12/96 garantit la propriété privée, la liberté de commerce et de l'industrie. Pour le transfert des fonds, l'ordonnance de 2001 prévoit la garantie du

transfert du capital et des revenus dans certaines limites fixées.

- Accords internationaux en relation avec les IDE : L'Algérie a conclu jusqu'à 2003, 27 accords bilatéraux de promotion des investissements (API) et 12 sur la non imposition. Ces traités bilatéraux visent à encourager et protéger les investissements.
- Evaluation des IDE en Algérie : L'Algérie n'accueille que 0,5% du volume des IDE destinés aux PED et 0,05% de l'IDE mondial, soit moins de 1% du PIB. Pendant les dernières années, elle n'a attiré que 28 millions de dollars par an en moyenne, beaucoup moins que ses voisins. L'Algérie pourrait accueillir dans les cinq prochaines années 6 à 7 milliards de \$ d'IDE avec la création de 190 000 emplois. En 2001 et 2002, elle est classée respectivement 4^{ème} et 3^{ème} pays d'accueil IDE en Afrique mais la majorité des investissements se concentrent dans le secteur des hydrocarbures (1,2 milliard de \$).

La stabilité politique et les indices macroéconomiques favorables enregistrés restent

freinés par le cadre législatif et le système bancaire. Le règlement d'un litige dans un projet d'investissement ne dépasse pas 7 jours en Tunisie, et il peut prendre 250 jours en Algérie.

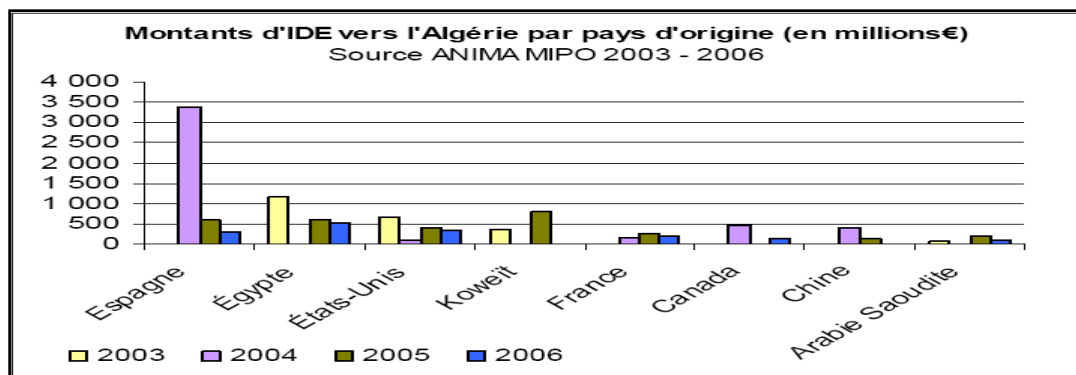
c. *Les secteurs investis par les IDE (jusqu'en 2007)*

- Les hydrocarbures viennent en tête où l'on constate la présence des grandes compagnies pétrolières mondiales totalisant plus de 8 milliards de \$;
- Les télécommunications : 2 opérateurs étrangers, dépassant 1,5 milliard de \$;
- Dessalement de l'eau de mer : 3 unités à près de 500 millions de \$;
- Banques et finances : 10 banques privées étrangères ;
- Electronique, agroalimentaire et distribution ;
- Tourisme : partenariat conclu entre le groupe Accor et Mehri pour réaliser 36 hôtels de type Ibis d'un montant de 173 millions de \$ et autres complexes à 480 millions de \$

Tableau 9 : Evolution des principaux projets déclarés pour (1993-2000).

Années	Projets	Parts en %	Montants 10 ⁹ DA	Parts en (%)
1993-1994	694	2	114	3
1995	838	2	219	7
1996	2075	5	178	5
1997	4989	12	438	13
1998	9144	21	912	27
1999	12372	29	685	20
2000	13105	30	798	24
Total	43213	100	3344	100

Source : APSI 2000.



La politique de promotion des IDE a des limites structurelles et les résultats obtenus en termes de flux d'IDE sont modestes. De nombreux atouts restent encore peu explorés : accélération des réformes et amélioration du climat des affaires. Les autorités doivent:

- Réformer le système judiciaire, alléger les procédures et efficacité et prendre des mesures pour rétablir la confiance des investisseurs étrangers dans le système judiciaire.

- Mettre à jour les textes sur l'investissement. Améliorer la prévisibilité et la transparence de la législation en matière d'investissement.
- Renforcer la participation du secteur privé national et international pour une parfaite connaissance sur les opportunités en matière d'investissements ainsi que les PME/PMI.
- Inciter à la recherche scientifique auprès du secteur privé.

- Simplifier les procédures bancaires et faciliter l'accès au financement des opérateurs.
- Assurer la formation et la mise à niveau des négociateurs d'accords bilatéraux en matière d'investissements pour promouvoir et améliorer l'image de la communication à l'étranger.
- Renforcer le réseau d'accords bilatéraux en matière de protection des investissements avec les principaux pays investisseurs dans la région.

Les principaux investissements étrangers réalisés et attendus: Dans ce qui suit, nous présentons deux tableaux, qui renseignent sur les investissements étrangers réalisés au cours de l'année 2007, ainsi que les différents investissements prévus durant la période 2007-2009.

Tableau 10 : Données sur les principaux IDE réalisés et en cours de réalisation à fin 2007

☐ Télécommunications :	4,4 Milliards USD
▪ Mobile: 3,4 Milliards USD	
▪ Fixe: 1 Milliard USD	
☐ Production de ciment:	981 Millions USD
▪ Ciment gris: 797,6 Millions USD	
▪ Ciment blanc: 183,4 Millions USD	
☐ Production d'électricité:	974 Millions USD
☐ Centres d'affaires et Hôtellerie:	268 Millions USD
☐ Industries :	413 Millions USD
☐ Industrie du Médicament:	82 Millions USD
☐ Dessalement:	791 Millions USD
Total : 7,9 Milliards USD	

Source: in Rencontre d'affaire Algéro-Italienne en 28 janvier 2008. (<http://www.andi.dz>)

Tableau 11 : Principaux grands projets attendus en 2008/2009 en Algérie

Secteur Industrie:	
1. Projet aluminium :	05 Milliards USD : Partenariat Algéro / Emirati
2. Projet de production de fertilisant:	02 Milliards USD: Partenariat Algéro/Egyptien
3. Projet de production de fertilisant:	1,8 Milliards USD: Partenariat Algéro/ S. Oman
4. Projet de production d'acier:	02 Milliards USD: Egypte
5. Production de ciment:	412 Millions USD: Egypte
6. Vapo Craking	03 Milliards USD : Partenariat Algéro / Français
Secteur de la santé	
Centre hospitalier spécialisé :	360 Millions USD: Emirats Arabes Unis
Tourisme et promotion immobilière:	
1. Parc Urbain des grands vents:	05 Milliards USD: Emirats Arabes Unis
2. Hôtel + Appart -Hôtels :	180 Millions USD : Emirats Arabes Unis
3. Complexe touristique et d'affaires:	572 Millions USD : Emirats Arabes Unis
4. Construction de villages touristiques:	888 Millions USD : Arabie Saoudite
TOTAL : 21,2 Milliards USD	

Source : in Rencontre d'affaire Algéro-Italienne en 28 janvier 2008.

d. Bilan des IDE en Algérie et compétitivité économique

Tableau 12 : Flux IDE en Méditerranée du Sud (millions dollars)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Algérie	260	501	507	438	1196	1065	634	882	1081	1400
Egypte	887	1065	2919	1235	510	647	237	2157	5376	6100
Israël	1628	1760	2889	4392	3044	1648	3745	1619	5587	13200
Jordanie	361	310	158	787	100	56	436	651	1532	2500
Liban	150	200	250	298	249	257	2860	1899	2573	4300
Maroc	1188	417	1376	423	2808	428	2429	1070	2933	2500

A-Palest.	149	58	19	76	51	41	ND	3	ND	ND
Syrie	80	82	263	270	205	225	180	275	560	700
Tunisie	865	668	368	779	486	821	584	639	782	2800
Turquie	885	940	783	982	3266	1037	1752	2837	9681	17100
Libye	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND
Meda 10	5301	5470	8025	8224	10949	6303	11008	10644	28316	50600
Meda 09	3673	3710	5136	3832	7905	4655	7263	9025	22730	37400

Source : CNUCED (2006) ; Estimations FMI/ agences nationales pour l'investissement pour 2006.

Durant la décennie 90, l'Algérie a très peu attiré les IDE, principalement orientés vers les hydrocarbures. Cependant à partir de 2000, avec l'amélioration de certains indicateurs économiques et du « climat des affaires », l'Algérie a drainé 22 milliards d'euros entre 2003 et 2007, la plaçant parmi les pays les plus

attractifs du bassin méditerranéen. Ce montant correspond à quelques 379 projets d'IDE. La part des IDE européens est de 152 projets d'un montant de 10,5 milliards d'euros (France, 111 projets pour 1,75 md Euros). Quant aux intentions d'investissements enregistrées: 500 projets de 43 milliards d'euros.

Tableau 13 : Les investissements directs étrangers entrants en 2012

	INVESTISSEMENTS DIRECTS ETRANGERS EN MILLIONS DOLLARS					
ANNEES	2007	2008	2009	2010	2011	2012
Maroc	2 805	2 487	1 952	1 574	2 568	2 836
Egypte	11 578	9 495	6 712	6 386	-483	2 798
Soudan	2 426	2 601	1 816	2 064	2 692	2 466
Tunisie	1 616	2 759	1 688	1 513	1 148	1 918
Algérie	1 662	2 593	2 746	2 264	2 571	1 484
Libye	3 850	3 180	3 310	1 909	-	-
Afrique du Nord	23 936	23 114	18 224	15 709	8 496	11 502
Afrique	51 274	58 894	52 964	43 582	47 598	50 041

Source : CNUCED

Source: World Investment report, CNUCED, 2013

Le rapport 2013 de la CNUCED (portant sur 2012) fait ressortir pour la première fois le Maroc en tête dans la sous-région d'Afrique du Nord, avec 2,83 milliards USD de flux, un chiffre en hausse de 10%.

Les stocks d'IDE dans la sous-région s'élevaient fin 2012 à 75,4 milliards de dollars en Egypte puis 48,1 au Maroc, 33,6 en Tunisie et 23,2 en Algérie sur un total de 629 milliards USD pour l'Afrique et 22 812 milliards USD pour le monde. Ainsi, selon la CNUCED « la confiance des investisseurs semble être revenue sur l'Afrique du nord, où les IDE ont augmenté de 35% en 2012 à 11,5 milliards de dollars. (...). Dans la sous-région, les IDE ont augmenté au Maroc et en Tunisie mais reculé en Algérie et au Soudan ».

Quant à la structure sectorielle de ces IDE, ce sont des investissements de rente : énergie, télécoms et immobilier, banques et assurances, agroalimentaire, électronique, distribution, cimenterie... La compétitivité économique de l'Algérie, le rapport du FEM de 2007

classe l'Algérie au 29^{ème} rang sur 40 pays du groupe 2, économies moyennement compétitives, et 5^{ème} au plan arabe, derrière Tunisie, Jordanie, Oman et Libye. Elle a amélioré son classement par rapport à 2006 : 32^{ème} sur 37 pays.

Enfin parmi les points positifs: renforcement des institutions, amélioration de l'environnement macroéconomique, de l'accès de la population aux services de santé et d'éducation. En revanche, le manque de performance se manifeste à plusieurs niveaux : faiblesses du système bancaire, manque de réformes pour l'ouverture à la concurrence internationale et faible utilisation des TICs avancées.

Tableau 14 : Comparaison maghrébine en matière d'attractivité et de compétitivité

Intitulé// indicateur	Algérie	Maroc	Tunisie
Temps nécessaire pour créer une entreprise (en jours)	24	12	12
Transfert de propriété (jours – procédures)	51 – 14	47 – 68	49 – 5
Taux d'imposition totale (en % des bénéfices en 2006)	72,6	53,1	61
Indice de compétitivité (position 2007)	81 ^{ème}	64 ^{ème}	25 ^{ème}
Qualité de l'environnement des affaires (position 2007)	120 ^{ème}	75 ^{ème}	33 ^{ème}
Indice de liberté économique (2005)	124 ^{ème}	107 ^{ème}	69 ^{ème}
Facilité de faire des affaires (2006)	125 ^{ème}	129 ^{ème}	88 ^{ème}
Indice de corruption (2007)	99 ^{ème}	72 ^{ème}	61 ^{ème}

Source: www.Doingbusiness.org & www.weforum.org

e. *Evaluation de la compétitivité de l'Algérie en termes d'IDE*

Le classement par risque aux affaires de l'Algérie indique qu'elle a amélioré son rang.

Tableau 15 : Un risque pays favorable aux affaires

Pays	1999	2001	2003	2005	2006	Janvier-08
 Italie	0	0	0	0	0	0
 Algérie	6	5	4	3	3	3
 Tunisie	3	3	3	3	3	3
 Maroc	4	4	4	4	4	3
 Egypte	4	4	4	4	4	4
 Turquie	5	6	6	5	5	5
 Brésil	6	6	6	5	5	4

Source: Classement risque pays OCDE (www.andi.dz)

On constate que le niveau du risque aux affaires en Algérie diminue de plus en plus, il passe de 6 en 1999 jusqu'à 3 en janvier 2008. Ce qui implique une amélioration économique et sociale, ainsi qu'une stabilité politique du pays.

Si on compare avec d'autres pays, l'Italie affiche un risque nul depuis 1999 jusqu'en 2008, contrairement au Brésil et la Turquie. Alors que les deux autres pays du Maghreb (Tunisie, Maroc) affichent le même niveau de risque que celui de l'Algérie.

f. *Perspectives stratégiques pour améliorer la compétitivité et l'attractivité en Algérie*

L'Algérie connaît actuellement une situation macroéconomique favorable, la bonne tenue des cours du pétrole et la gestion efficace de la dette extérieure.

- Potentialités et opportunités : proximité géographique aux marchés potentiels, taille du marché, opportunité d'investir dans l'énergie, mines, agroalimentaire, chimie de base et TIC. Mais elle doit améliorer le pouvoir d'achat, relancer l'activité, diversifier et libéraliser l'économie et mettre en place une véritable stratégie nationale sectorielle, ...
- Les avantages comparatifs : position géographique au Maghreb, main d'œuvre de qualité et concurrentielle, potentiel de population et tissu

industriel diversifié. Principal défi : accélérer et enchaîner la cadence des réformes pour renouer avec la croissance pour attirer les IDE ; objectif assigné au programme de relance économique de 7 milliards USD (en 2001) et de soutien à la relance économique de 60 milliards de \$ (en 2005) et le quinquennat 2010-2014 à plus de 280 milliards USD.

- Mouvement de libéralisation et réformes : améliorer l'attractivité des flux de capitaux entrant par une politique de réformes structurelles visant à stabiliser le système économique et financier, à attirer les investisseurs en dehors du secteur de l'énergie.
- Disponibilité des ressources naturelles : 5^{ème} dans le monde en gaz naturel et 14^{ème} pour le pétrole ; 3^{ème} fournisseur du gaz de l'UE avec 95 % de ses exportations.
- Intégration économique régionale et mondiale : les opportunités d'exportation en Algérie ont connu une nette amélioration grâce à l'intégration régionale. L'adhésion à l'OMC déterminera son intégration progressive à la concurrence, nécessaire à l'amélioration progressive de la compétitivité et à l'efficacité du secteur privé local.
- Ressources humaines abondantes et flexibilité du marché du travail : l'Algérie a connu une

amélioration de la main d'œuvre qualifiée. Le coût relativement bas du travail peut inciter les investisseurs mais le salaire de base est déterminé par la convention collective.

g. *Autres indicateurs sur la compétitivité de l'Algérie*

- La privatisation des entreprises publiques : « La politique de privatisation vise, l'amélioration du management, l'acquisition de nouvelles technologies, le désendettement du Trésor vis-à-vis de la Banque d'Algérie () où les opérations de privatisation sont censées procurer des recettes nouvelles au Trésor ¹¹, rentabiliser/moderniser l'entreprise, maintenir l'entreprise en activité avec totalité ou partie des emplois salariés, pouvant bénéficier d'avantages spécifiques négociés au cas par cas ¹² ».
 - Secteurs concernés par la privatisation (1200 entreprises concernées):
 - ✚ Secteur bancaire et monétique ;
 - ✚ Secteur de l'habitat, construction, équipement de collectivité ;
 - ✚ Équipements professionnels ;
 - ✚ Conditionnement et emballage ;
 - ✚ Transport, distribution, et chaîne de froid ;
 - ✚ Matériel agricole, métallurgie, mécanique, appareil électrique ;
 - ✚ Télécommunications et informatique
 - Facilitations et encouragements à l'investissement: L'économie de l'Algérie est ouverte sur l'économie mondiale, et se caractérise par une dynamique importante et un meilleur accueil pour les investisseurs. Plusieurs avantages accordés aux investisseurs: Liberté totale d'investir ; Traitement non discriminatoire des investisseurs et Possibilité de recourir à l'arbitrage international.
 - L'adhésion aux différentes conventions internationales en matière de garantie et de protection des investissements donne plus de confiance aux investisseurs étrangers. L'Algérie a signé deux accords avec l'Italie: convention d'encouragement et de protection des investissements, et convention sur la non double imposition.
- h. *Faiblesses et obstacles aux investissements*
- Problème de gouvernance et faible pénétration des technologies les plus avancées
 - Faiblesse du système bancaire et difficultés d'accès aux financements
 - Fort déficit d'image et de communication affecte

négativement et l'image de l'Algérie à l'extérieur, influant ainsi sur l'attractivité du pays aux investisseurs étrangers.

- Difficultés d'accès au foncier industriel : indisponibilité des infrastructures (coûts des terrains et manœuvres et pratiques spéculatives) et méconnaissance de l'administration publique, empêchent l'accès au foncier, donc obstacle à la création/développement d'un secteur privé dynamique,
- Importance du secteur informel et corruption grandissante : L'importance du secteur informel dans l'économie nationale (34 % du PIB) ¹³. Les opérateurs étrangers ont relevé certains obstacles : corruption et problème de transparence dans l'administration

II. CONCLUSION

1. Tous les pays sont « gagnés par la fièvre » de la compétitivité de leurs économies respectives (comprendre entreprises) et de l'attractivité de leurs territoires, dans un contexte de mondialisation grandissante et croissante où les gouvernements doivent davantage se préoccuper d'un développement économique et social durable.
2. Au cours des dix dernières années, les PSEM restent encore en marge de l'essor des flux de capitaux internationaux malgré leurs atouts disponibles, comme facteurs d'attraction des IDE : faibles parts des IDE européens malgré le voisinage et la proximité.
3. Avec l'ouverture économique et la libre circulation des capitaux, tant pour une intégration régionale que pour un accord de partenariat euromed s'avère indispensable pour créer la zone de libre échange.
4. L'amélioration des déterminants d'attraction des IDE et des conditions de croissance et de développement de l'Algérie et des PM par rapport aux autres zones émergentes est le leitmotiv de nombreuses économies.
5. Enjeux et défis : programmes de mise à niveau des entreprises, libéralisation des services, réformes institutionnelles et politiques, sécurisation et réduction des procédures d'autorisation des investissements, lutte anti-corruption, meilleur climat des affaires, compétitivité....
6. Pourquoi l'Algérie ?
 - ✓ Un marché de 38 millions de consommateurs
 - ✓ Des ressources pétrolières, gazières et minières importantes
 - ✓ Une stabilité politique et un retour à la sécurité

¹¹ Guide investir en Algérie 2006.

¹² Ordonnance n° 01-04 du 20 août 2001 in JORA

¹³ Selon le « world Economic forum », 2002

- ✓ Une bonne santé financière
- ✓ Des réformes structurelles qui progressent
- ✓ L'amélioration du risque pays
- ✓ Le dynamisme du secteur privé Algérien
- ✓ Le niveau de la formation de la population en amélioration
- ✓ Dette extérieur vis-à-vis l'étranger presque réglée dans la presque totalité
- ✓ Un marché domestique et d'exportations, potentiel

7. Classement de l'Algérie et d'autres pays en matière de climat des affaires (2008)

Facilité de faire des affaires	Algérie	Allemagne	Maroc	Portugal	Roumanie	Pologne	Tunisie	Turquie
	132	25	128	48	47	76	73	59
1. Création d'entreprise	141	102	62	34	26	145	37	43
2. Octroi de permis de construire	112	15	90	128	88	158	101	131
3. Embauche des travailleurs	118	142	168	164	143	82	113	138
4. Transfert de propriété	162	52	117	79	114	84	55	34
5. Obtention des prêts	131	12	131	109	12	28	84	68
6. Protection des investisseurs	70	88	164	38	38	38	142	53
7. Paiement des taxes et impôts	166	80	119	73	146	142	106	68
8. Commerce transfrontalier	118	11	64	33	40	41	38	59
9. Exécution des contrats	126	9	112	34	31	68	72	27
10. Fermeture d'entreprise	49	33	64	21	85	82	32	118

Source: établi par l'auteur à partir du rapport de 2009 de doingbusiness (sur 178 pays)

Enfin, le climat des affaires pour l'attractivité des IDE et la compétitivité de l'économie, s'est nettement détérioré en Algérie, depuis 2008, comme cela apparaît dans les classements globaux de Doingbusiness : de la 132^{ème} place, en 2008, puis, 134^{ème}, en 2009, l'Algérie a dégringolé au 153^{ème} rang, en 2014, sur 189 pays. Cette tendance « baissière » continuera davantage, si des mesures sérieuses ne seront pas prises, pour s'attaquer d'abord à la corruption, à l'amélioration de l'accès au crédit et aux procédures administratives.

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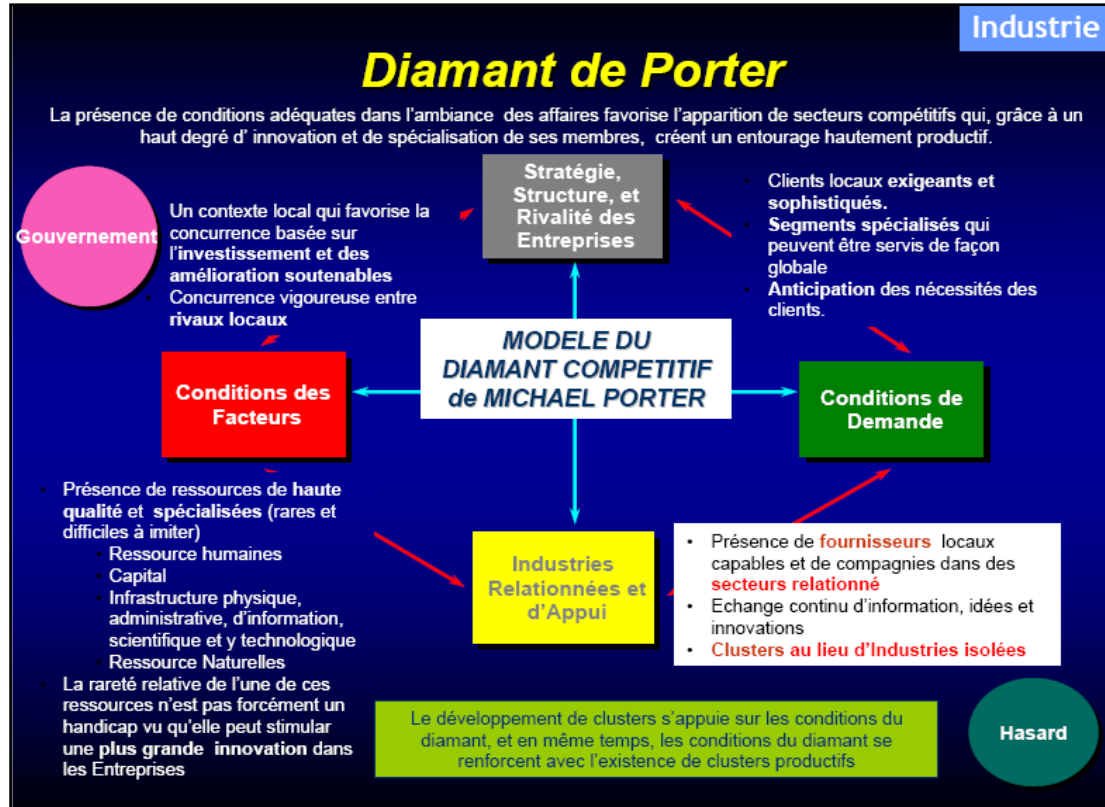
ANNEXES

Annexe 1 : Principaux groupes présents en Algérie

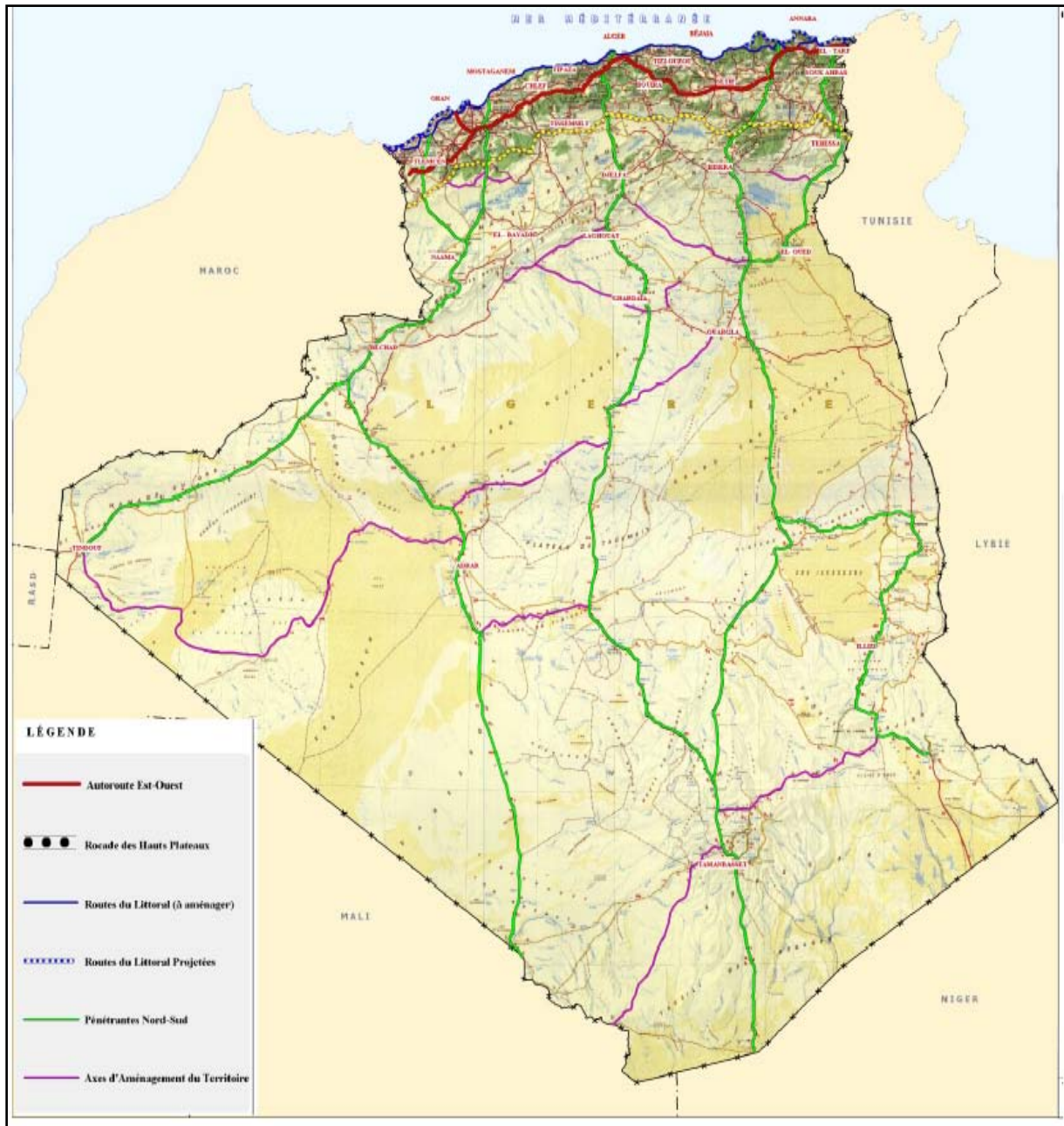


Source : ANDI (2008)

Annexe 2 : Le Schéma synthétisant le diamant de Porter sur la compétitivité



Annexe 3 : Schéma directeur du réseau structurant de l'Algérie



Source: Ministère des travaux publics

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An Overview of Changing Scenario of Economic Empowerment through

By Santosh Nandal

Maharshi Dayanand University Rohtak, India

Abstract- The mainstream of women in development planning is critical in determining the extent to how much women could participate and obtain benefit from development process. Understanding the relationship between macroeconomic policies and Central and State budgets in the context of economic reforms, as it has influenced women's lives in several ways. It is economic sense to make national budgets gender sensitive, as it is more effective way in targeting government expenditure to women specific activities. The present study is to spell out the Union and State level scenario towards Women Component Plan (WCP) as a gender budgeting tool. It analyses outlay/expenditure under component plan for the period ranging from 1997-98 to 2011- 12. Under WCP, both Central and State Government are required to ensure that at least 30 percent of funds are earmarked for women under various schemes of 'women related' ministries/departments. The outlay/expenditure under WCP has been fluctuating during this period. There is an apparent fall of Rs. 2,441.43 crore in 2007-08 in Gender Budget allocation for women.

Keywords: women, component plan, empowerment, gender budgeting.

GJMBR-B Classification: JEL Code: P00



AN OVERVIEW OF CHANGING SCENARIO OF ECONOMIC EMPOWERMENT THROUGH

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Santosh Nandal

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Keywords: women, component plan, empowerment, gender budgeting.

I. INTRODUCTION

The mainstream of women in development planning is critical in determining the extent to how much women could participate and obtain benefit from development process. Understanding the relationship between macroeconomic policies and Central and State budgets in the context of economic reforms, as it has influenced women's lives in several ways. It is economic sense to make national budgets gender sensitive, as it is more effective way in targeting government expenditure to women specific activities. Under Women Component Plan (WCP), both Central and State Governments are required to ensure that at least 30 percent of funds are earmarked for women under various schemes of 'women related' ministries/departments. The notion of WCP has entered in the planning process during the Seventh Five Year Plan with the initiation of a special mechanism to

monitor twenty seven beneficiary oriented schemes for women. However, Ninth Five Year Plan has made a significance progress in this regard. The Tenth Five Year Plan (2002-07) marked another significant step toward as it envisaged immediate action in tie up these two effective concepts of women component plan and gender budgeting to play a complementary role to each other, and thus ensure both preventive and post facto action in enabling women to receive their rightful share from all women-related development sectors. Like Pilot Scheme Leadership Development of Minority women, inclusive growth was the key guiding principle for the Eleventh Five Year Plan (2007-12).

The main object of this paper is to spell out the Union and State level scenario towards women component plan as a gender budgeting tool. It analyses outlay/expenditure under WCP for the period ranging from 1997-98 to 2011-12. The paper is divided into five sections. Section I reflects on need of gender budgeting? Section II explains approach to gender budgeting. Section III explains Women Component Plan. Sections IV assess Gender Budgeting and Women Component Plan. Section V suggests counter balancing policies for remedial changes.

II. SECTION I: NEED OF GENDER BUDGETING

Around the world, need of gender budgeting because it tends to focus on women because:

- Nearly two third of the illiterate people in the world are women.
- Maternal mortality continues to be a leading cause of death for women of reproductive age in developing countries.
- Women are denied effective role in decision-making in the institutional, developmental and planning framework.
- Women are engaged in low paid jobs and lower status types work and continue to receive less pay than men for the same work.
- In a market economy, women are engaged in part time jobs because of rearing and caring of children and other family members.

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III. SECTION II APPROACH TO GENDER BUDGETING

Though the concept of gender budgeting have come from western countries, this is very important from developing countries which have adopted globalization policies. Gender Budgeting refers to a method of looking at the budget formulation process, budgetary policies and budget outlays from gender lens. It is important to recognize that 'women's budget or 'gender sensitive' budgets are not separate budgets for women, or for men. They are attempts to break down or disaggregate; the government's mainstream budget according to its impact on women and men, and different groups of women and men with cognizance being given to the society's underpinning gender relations (Sharp, Rhonda, 1999).

Internationally, gender budgeting is new concept. It goes back to women's initiatives in Australia and South Africa. The Beijing plan for action paid special attention to gender mainstreaming in all budgetary exercises (Budlender and Hewitt 2002; Budlender et al. 2002; Sharp 2003).

Gender budget initiatives analyze how government raise and spend public money, with the aim of securing gender equality in decision-making about public resource allocation; and gender equality in the distribution of the impact of government budgets, both in their benefits and their burdens (IDRC, 2001). Gender budgeting served various purpose. These include, among others:

- To identify the felt needs of women and increasing expenditure to meet these needs;
- Strengthening civil society participation in economic policy making and enhancing linkages between economic and social and policy outcomes;
- Strengthening gender and development and tracking public expenditure against of it policy commitment;

- Focus on gender awareness and mainstreaming in all areas of budgeting at all levels;
- Promote active participation of women and other disadvantaged groups who are excluded from decision-making;
- Changing and refining government budgets and policies to promote gender equality;
- Making government accountable for their gender budgetary and policy commitments; and
- Contributing to the attainment of Millennium Development Goals (MDGs) 2015.

IV. SECTION III: WOMEN COMPONENT PLAN

As mentioned earlier, the notion of WCP has been adopted by Government of India in Seventh Five Year Plan as major strategy of gender budgeting and women empowerment. It is intended to convergence of existing services available in both specific and women-related sectors. Under this plan the Planning Commission directed centre and states to ensure 30 per cent of funds and benefits for all the sectors involved in the empowerment of women. It made provision in facilitating economic empowerment to women and giving them opportunities to grow with the growing economy. The notion of women component plan is a precursor to the adoption of gender budgeting, which represents a much broader and profound approach towards ensuring gender responsive budget and public policies. The domain of women component plan is restricted only to plan allocation by the ministries/departments and it provides a benchmark to assess the performance of ministries/departments. It is regarded WCP and gender budgeting as the complement of each other for granting benefit to women. Allocation for funds for gender budgeting and women component plan is explained with the help of (Table I, Figure I) and (Table 2, Figure 2(i), 2(ii)).

Table 1 : Allocation for Women in Gender Budget Statement in India

(Rs. in Crore)

Year	No. of Ministries	No. of demands	Total gender budget
2005-06	9	10	14378.68 (2.79%)
2006-07	18	24	28736.53 (5.09%)
2007-08	27	33	31177.96 (4.5%)
2008-09	27	33	27661.67 (3.68%)
2009-10	28	33	56857.61 (5.57%)

2010-11	28	33	67749.80 (6.11%)
2011-12	29	36	78251.02 (6.22%)

Source: Ministry of Women and Child Development, Annual Report (2011-12), Government of India.

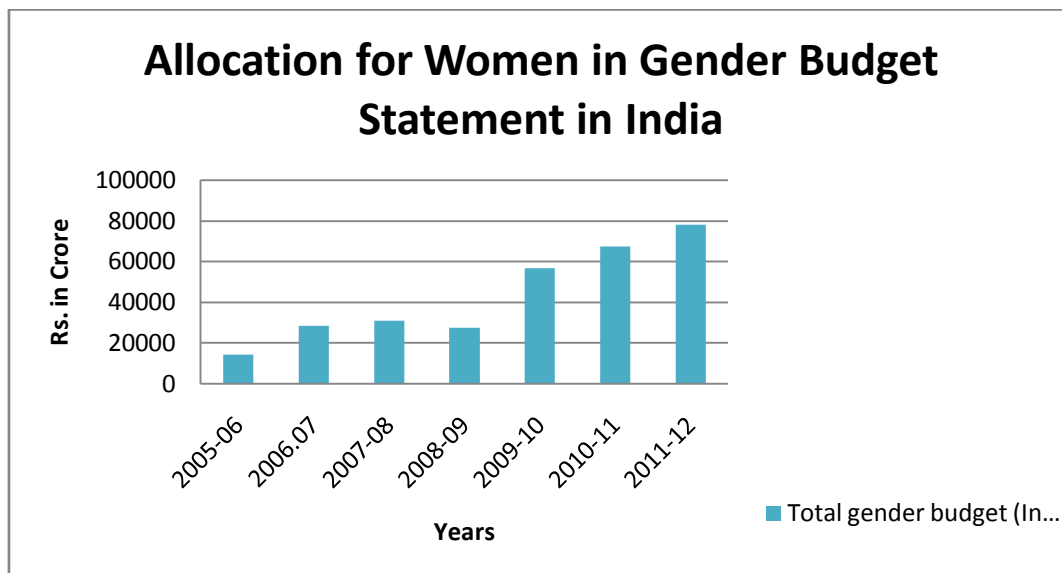


Figure 1

Table 2 : Outlay/ Expenditure under WCP in India during Plans for women
(Rs. in Crore)

Development of women	9 th Plan (1997-2002)		10 th Plan (2002-07)		11 th Plan (2007-12)	Annual Plan 2007-08	Annual Plan 2008-09	Annual Plan 2009-10	Annual Plan 2010-11
	outlay	Exp.	outlay	Exp.	approved outlay	Exp.	Exp.	Exp.	outlay
Central sector scheme	578.19	379.28	946.10	745.20	846	90.82	112.08	117.79	256
Centrally sponsored schemes	267.94	44.95	275.0	180.75	500	23.31	50.08	20.0	5.00

Source: Annual Plan (2010-11), Planning Commission, Government of India, New Delhi.

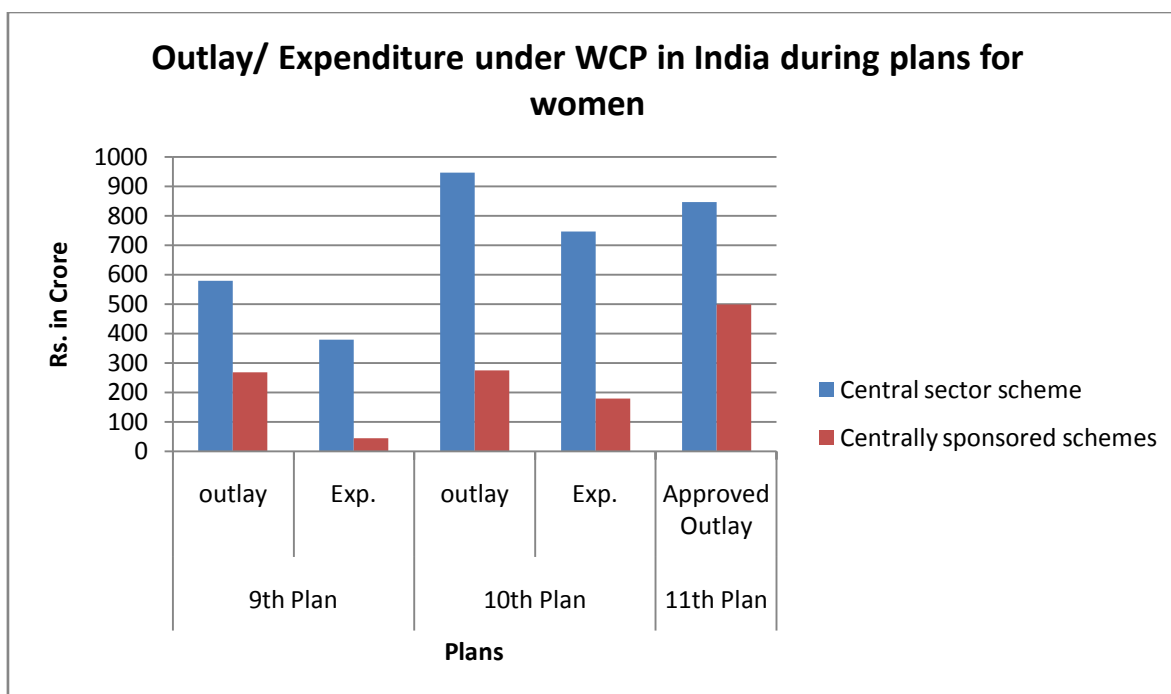


Figure 2 : (i)

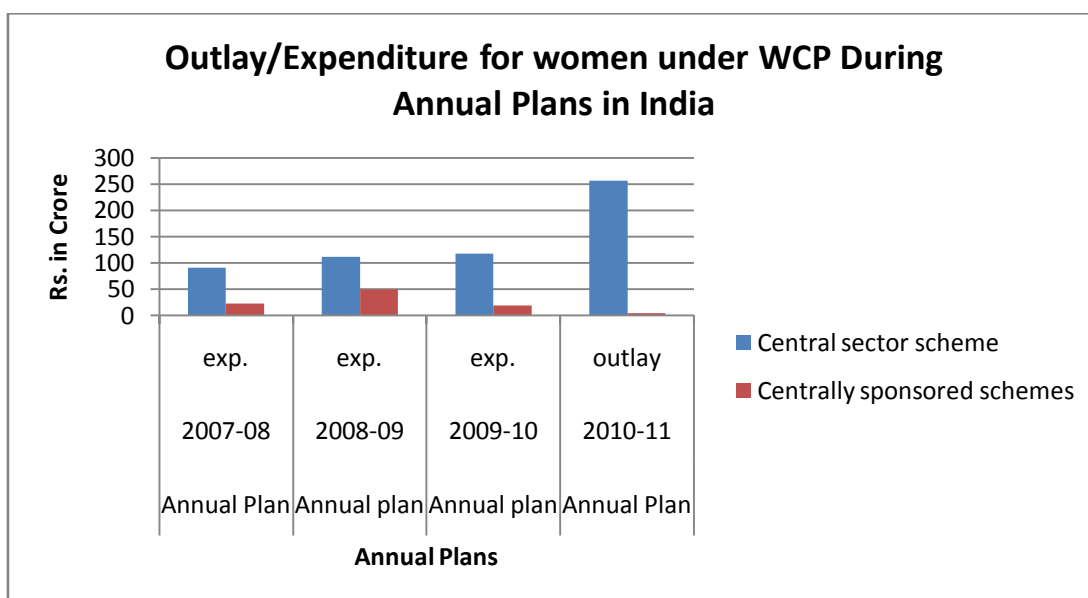


Figure 2 : (ii)

V. SECTIONS IV ASSESS GENDER BUDGETING AND WOMEN COMPONENT PLAN

- The domain of women component plan is restricted only to plan allocation the ministries/department; it does not take account non plan allocations.
- Table-1 and figure-1 shows the allocation of funds for women as reflected in the Gender Budget Statement over the years in India. There is an

apparent fall of Rs. 2,441.43 crore in 2007-08 in Gender Budget allocation for women. This allocation further fell from Rs. 31,177.96 crore in 2007-08 to Rs. 27,661.67 crore in 2008-09.

- Table-2, figure 2(i) and 2(ii) shows the fluctuating trend of outlay/expenditure under central sector schemes and centrally sponsored schemes during Five Year Plans and Annual Plans for the welfare/development of women.

- The government reports/documents available in the public domain do not explain the justification about the figure of 30 percent under the women component plan and how the planning commission arrived at this.
- The essential earmarking of 30 percent fund for women under this plan for all ministries at centre and state compels the policy makers to start thinking on the lines of gendered-impact of policies. But there is need of resources and commitment for its better implementation.

VI. SECTION V: SUGGESTIONS FOR COUNTER BALANCING POLICIES

1. There is need to ensure that at least 30 percent of beneficiaries should be women. A system should be set up to collect data in this regard.
2. To ensure that funds reaches to women, a non-lapsable pool of women's fund should be created in every state and at the centre also. If the ministries/departments did not exhaust the allocated fund, the balance amount should be transferred in non-lapsable pool. The ministries should ensure to spend this amount for benefit and incentive to women.
3. Grass root organizations should be involved to ensure the implementation of women component plan at grass root level.
4. Planning Commission should take meetings regularly to review the progress and it should be mandatory to obtain information from ministries in this regard.
5. The monitoring of women component plan under gender budgeting should be done at regular interval so that progress should be measured.
6. There is need to increase allocation of funds under women component plan in each sector. More schemes should be introduced to deliver benefit to women.
7. A gendered budget framework for women will raise awareness of their needs. Gender- disaggregated data will enable optimal allocation and utilization of resources for betterment of women.

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The Expenditure Pattern of Microfinance Clients of Sinapi aba Trust in Ghana

By Paul A. Onyina & Sean Turnell

Pentecost University, Ghana

Abstract- The much publicised success of some microfinance institutions and their swift expansion in recent years Suggest microfinance could be a potential policy tool in poverty alleviation. Available empirical evidence from existing research shows some positive impacts made in poverty alleviation from some microfinance programmes. This paper intends to add to the existing literature on the industry by evaluating the expenditure pattern of clients who have received loans from the Sinapi Aba Trust, a Ghanaian microfinance institution. We collected data on clients of the scheme. Our data show that expenditure pattern of old clients is greater than that of new clients, even though the latter on average receive larger volumes of credit. In this study, we construct expenditure indicators, finding that years of membership duration with the SAT lending scheme matters in clients' expenditure. The results show that old clients are more likely to purchase assets and spend on food, expand their businesses, and spend larger amounts on their children's education than new clients.

Keywords: *mfis, credit, impact, assets, income jel.*

GJMBR-B Classification: *JEL Code: E51, E64*



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The Expenditure Pattern of Microfinance Clients of Sinapi aba Trust in Ghana

Paul A. Onyina ^α & Sean Turnell ^σ

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Keywords: *mfis, credit, impact, assets, income jel:*

1. INTRODUCTION³

As a result of the success of some microfinance institutions (MFIs) such as the Grameen Bank of Bangladesh, Bank Rakyat of Indonesia, BancoSol of Bolivia in recent years, the role of MFIs as a potential policy tool for poverty reduction has increased in many countries around the world. Available results from existing empirical research indicate some optimistic outcome from some microfinance schemes (see for example Hashemi et al 1996; Pitt and Khandker, 1998; Pitt et al 2003; Pitt et al 2006; and Maldonado and Gonzales-Vega, 2008). In contrast, some studies show insignificant and even negative results, and suggest that most MFIs are concerned with only profits and aim at their financial sustainability (see Goldberg, 2005 for a review of some of these studies). Such programmes do not benefit the poorest of the poor (Amin et al 2003). In this case while some literature in the field suggests that some MFIs are making positive impact in the lives of their clients, others are not.

Even though the origin of MFIs date back in history, their popularity emerged from the success, claimed by the Grameen Bank of Bangladesh probably

due to the much publicity by the bank. As indicated by Murdugh (1999), Muhammad Yunus the founder of the Grameen Bank observed that a lot of the people from the village were not able to receive credit for business purposes. Initially, he granted tiny loan to few industrious poor women in the village closed to the University where he was working. They were able to turn their fortunes around with high repayment rate. The method used in lending to these women is known as 'group lending' where members form self selected group of five members who elect their leaders. The rules are explained to them before they receive the credit. Such rules include compulsory weekly meetings, plan for repayment in instalment and payment of group dues during meetings.

Failure to meet these 'rules' by any group member means the group will not receive further loan also known as the joint responsibility clause. Despite the cost to the borrowers who receive these small loans, they have very good repayment records as documented by most studies. Empirical evidence suggests that most MFIs are making impact in the lives of the borrowers which go a long way in reducing poverty. It is in the light of these that we add to the existing literature, the expenditure pattern of clients of SAT.

SAT is one of the biggest MFIs in Ghana; it operates in all the ten administrative regions. SAT not only uses the group lending approach, it also lends to individuals who have graduated from the solidarity group. A major deviation from known microfinance methods is that to qualify and access these individual loans, a client needs a guarantor and either two referees or two witnesses (Sinapi Aba Trust, 2007). Like many microfinance institutions, clients of SAT form self-selected groups, but the number of group members varies from one community (group) to another as our field data will show. The communities meet either weekly or bi-weekly to discuss issues of common interest and, more importantly, to pay the weekly or bi-weekly instalment. No collateral is demanded by SAT but, in addition to weekly payments, clients pay compulsory savings or 'group dues'. These more or less replace the collateral of formal banking circles. Some clients save voluntarily during the meetings. SAT uses 'dynamic incentives' in lending practices, that is, clients' loan size is allowed to increase as they take further loans.

SAT derives its name from the biblical mustard seed of one of the parables of Jesus Christ in Matthew

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13:31–32. 'Sinapi Aba' is the Akan⁴ word for mustard seed. The rationale for taking on this name is the prospective support that SAT offers its borrowers. SAT's vision is as a foundation devoted to the development of the nation, using Christian principles where the weak are not only supported by the strong to provide for their families, but are also supported by their church and their community (Sinapi Aba Trust, 2009b). SAT meets this through the provision of financial services to poor households that earn low incomes, with the aim of transforming their lives (Sinapi Aba Trust, 2009a). The mission of SAT is to serve as a 'mustard seed' and a channel through the provision of opportunities at least in two areas: for the development of micro-business and for regular income generation to those who are deprived economically in society. In practical terms, SAT was established to fill the gap created by formal financial providers by serving the needs of the small and microenterprises. Finally, SAT depends heavily on donors for funding. Even though SAT is a Christian organization, it does not discriminate as our data show.

This paper evaluates the expenditure pattern of SAT clients in three urban communities in Ghana before and after they had taken loans from the scheme. To effectively explore and evaluate clients expenditure pattern, data was collected between July and September 2009 from clients of SAT's lending programme. In addition to clients depicting a spirit of entrepreneurship, they appear to make prudent use of their earned income. We used the cohort approach to classify clients into two groups: old and new clients. Old clients are defined as clients that had borrowed from the Sinapi Aba Trust (SAT) more than three years and new clients as less than three years with the scheme. We collected data from clients on demographic characteristics, saving pattern, credit history, and expenditure pattern among others. This paper evaluates and discusses the expenditure section of the data. Data analysis show that even though new clients on average receive bigger loans, we find that old clients have benefited not only in income earned, but also in the degree of expenditure in the listed items.

Furthermore, by constructing expenditure indicators from the survey instrument, we found that old clients of the MFI have made greater purchases than new clients. They have greater benefits in areas such as asset ownership, increased expenditure on food and childrens' education, and improvement in business operations. We reduced some of the responses in the questionnaire to construct expenditure indicators similar to those constructed by Hashemi et al (1996); and Garikipati (2008). We used the constructed indicators as independent and dependent variables to run logistic

regression to determine the effects of the independent variables on the dependent variables. Our analysis suggests that 'old clients' have received greater impact by making more purchases than 'new clients'.

This rest of the study has been organized into as follows. The next section reviews the literature on the group lending methodology that the Sinapi Aba Trust has adopted, and some of the impacts made by MFIs in the literature, we limit our discussions to consumption smoothing and asset purchases. This is followed in Section 3 by the details of the data used for the study. Empirical results are discussed in Section 4, while concluding remarks are ventured in Section 5.

II. LITERATURE REVIEW ON IMPACTS OF MFIS LENDING

'Microfinance' refers to the provision of varied financial services to people who may have no access to such financial services from formal financial institutions. Such services is not limited to providing credit only and include, training clients in entrepreneurial and vocation skills; promoting other income generating activities; educating members on the importance of technical skills in their field of operation; and providing social safety nets to poor people such as food grain subsidies, and basic health care (Rhyne and Otero, 2006; Maes and Foosse, 2006).

Formal banks do not grant loans to such poor people, not least due to a lack of collateral. As a result, MFIs have provided a range of innovations in lending that decrease not only riskiness, but also provide small loans without depending on collateral (Morduch, 2000). The approaches adopted by these institutions differ from how formal banking institutions operate in offering financial services and in other ways (Morduch, 1999). These methodologies as group lending employed by MFIs to aid the provision of credit to the informal sector have proved to be efficient, lowered transaction costs; and much lower default rates compared to classical banking (on the impressive theoretical and empirical literature supporting peer lending, see Stiglitz, 1990; Besley and Coate, 1995; Ghatak, 1999; Armendáriz de Aghion and Gollier, 2000; Laffont and N'Guessan, 2000; Armendáriz de Aghion and Morduch, 2005; Bhole and Ogden, 2010). In recent years, however, due to the rigid nature of group lending, the Grameen Bank (the erstwhile great populariser of group lending) has restructured its methodology and no longer lends exclusively to groups. These studies among others have documented some of the impacts provided by some schemes a few of which we discuss below.

a) Some Impact made by MFIs

The goal of most microfinance programmes is to alleviate poverty, and to fundamentally transform the economic and social structures in a society by offering financial services to households with low incomes

⁴Akan is the language of the Akan tribe, the largest in Ghana; the tribe is made up of many sub-tribes including but not limited to the *Asantes*, the *Akyems*, the *Kwahus*, the *Akwapims* and the *Fantis*.

(Morduch, 1999). There abounds empirical evidence on microfinance schemes impacting positively on the lives of their clients. Among the cited studies include Pitt and Khandker (1998); Morduch (1999); Smith (2002); Pitt et al (2003); Amin et al (2003); Pitt et al (2006); Karlan (2007); and Maldonado and Gonzales-Vega (2008). Notwithstanding this, there are still inadequate studies on the impact assessments of microfinance schemes; though some have attempted to account for selection bias, the major challenge is how account for fungibility of funds (Hulme, 2000). In view of this, it is possible for impacts to be exaggerated. In this study, we ensured to minimize selection bias as much as we can.

A growing body of evidence links the provision of credit to the poor and a reduction in poverty through the creation of employment, the earning of more regular income, and consumption smoothing, these help the clients to become less vulnerable to risk. If we consider consumption smoothing, poor people who have borrowed from MFIs have benefited, and reduced their vulnerability to fluctuating incomes (Morduch, 1999). In one of the most cited studies of group-based programmes, Pitt and Khandker (1998) made a detailed study and analysed three leading MFIs in Bangladesh. They found that women borrowers had their household consumption increased by 18 taka with extra 100 taka borrowed. With the improvement in income earnings, 5 percent of borrowers in the same study moved out of poverty annually after participating in microfinance schemes. Khandker (2005) used expanded panel data to improve on Pitt and Khandker's (1998) model and corroborated these results.

According to Simanowitz and Walter (2002), the increase in income and empowerment gained from microfinance programmes directly relate to improvements in the education of children. Pitt and Khandker (1998) likewise found a strong statistical significance impact on the credit to women members of the Grameen Bank on educating girl child. A 1 percent 7 increase in lending to female clients was associated with an increase in girl child enrolment by 1.86 percent on average. Using data collected in 2000 for CRECER⁵ scheme, and 2001 for the Batallas scheme (both in Bolivia), Maldonado and Gonzales-Vega (2008) found that rural household microfinance clients who received credit for more than a year were more likely to keep their children in school than clients who had just joined the programme. They found that the children of 'old clients' of both Batallas and CRECER have a lower schooling gap of about half a year and a quarter of a year respectively, as against more years in schooling gap for children of 'new clients' of these programmes.

Usually, evaluations of microfinance across the world show that female clients' participation in decision-

making increased after joining such schemes. Specifically, in Nepal, Cheston and Kuhn (2002) in a study on Women's Empowerment Project (a local microfinance scheme) found that 68 percent of women increased their participation in decision-making on family planning, children's marriage, and the buying and selling of properties. In Bangladesh, empirical findings over the years support increased in women asset ownership and empowerment. Firstly, Hashemi et al (1996) found that microfinance schemes had empowered women in at least three areas – namely, making small purchases by themselves, being part of the decision making process in the family, and taking part in political activities as well as in public advocacy. In addition, they found that borrowers of microfinance schemes in Bangladesh (Grameen and BRAC clients specifically) were significantly empowered compared to non-borrowers. This was based on purchase and control of productive assets among others. Secondly, Pitt and Khandker (1998), found an increase in the non-land asset ownership by women when they received increase in credit. Clients of the BRAC, the BRDB⁶ and the Grameen Bank on the average increased their asset ownership by 15, 29 and 27 taka respectively when they receive an increase in credit by 100 taka. In a more recent study, Pitt et al (2006) widened their survey coverage to 8 different microfinance programmes in Bangladesh. They found that women borrowers have been empowered in purchasing of resources, mobility and networking, and transaction management among others.

III. THE DESCRIPTION OF DATA

We carried out the field work in Ghana from July to September 2009 and interviewed 672 Sinapi ABA Trust (SAT) clients from three branches — Abeka, Tema and Kasoa. We selected clients randomly during community meetings at several centres of the branches. However, in some centres, clients attended meetings at irregular intervals, so at such centres we used systematic sampling method. The gender composition of clients in the data is 87 percent female and 13 percent male. Finally, selection bias is a major problem that researchers encounter in impact assessment of microfinance schemes. We deal with this in the following section.

a) *Dealing with Selection Bias*

Impact evaluation studies that attempt to attribute specific effects to particular interventions stumble upon difficult problems. One such problem is selection bias, because clients are not randomly selected to participate in the scheme. Maldonado and Gonzales-Vega (2008) have argued that the inclusion of clients and the selection of programme venues are some

⁵Créditocon. Educación Rural (CRECER) was founded in Bolivia in 1999.

⁶BRDB refers to the Bangladesh Rural Development Board.

of the sources of worry in impact assessment studies. Thus, since clients are selected based on a criteria, programme members and non-members may differ in numerous ways. For example, unobserved characteristics of both clients and non-clients may account for the reasons why some people participate and others do not. Therefore, in order to avoid or minimize selection bias in any assessment study, researchers need to consider such important endogeneity issues (Pitt and Khandker, 1998; Maldonado and Gonzales-Vega, 2008). Secondly, programme officials use certain criteria used to determine programme sites. In such situations, unmeasured local factors like infrastructural services and household characteristics, could affect programme participation (Maldonado and Gonzales-Vega, 2008). Attributing differences in measured outcomes to only microfinance services under these circumstances may be erroneous; because of selection bias.

Based on the method adopted by Maldonado and Gonzales-Vega (2008), we used the group approach with outcomes analogous to spontaneous assessment to minimise the problem of selection bias, and did not interview non-clients. Instead, we grouped clients into two based on the number of years spent with the scheme. Though, Maldonado and Gonzales-Vega (2008), separated clients into those of less than one year (new clients) and more than one year (old clients), we have separated clients into less than three years (new clients), and more than three years (old clients). In grouping the sample into 'old' and 'new' clients, Maldonado and Gonzales-Vega (2008) controlled for the unobserved characteristics that influence programme participation. They contended that, after controlling for individual and local variables, differences in schooling gap between the children of the two groups of clients

that emerged can be recognized as rational programme benefit. The suitability of this method, however, relies on the nonexistence of systematic differences between the two groups of clients. They tackled the problem using two approaches. Firstly, they investigated the screening criterion by the institutions, and found that programme participation by clients was determined by other group members; also programme sites were earmarked in communities with comparable challenges. Secondly, they used the data set to demonstrate that there were no significant differences between important characteristics (such as age and household size among others) of the sub-samples of the two groups.

This study uses analogous method in its analysis. To minimise any possible unobserved characteristics that may influence programme participation, we have separated the respondents into two groups of clients — old and new clients. We expect that the differences in impact of the programme between the two groups of clients in our study can be categorized as programme outcomes, on the assumption that our regression results are unbiased. We therefore expect that food purchases and asset purchases (for example), by clients would be greater for old members. We held discussions with both programme officials and clients, and found that continual screening of clientele for lending, and entry into the scheme, depends on agreements with other members in the group with simple entry criteria without any influence from the Trust. Additionally, the programmes are located in poor urban communities with similar characteristics. We have also observed that individual characteristics of the sub-sample of the two group of clients virtually the same, as can be seen in the table below.

Table 1 : Main Statistics for old and New Clients Sub-groups

Description of variables	New Clients				Old Clients			
	Mean	Std dev.	Min	Max	Mean	Std dev.	Min	Max
Sex of household head (SEXHH)	0.319	0.468	0	1	0.314	0.466	0	1
Household size (HSIZE)	4.256	1.660	1	10	4.364	1.718	1	10
Respondent age (RESAGE)	40.112	8.686	21	65	40.686	7.569	25	65
Education level (EDUCAT)	2.614	0.826	1	4	2.678	0.761	1	4
Observation	544				118			

Here, there are no significant differences between individual characteristics of the two cohorts of clients. And any differences of the impact received between both groups can be reasonably be assumed to come from the effects yielded according to the number of years they have spent with the programme.

b) *Loan Statistics*

The SAT scheme undertakes progressive lending. Progressive lending refers to a situation where a borrower receives a small loan amount at first, and subsequent loan amounts increase depending on good repayment behaviour. In group lending, the peer monitoring by group members is usually combined with progressive lending arrangements. The tables below present loan amounts received by the two categories of clients, indicating SAT's progressive lending. For 'new clients' the mean loan size increased from GH¢430.11

(\$301)⁷ for the first loan, to GH¢1200.00 for the fifth loan, though the highest for the fourth and fifth loans are smaller than the highest for the first three loans. A critical look at the loans received by clients show that loan size increases gradually, such that by the time a client takes a fifth loan, the size might have increased by almost 10 times. A similar picture emerges when we look at loans taken by the second group of clients as presented in Table 3 below.

The two tables portray progressive lending characteristics of SAT scheme. However, the average loan for the 'new clients' is greater than the average for 'older clients' for all loans. We also selected three clients randomly from each group to analyze the loans they received from the programme (not shown here) and the trend was not different.

Table 2 : Loan for Clients Less than 3 Years (All amount in GH¢)

Loan	Observation	Minimum	Maximum	Mean	Std Deviation
First loan	554	80	2,000	430.11	256.28
Second loan	334	100	2200	630.69	380.05
Third loan	186	200	2500	719.89	420.98
Fourth loan	55	400	1800	898.18	279.38
Fifth loan	6	700	1400	1200	289.83

Table 3 : Loan for Clients over 3 Years (All amounts in GH¢)

Loan	Observation	Minimum	Maximum	Mean	Std. Deviation
First loan	118	100	1000	266.10	148.19
Second loan	118	200	1500	437.71	219.16
Third loan	118	200	2000	645.76	287.38
Fourth loan	108	100	3000	819.91	375.22
Fifth loan	76	400	1800	934.21	285.80
Sixth loan	13	650	1200	923.08	184.41

⁷At the time of the survey the exchange rate was US\$1 = GH¢1.43

IV. DESCRIPTION OF VARIABLES AND EMPIRICAL RESULTS

a) *Description of Variables*

This section investigates the impact of credit on clients using the logit model. The robustness of the logistic regression has been shown in Cramer (2007:554), who concludes that: 'As an empirical tool, logistic regression is quite robust with respect to deviations of the disturbances distribution of the model'. He further argues that, since no one knows the specific distribution of the disturbance term during the actual filed survey, we only make assumptions that are hardly tested statistically or empirically. Moreover, the log it models with samples of individual outcomes are usually estimated using the maximum-likelihood estimation method (Amemiya, 1981; Hartarska and Nadolnyak, 2008).

More specifically, we construct expenditure indicators to evaluate the expenditure pattern of the clients and used the logit to estimate the effects of independent variables on the dependent variables. These indicators have been designed similar to the indicators used by Hashemi et al (1996); and Garikipati (2008). We discuss the four items of expenditure clients listed as they have increased amount spend on these items. We used expenditure for these items before and after they joined the scheme. They are expenditure on: asset, food, children education, and improvement in business operation.

i. *Dependent Variables*

Generally, the essential objective of microfinance schemes is to empower their clientele in numerous spheres of life to move out of poverty. Therefore, a major aim of most MFIs is to help empower clients by providing them with loans; from which clients acquire the needed capital.

- a) **Asset Ownership (ASSETS):** Great respect is attached to asset ownership in Ghana — from 'minor' personal durable properties such as clothing to 'major' properties such as a house and many more. The type of clothes one wears is linked to the level of respect one gains and, more important to our study, indicates the ability of a person to have command over resources (income and assets). In view of this, we analyzed the effect of credit on clients' asset ownership. The definition of assets here includes property of any form that a borrower purchased after he or she joined the scheme. Clients who have purchased assets of any form were coded 1 and 0 otherwise.
- b) **Improvements in Business (IMPBUS):** Clients' empowerment is also linked to the acquiring an asset for business use. We asked clients about the use(s) of asset(s) they purchased after they joined SAT. They were asked to state 5 types of

assets bought after they participated in the programme, and the use of each one. Such assets purchased by clients included land, refrigerator, shipping or locally manufactured containers and kiosks, television sets, sewing machines, and hand driers. The importance of buying a refrigerator for example, is that it could be used to sell water and soft drinks; a container or a kiosk could also be used as a shop or a store. The expectation that comes with buying assets for business purposes is that it has a direct impact on growth of the business, and is a source of future income flows. However, some refrigerators (and other dual-use goods) are used for both domestic and commercial purposes; we ignored the dual purpose refrigerators, and coded only those strictly used for business purposes. Clients who use the purchased asset for business purposes were coded 1, and 0 otherwise.

- c) **Improvements in Food Expenditure (FDEXP):** A major challenge facing most poor households in Ghana is their ability to meet their daily nutritional requirements. Households face serious risk if there are shortfalls in their food consumption and they do not meet so-called 'three square meals a day'. A client who meets this requirement is considered to have met the household's nutritional needs⁸. One point was awarded if a client had benefited by using income earned from investing with the credit to purchase food, otherwise zero. Then, this group of clients had to indicate how much they spend (in a month) on the reported food before and after they joined the credit scheme. Those who had made a greater expenditure⁹ after they had joined the scheme were considered to have improved their food consumption. With a relatively higher expenditure on food, it was assumed that the client had improved his or her ability to cope with risk and therefore had become less vulnerable. One point was awarded to a client who indicated an improvement in food consumption (thus, monthly expenditure on food after they had joined the programme was greater than the expenditure before they joined). A client with a total score of 2 was assumed to have improved the household's food consumption, and was coded as 1 (otherwise zero). Thus, those coded as zero were those whose food consumption remained unchanged or were now worse, and they were probably vulnerable to risk.

⁸ Admittedly, this is highly debatable since we did not determine the nutritional contents of the bundles; instead we assumed the bundles were rich in nutrients.

⁹ The expenditure was based on quantity and price changes.

- d) Expenditure on education (EDUEXP): Another indicator we analyzed is the expenditure on childrens' education. We grouped schooling years into three: basic school; secondary school; and tertiary education, with the questions capturing expenditure on each education type. At the time of the survey, though public basic school had no tuition fee and required relatively small expenditures, most parents with adequate funding prefer to send their wards to private schools for better performance. A score of 1 was awarded a client with expenditure on education otherwise 0.

Independent Variables

We used three different types of independent variables in the regression model: loan variables; client's household characteristics; and individual personal characteristics. The last two sets are control variables; they are included because such characteristics are likely to influence the empowerment indicators (Garikipati, 2008).

1) Programme Variables

- a) Number of years with SAT (SATDUR): Clients who have borrowed for over three years were classified as 'old clients', and those with less than three years as 'new clients'. 'Old clients' were coded 1, and 0 otherwise.

- b) Average loan size received by a client (AVLOAN): Clients average loan received was computed by dividing total loan received by number of loan(s), another independent variable.
- c) Before SAT loan (LBSAT): Clients who took loans from other sources before they joined the programme were coded 1, and 0 otherwise.

2) Household Characteristics

- a) Head of household gender (SEXHH): Female household heads were coded 1 otherwise 0.
- b) Household size (HSIZE): The size of the household.

3) Respondent's Characteristics

- a) Respondent's age (RESAGE): The age of the respondent.
- b) Respondent's education (EDUCAT): We coded respondents' education as a categorical variable. It takes the value of 1, 2, 3 and 4 (where 1 represents no schooling years, 2 represents basic schooling of up to 10 years, 3 symbolizes secondary schooling, between 10 to 13 years, and 4 corresponds to tertiary education, over 13 years of schooling). The descriptive statistics of the variables are presented in Table 4 below.

Table 4: Descriptive Statistics for the Variables

Description of variables	Mean	Standard deviation	Minimum	Maximum	Number of observation
Dependent variables: Empowerment Indicators					
ASSETS	0.390	0.488	0	1	672
IMBUS	0.260	0.440	0	1	672
EDEXP	0.440	0.496	0	1	672
FDEXP	0.380	0.486	0	1	672
Independent Variables					
Programme Variables					
SATDUR	0.180	0.318	0	1	672
AVLOAN	559.747	329.906	80.00	4933.330	672
LBSAT	0.250	0.435	0	1	672
Household Characteristics					
SEXHH	0.320	0.465	0	1	672
HSIZE	4.28	1.839	1	10	672
Individual Characteristics					
RESAGE	40.210	8.498	21	65	672
EDUCAT	2.63	0.815	1	4	672

b) Empirical Results: Effects of Credit on the Expenditure Indicators

Table presents the effects of the three of the independent variables – ASSET, EDEXP and IMBUS- on

the indicators; it reports the odds ratios, and the confidence intervals for the odds ratios. Each dependent variable estimates a separate equation.

Generally, when an odds ratio of an independent variable is greater than 1, it shows a positive relationship with the dependent variable. In contrast, an odds ratio

less than 1 shows a negative relationship between the variables. Statistical significance ($p < 0.05$) is shown when 1 falls outside the confidence interval of the variable (Hashemi et al 1996).

Table 5 : Effect of the Independent variables on the Expenditure Indicator, reporting odds ratio and 95 % confidence intervals from logistic regression model

Independent Variables	Dependent variables					
	ASSET		EDEXP		IMPBUS	
	Odds ratio	95% C.I*	Odds ratio	95% C.I*	Odds Ratio	95% C.I*
TOYASAT	0.9998	(0.9996, 0.99997)	1.0005	(1.0003, 1.0007)	0.9998	(0.999593, 0.999996)
SATDUR	5.1882	(3.2777, 8.2124)	2.4307	(1.5417, 3.8324)	3.4419	(2.2189, 5.3389)
AVLOAN	1.0008	(1.0002, 1.0014)	1.0005	(0.9999, 1.0011)	1.0005	(1.0000, 1.0011)
LBSAT	1.1705	(0.7838, 1.7479)	0.6274	(0.4129, 0.9535)	1.0572	(0.6849, 1.6322)
SEXHH	0.6338	(0.4205, 0.9553)	3.0670	(2.0055, 4.6996)	0.8310	(0.5355, 1.2894)
H SIZE	0.9119	(0.8161, 1.0119)	1.6290	(1.4417, 1.8405)	0.9625	(0.8537, 1.0852)
RESAGE	0.9527	(0.9311, 0.9748)	0.9701	(0.9481, 0.9927)	0.9644	(0.9407, 0.9888)
EDUCAT	1.0791	(0.8657, 1.3451)	0.9678	(0.7761, 1.2069)	1.2988	(1.0152, 1.6617)

i. Assets Ownership (ASSETS)

The odds ratio for membership duration (SATDUR) is 5.19 and it is statistically significant. This suggests that 'old clients' are 5.19 times more likely greater to own assets than 'new clients' in the sample. This result is similar to most findings in the literature where microfinance clients increase their asset ownership over the years (see Pitt and Khandker, 1998; Hashemi et al 1996; and Garikipati, 2008). It shows that old members of the scheme are 5.19 times more empowered in terms of assets ownership than new members, hence the longer the years a client borrows from the scheme, the more assets the client is likely to purchase. Again, the odds ratio of average loan received is 1.00082, and it is statistically significant. Other significant variables are average loan size, total monthly income earned, household head gender, and the age of respondents; however, the last three are negatively related.

ii. Improvement in Business (IMPBUS)

The major aim of MFIs is to help their clients move out of poverty as they give them credit to expand

their economic activities. Positively related significant variables are membership duration and the education level of clients. Our results suggests that old member of the programme are 3.44 times more likely to improve upon their businesses than new members. Also, the results suggest that a client with high level of education who is an old member is more likely to improve his or her business than a low educated client.

iii. Expenditure on Children's Education (EDEXP)

With the support of MFIs, most clients the world over spend a lot more on their children's education. This comes in two ways. Either, clients make additional expenditure on children 19 who are already in school, or clients enrolled more children in school due to increased income. Significant variables positively related to this are total monthly income, membership duration, gender of household head, and household size. Pre-SAT loan and clients' age are also significant but negatively related. Central to this paper, our results show that the odds ratio for membership duration (SATDUR) is 2.43; this suggests that 'old clients' are 2.43 times more likely to spend on their children's education than 'new clients'. This is similar to what Maldonado and Gonzales-Vega

(2008) found in Bolivia. Also, the odds ratio of household head is 3.07 and statistically significant. It suggests that female household heads are 3.07 times more likely to spend on their children's education than their male counterparts.

iv. *Food Consumption (FDEXP)*

Table 6 shows the result of the log it regression with food purchases as the dependent variable. From the table, years of relationship with SAT or membership duration (SATDUR), sex of the head of household (SEXHH), and the size of client's household (HSIZE) have a positive relationship with FDEXP. They are also statistically significant. SATDUR is related to FDEXP by 1.53 times, which means that 'old clients' are 1.53 times

more likely than 'new clients' to purchase food. This suggests that 'old clients' appear to have received greater impact than 'new clients'. The odds ratio for SEXHH is 2.22, suggesting that female household heads are 2.22 times more likely to spend on food than male household heads. This is consistent with other microfinance findings such as in Pitt et al., (2006) for Bangladesh. The odds ratio for household size is 1.29; thus, the size of the clients' household is suggested to determine expenditure on food. The result suggests that large families of eight members, for example, are 1.29 times more likely to spend more on food than a family of, say, five members.

Table 6 : Effects of the Independent Variables on FDEXP, reporting Coefficients, Odds Ratio and Confidence Intervals from Logistic Regression

Independent Variables	Dependent variable: FDEXP		
	Coefficient (z-statistics)	Odds ratio*	95% Confidence interval
SATDUR	0.4282 (2.00)	1.5344 (0.3287)	(1.0083, 2.3351)
AVLOAN	0.0003 (1.07)	1.0003 (0.0003)	(0.9998, 1.0008)
LBSAT	-0.4985 (-2.43)	0.6074 (0.1246)	(0.4063, 0.9080)
SEXHH	0.7992 (4.09)	2.2238 (0.4345)	(1.5163, 3.2614)
HSIZE	0.2530 (4.77)	1.2879 (0.0683)	(1.1607, 1.4290)
RESAGE	-0.0126 (-1.16)	0.9875 (0.0107)	(0.9668, 1.0087)
RESEDU	0.0021 (0.02)	1.0021 (0.1042)	(0.8174, 1.2285)
CONSTANT	-1.4593 (-2.83)	-	-

*Standard errors are given between parentheses. Statistical significance ($p < 0.05$) is shown when 1 falls outside the confidence intervals.

In contrast, the years of schooling or education, the average loan size of clients, and the age of a client, are not statistically significant. The number of years of schooling (RESEDU) is positively related (1.002 times) to FDEXP; however, it is not significant. The survey results suggest that a female client who is also the head of the household, and had participated in the programme for more than three years, is better placed to increase the household's food consumption than her colleague who had participated in the programme for less than three years.

We used two of the methods Garikipati (2008) adopted to check the robustness of the results. First, we used the 'backward stepwise regression' to test SATDUR which starts with a full model (reported), and non-significant variables illuminated in an iterative process. We tested the fitted model when a variable is

illuminated. The aim was to make sure that the model fits the data adequately. Once there are no more variables to be illuminated, the analysis is 21 accomplished. We then used the likelihood ratio test to accept or reject the illuminated variables. The analysis indicated that the SATDUR coefficients were stable throughout the process, suggesting that our conclusion made on membership duration on the credit programme are robust. Second, we tested the significance of each of the indicators separately before we developed them. At the individual level, we found that the important variables maintained their signs and significance.

V. CONCLUSION

Following the success of some leading microfinance programmes, the industry has experienced

speedy expansion in recent years. Most of the programmes target poor people using group lending and most have recorded high repayment rates. The group lending approach has helped ease the issues of moral hazard, high transaction costs in lending small amounts, and adverse selection. The donor community also continues to support the development of microfinance institutions. Yet, available information on most of these programmes is inadequate. In view of this, there is a need for comprehensive independent assessment studies, such as this work, which could better document the evidence of the impact of microfinance in more rigorous ways than has often been the case hitherto.

In the light of these, the paper set out to identify the expenditure pattern using a survey of SAT clients in Ghana as a case study. The study divided clients into two groups — new clients who have been with SAT for less than three years, and old clients who have been with SAT for over three years. We found that even though 'new clients' on average received larger loans, it was 'old clients' who received greater benefits. The results of the regression suggest that membership duration in the programme is an important determinant of expenditure of clients, and as seen here on assets ownership, the level of spending on a child's education, and improvements in clients' businesses and on consumption smoothing. In all these areas, old members of the programme were seen to be more likely to have received greater benefits. In this case, clients that had joined the programme for long period of time have made significant expenditure on the items listed that client that had joined the scheme for few years. In this, these findings largely concur with most others in the literature in suggesting a role for MFIs in the alleviation of poverty.

In general terms, the study found that the provision of financial services by a microfinance institution has improved the life of its beneficiaries in employment creation to generate regular income, food consumption, children's education and asset ownership. This research has provided adequate evidence in the various survey questions that we administered to suggest that 'long-time borrowers' became better off than those with less exposure to affordable credit.

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A Critical Look at Some Available Examples of e-Learning Content

By Souâd Carpon El Harrassi & Patrizia Laudati

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Abstract- This critical view amounts in fact to inquire into the design of the e-learning content, to draw up state of play of how this content is designed on existing and future projects on its development, and state of play on appreciation enjoyed from been the subject within groups that practice or that benefit from.

GJMBR-B Classification: EL Code: L81, J10



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A Critical Look at Some Available Examples of e-Learning Content

Souâd Carpon El Harrassi ^α & Patrizia Laudati ^σ

Abstract- This critical view amounts in fact to inquire into the design of the e-learning content, to draw up state of play of how this content is designed on existing and future projects on its development, and state of play on appreciation enjoyed from been the subject within groups that practice or that benefit from.

I. INTRODUCTION

Currently, almost all of the information and communication research work are interested in modalities of content stocks exploration available in databases. In contrast few or very few are those who ask the question of designing a quality document. Rather it takes an orientation that reduces presentations at the essential (a teacher who reduced his course to a power point). But thinking in this direction should be continued, because such content organization unquestionably facilitates their understanding and reuse.

We have drawn the greater part information about distance education in the sport field, contacts with experts from Moroccan institutes and faculties of the trades of French sport, benefiting of their lessons learned. We also explored, documentary research, online databases, catalogs and the search engines.

a) document searches

We consulted library resource and documents from other extraneous institutions developed in the field, as well as recent reports prepared for the University of Lyon I (Boure, 2002).

We also explored other discussion papers such as specifications, and reports varied and diverse. We finally swept away various Internet resources indicate the status of ongoing discussions. Some of these include especially distinguished are the federating sites on elearning.

b) Data Bases: Bases online

This research tool provides access to fifty documentary databases covering all scientific and technical areas such as Science Direct. We made various researches, very successful in the online datab-

ases covering Sport field. We also performed research in UVHC university bibliographic database.

c) Catalogs: Sudoc

We also explored the catalog of the University System Documentation. This is the French union catalog carried out by the libraries and documentation centers of higher education and research. It includes more than 10 million bibliographic records describing all types of documents (books, theses, journals, online resources, audiovisual documents microforms, maps, sheet music, manuscripts and old books ...). The Su doc catalog also describes the collections magazines and journals around 2000 documentary facilities outside higher learning (municipal libraries, documentation centers ...). Finally, it aims to identify all theses produced in France.

d) D. Search Engine: Scirus

SCIRUS is a search engine specialized in searching for scientific documents published on the web, produced by Elsevier Science from FAST technology which allows the secure remote transmission of data and the creation of opposable electronic evidence on the long term. Contrary to general search engines which indicate all pages discovered by their robot, SCIRUS only indexes the pages present on servers referenced by Elsevier for their scientific content. In addition to the web pages retrieved by the robot, Elsevier says documents from electronic resources (Science Direct), databases (Medline, NASA, Beilstein), patents us, preprint servers and Open Archive.

The results are thus less heterogeneous and more focused:

- Pages of universities (domain names edu, ac.uk and others.).
- Scientific organizations and pages of congresses, conferences (.org).
- Government pages related to sciences, including health or sport
- Pages of scientific

Can review a variety of content found on internet, including, without being exhaustive obviously, we begin with the most rudimentary, namely:

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i. Video of the teacher alone



Figure 1: Video of the teacher alone

The teacher is alone. He speaks, explains concepts, notions,... Obviously, this course is not interactive. One can only listen. That's all we can do

often a static content but can be included the sound system, previewed by a browser or as a mimeographed (pdf) as presented in the figure below.

ii. The slides course (PowerPoint, Open Office, pdf ...)

We can find the slides courses that are often of the course materials available to remote learners. It is

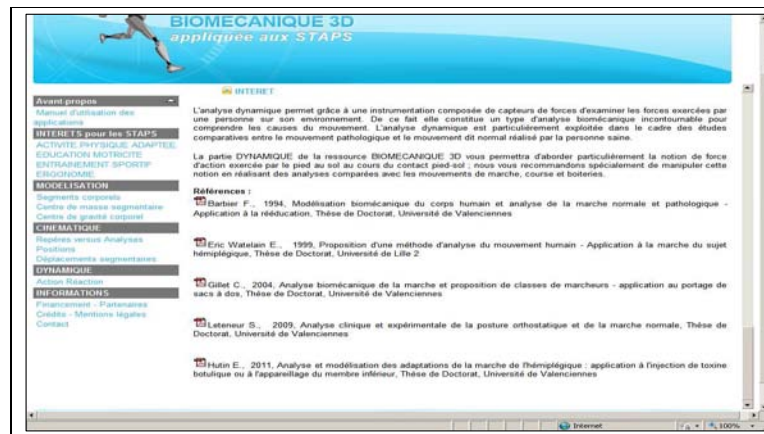


Figure 2: PDF format resources (*. Pdf)

The learner in front of this sample screen shot can only unhook in the absence of pedagogical orientation.

iii. Filmed course

We can film not only the teacher but also learners, blackboard, slides ... We see the teacher writing on the blackboard. We can see some learners who ask questions. Sometimes you can even see the room in which the course takes place.

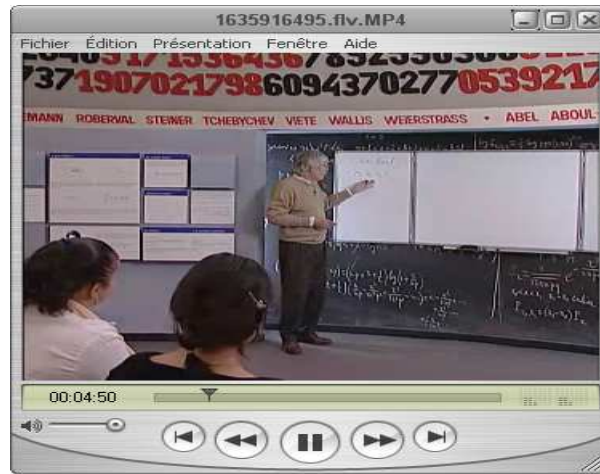


Figure 3 : Channel U: The number PI (John Brette)

This is interesting, a little living, but the course is not structured.

iv. Site based resources

Workshops, exposures or virtual laboratories are sites that take the form of a resources center that promotes learning in a knowledge area. The pages of the website are then structured according to resources grouped according a metaphor: laboratory, workshop, exposure, etc., rather than knowledge structure or

activities. For example, a site organized in the style of an exposure of online resources (Figure 4), will include pages that can browse in any order and without any pedagogical orientation. Such a site can focus on learning information technology, vehicle placement on the dwelling or any other matter as is the case of multiple shows held annually in different cities. The site is not structured according to the content.



Figure 4 : Site based resources

v. The scanned handout

The first component is scanning of the course contents. These web pages, which are available on printable version to read a part of the computer, static in general, whose use can be read online or read after printing.

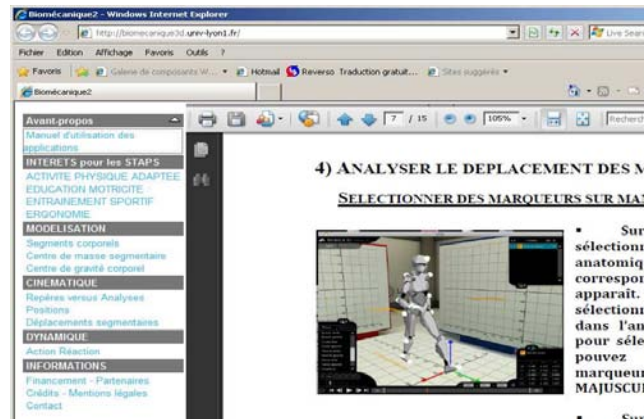


Figure 5 : Scanned handout

For example, we briefly describe the course "biomechanics 3D" offered by UV2S University and reused by the UVHC university. This course has been set up for the first time in September 2012 and will be offered to learners STAPS L3. This course uses the Moodle retained as institutional platform of the University of Valenciennes. This choice is consistent with an institutional strategy that aims in the short term, only

for the online course materials and not to structure and screenwriter all the university courses.

vi. *The digitized and animated handout*

The second component of content is entertainment. Can animate the handout to explain concepts easily manageable.

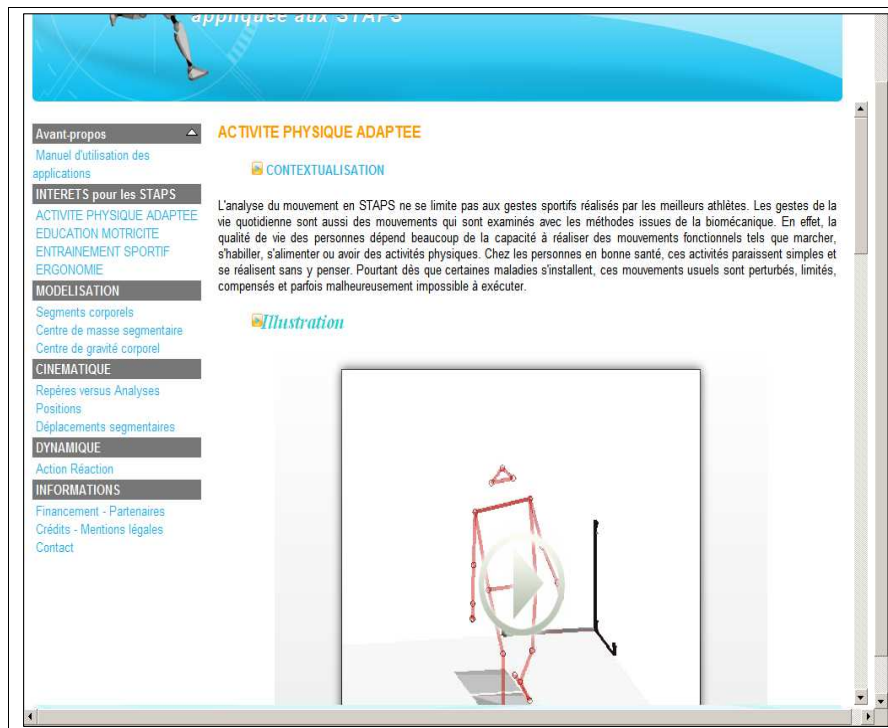


Figure 6 : The digitized and animated handout

Sometimes it is interesting to do this kind of things because explain a text becomes in comprehensible. However, the explanation of the course with an animation becomes transferable. One can also use hyperlinks to appeal to other explanatory details of the course.

vii. *The scanned mimeographed, animated and interactive*

The third content component is the interaction. This type of content is oriented learner actions.

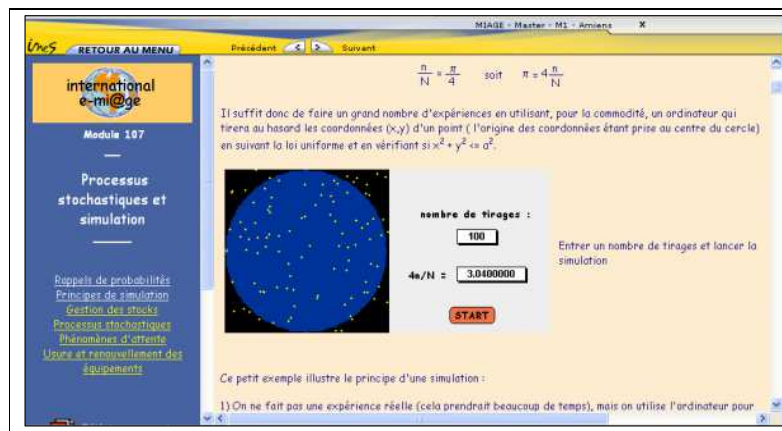


Figure 7 : The scanned handout, animated and interactive

Instead of looking at what is displayed on screen, the learner can interact with the course, to enter values and get results.

viii. The QCM
The classic QCM. It is a learner pedagogical tool, in which a question is asked and offers answers with good and wrong answers.

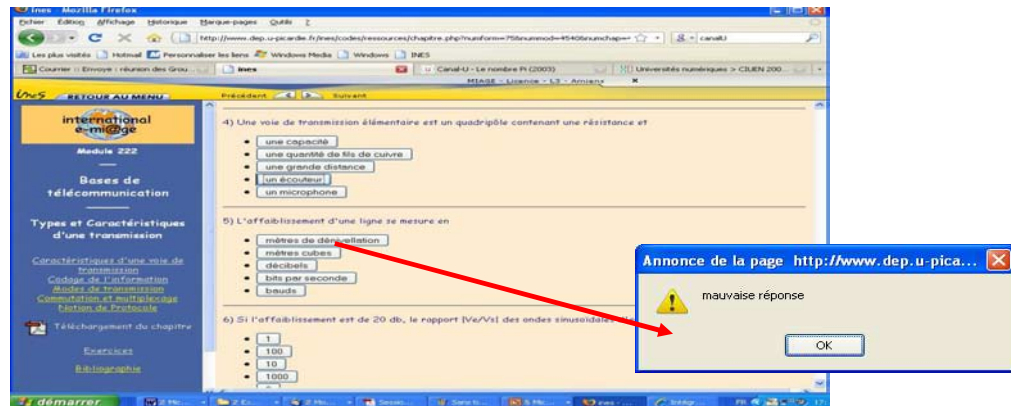


Figure 8 : The QCM

You can also sophisticate this system explaining why the answer is wrong or giving a score for the student to be located in his field of knowledge compared to what is proposed.

ix. Exercises

These are learner resources, exercises with solutions which access is restricted to prevent the learner to not looking the answer in advance. The following figure shows an example of exercises with solutions.



Figure 9 : Exercises

This, it is not an e-learning course, but just repository resources on Moodle e-learning plat form. These resources can still be accessed remotely.

x. The case studies

This time around it is subjects for further consideration provided to the learner individually or

collectively. There is no content at the outset; it is for the learner to must construct the content. If it is a collective work, it will be done on a collaborative work space.

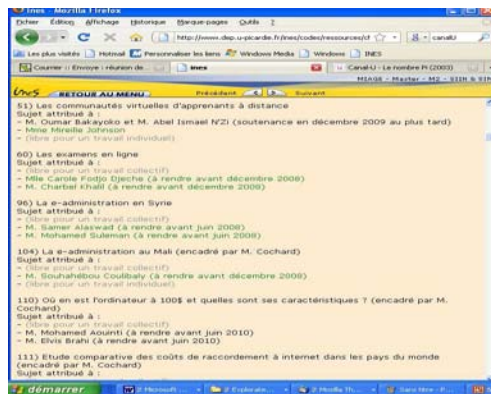


Figure 10 : The case studies

An example of a case study is shown in Figure 10. In this case, we have the documents produced by learners who can be interesting. At this time, these documents will be interesting to make available to future students and designed to enrich the online resources available.

- pas de contenus au départ !

Pédagogie de production

- en général, travaux collectifs

xi. The online practical work

These are resources to download or use online.



Figure 11: The online practical work

Some work may be put online, but not all. The e-learning cannot solve all the practical work online. In Figure 21, for example, has practical work that can be performed on animated images in 3D. This is a pedagogical device "Unity" applied in the field of sport. In which it is proposed to move the arm or head.... of the skeleton in order to calculate certain parameters and perform a number of processing and analysis for a better course understanding.

xii. Activity-based Sites

The Hyperguides websites are oriented on the description of learning activities rather than on the information or resources to use. One such site plans replace traditional courses and printed study guides, but a non-linear and interactive way. The home page will present the course structure and provide access to its main subdivisions called modules or units of learning.

Each of these learning units is described using a learning scenario. Each scenario presents the activities, pedagogical materials to consult (in this case books, videos, and tutorials), work to produce and the interrelationships between these events.

Each activity is then described using the equipment to consult or use, work to be produced, an estimate of its duration and a set point that describes the activity conduct.

Here, the course content is encapsulated in the teaching material and the work produced by learners. As and when they work, their works enrich the content database. This work can be exchanged and evaluated by peers and / or trainer, reinserted into the database and reused in other activities. The environment of each user type will be built taking into account this approach. Be avoided incorporate, for example, a browser scenario, since it would duplicate the site, but a browser of knowledge will be useful to identify activities that address particular content.

Also, duplication of resources between the site and the environment is avoided as much as possible, except for easier navigation. For example, access to forums will be from the environment rather than on the site, unless a particularly important forum is inserted into a scenario and describes locally. Thus ease the site by reducing the number of icons and hyperlinks, which will facilitate the implementation and modification.

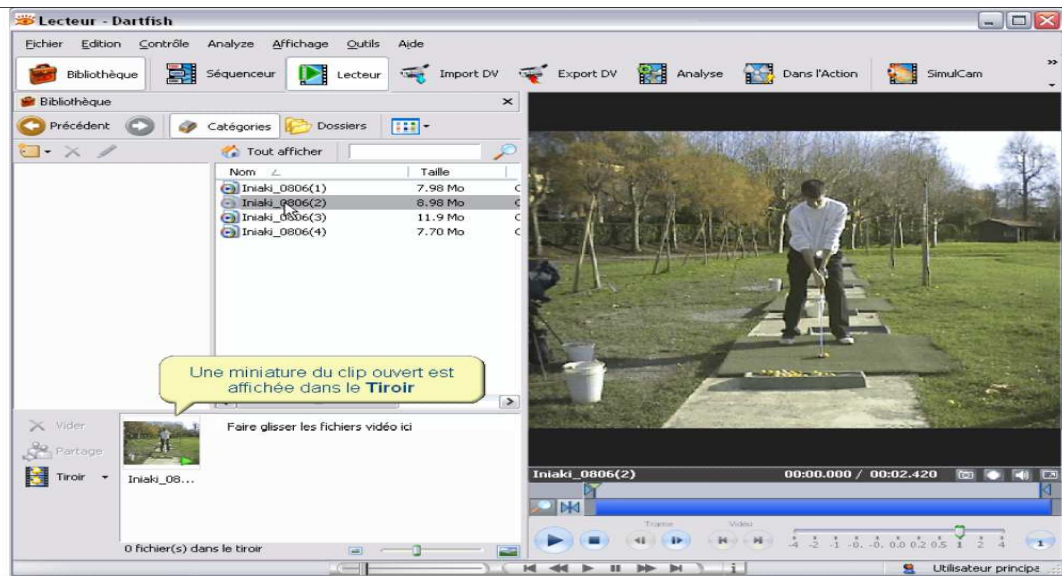


Figure 12 : Activity-based Sites

Future trades of interventions in sport will face this technology. The TICE tools are already present in the training courses and this kind of experience support some new contributions in motor learning. Some students become very attentive to the coach provides feedback based on the videos.

xiii. Simulators

A simulator is a solution for practical work online, as shown in Figure 23 :

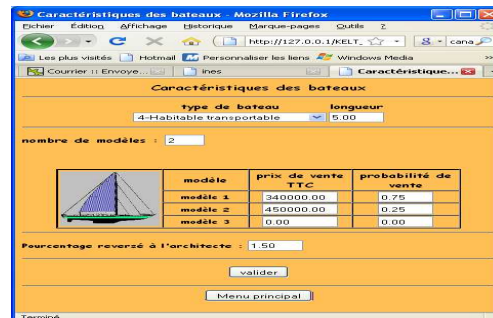


Figure 13 : Simulators (Source CNAM)

The simulation is also a solution to practical work online for some disciplines. You can also download via the simulator all the necessary tools to do a simulation in a given area. We find that the number of digital content for teaching are rising inexorably. The e-learning, which was previously an emerging concept is now becoming a form of teaching in itself. In this regard, we counted these examples providing expertise online. The strong use of TICE leads irrevocably a new situation in terms of access to educational information. We note that the value is less in the content itself, but more in the need to find this content to bring effective support to users, teachers and learners. The learner may be lost in the slew of competitors in the market. This need has given rise to research problems on the contents

structure and of the pedagogical resources combination.

At the scale of Moroccan universities, integration of e-learning remains well developed and exploited in the field of initial training and continuing education, especially in computer science, languages and office automation. The question posed by content designers is: which platform to invest? The risk that the designers and learners prefer the "common denominators" that found a model to another. The pedagogical value of content depends on criteria for assessing and the public. But instructional content often reflects the pedagogy of its author. When you have a bad content, it does not mean we do not have a good writer and you do not have a good teacher, as shown in Figure 14.

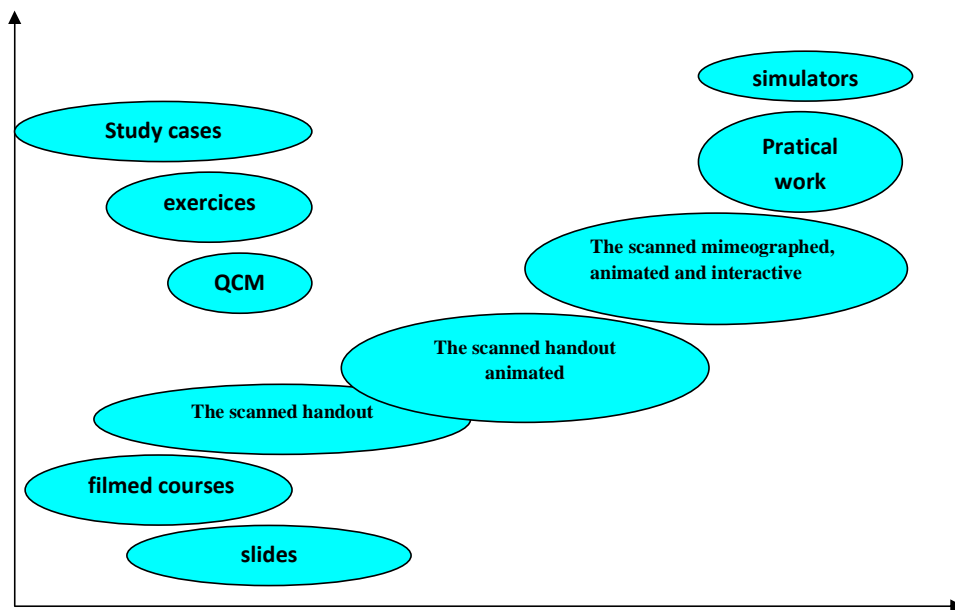


Figure 14 : Design difficulties (source: CNAM)

In Figure 14 is shown in 2D pedagogical value and design difficulties. You can have a very important pedagogical value without putting considerable technical means, such as case studies, exercises, QCM which represent simple and interesting pedagogical activities. And if we want to increase the pedagogical value, there must be a little more design and will lead simulators, TP online, etc.

Bilan

- One insists on the personal qualities of the teacher, ie to say its ability to communicate with learners in an informal way, coupled with an empathetic attitude that allows him to promote learning in a conducive work environment to exchange information.
- The other focuses on the level of expertise of the designer as a facilitator of learning element. Cognitive congruence, ability pedagogical to express in the learners language can be defined as association academic competence (expertise) and personal qualities (social congruence) (Schmidt & Moust cited by Baudrit, 2000).

Several French universities have developed their structure e-learning in sport, with the sole aim of facilitating of free access to online resources. It can be seen to be, in universities and engineering schools, new professional units, the cells 'TICE' (Information Technology and Communication for Education) - designing and implementing online an collection of electronic resources pedagogical purposes. The use and manipulation of these new types of resources are the subject of much research in SIC. This work focuses on the structure, characterization, combining, sharing and finally customizing these online teaching resources.

We especially want to insist that no matter the technology forward, produce an e-learning document is first and foremost a matter of storyboarding content and intellectual rigor. The pedagogical engineering or the designer cannot control everything. However, that answer fully, is it enough to the learner satisfaction? The learner may be lost in the mass of competitors that exist on the market. It is appropriate, therefore, return to the need of the learner, the technological imperatives often make lost sight of. Often the question of the design is placed upside down. Instead of wondering about the needs and expectations of users, pedagogical engineer strives to provide the most recent and most sophisticated technologies that are not necessarily suitable to end users.

II. CONCLUSION

The result is that the adoption of a quality approach imposes an inversion of point of view where the user needs satisfaction premium any form of technological determinism. The design should be positioned upstream, before examining technological solution, and it must include a phase of listening to the user's needs and expectations. The reference to sociocultural context of user's reference as for the offers actors (teachers, learners ...) is essential in this process. Which is why the SIC can help in modeling the design process of the e-learning document sport to make it exploited and the learner does not pick?

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De La Compétitivité Des Entreprises À La Compétitivité De L'ue: Défis et Avenir

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Summary- Since 2008, the EU (European Union) and the global economy through a deep economic and financial crisis. With the first signs of recovery emerged from the first half of 2010, developments and the rapidly changing global market stress the importance of maintaining competitiveness. The annual reports for 2009 and 2010 on competitiveness have focused on potential impacts of the economic recession on productivity and future determinants EU competitiveness in global markets (changes in the structure of trade and chains supply of the EU, R & D and innovation of foreign companies in the EU, the European competitiveness in key enabling technologies, innovation and competitiveness in the creative industries) .

Along these lines, many countries, including emerging, experiencing unprecedented performance and display substantial competitiveness in some sectors where the EU sometimes feels challenged, even threatened. That earned him a diverse reaction to revive its economy and improve its competitiveness to stay in the global economy.

Keywords: competitiveness, enterprises, eu, innovation, determinants, productivity.

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De La Compétitivité Des Entreprises À La Compétitivité De L'ue: Défis et Avenir

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Résumé- Depuis 2008, l'UE (Union européenne) et l'économie mondiale traversent une crise économique et financière profonde. Avec les premiers signes de reprise apparus dès le 1^{er} semestre 2010, les évolutions et la mutation rapide du marché mondial soulignent l'importance du maintien de la compétitivité. Les rapports annuels de 2009 et 2010 sur la compétitivité se sont intéressés aux répercussions potentielles de la récession économique sur la productivité et aux futurs facteurs déterminants pour la compétitivité de l'UE sur les marchés mondiaux (modification de la structure des échanges et des chaînes d'approvisionnement de l'UE, activités de R&D et d'innovation des entreprises étrangères au sein de l'UE, compétitivité européenne dans les technologies génériques clés, innovation et compétitivité dans les industries créatives....).

Dans ce sillage, de nombreux pays, émergents notamment, connaissent des performances sans précédent et affichent des compétitivités substantielles dans certains secteurs où l'UE se sent parfois concurrencée, voire même menacée. Ce qui lui a valu une réaction plurielle pour relancer son économie et améliorer sa compétitivité pour se maintenir dans l'économie mondiale.

Quatre points seront traités: compétitivité et contexte mondial; performances générales de la compétitivité et sa mesure dans les entreprises européennes ; situation de la compétitivité des entreprises européennes ; mesures pour l'amélioration ; synthèse des recommandations.

Mots-clés : compétitivité, entreprises, ue, innovation, déterminants, productivité.

Summary- Since 2008, the EU (European Union) and the global economy through a deep economic and financial crisis. With the first signs of recovery emerged from the first half of 2010, developments and the rapidly changing global market stress the importance of maintaining competitiveness. The annual reports for 2009 and 2010 on competitiveness have focused on potential impacts of the economic recession on productivity and future determinants EU competitiveness in global markets (changes in the structure of trade and chains supply of the EU, R & D and innovation of foreign companies in the EU, the European competitiveness in key enabling technologies, innovation and competitiveness in the creative industries) .

Along these lines, many countries, including emerging, experiencing unprecedented performance and display substantial competitiveness in some sectors where the EU

sometimes feels challenged, even threatened. That earned him a diverse reaction to revive its economy and improve its competitiveness to stay in the global economy.

Four points will be discussed: competitiveness and global context; overall performance of the competitiveness and extent European companies; situation of the competitiveness of European enterprises, measures for improvement; summary of recommendations.

Keywords: competitiveness, enterprises, eu, innovation, determinants, productivity.

I. INTRODUCTION

L'UE et l'économie mondiale sont profondément bouleversées par la crise économique et financière, depuis 2008. Avec les signes de reprise dès 2010, l'évolution et la mutation rapide du marché mondial soulignent l'importance du maintien de la compétitivité. Les rapports de 2009 et 2010 mettaient en exergue les répercussions potentielles de la récession sur la productivité et les facteurs déterminants de la compétitivité de l'UE sur les marchés mondiaux (modification de la structure des échanges, R&D et innovation, compétitivité de l'UE dans les technologies clés....).

Dans ce contexte, de nombreux pays émergents connaissent des performances et affichent des compétitivités substantielles concurrençant l'UE. D'où la réaction plurielle pour relancer son économie et améliorer sa compétitivité pour se maintenir dans l'économie mondiale.

Nous traiterons les points suivants : de la compétitivité et du contexte mondial (1); Performances générales en matière de compétitivité et sa mesure dans les entreprises européennes (2) ; Situation de la compétitivité des entreprises européennes : mesures et secteurs pour améliorer la compétitivité des entreprises (3) ; Synthèse et recommandations (4)

a) De la compétitivité et du contexte mondial

Depuis plus de deux décennies, la compétitivité est devenue le maître-mot aussi bien des entreprises que des territoires. Corrélée directement avec la mondialisation croissante, la compétitivité des entreprises et l'attractivité des territoires, voire même leur compétitivité, s'invitent dans l'espace mondial et dans les stratégies des entreprises pour devenir le leitmotiv.

i. De la compétitivité en général

Le terme compétitivité, du latin *competere*, évoque l'idée de rechercher ensemble et désigne

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l'aptitude à affronter la concurrence et à rivaliser avec autrui des situations. Le concept de compétitivité est complexe et possède diverses définitions souvent utilisées pour exprimer différentes situations⁴, toutes proches l'une de l'autre: « La compétitivité est la capacité à fabriquer des biens et des services qui répondent aux exigences des marchés internationaux, tout en offrant aux citoyens un niveau de vie qui tout à la fois s'élève et puisse être préservé à long terme ». Elle désigne également « la capacité d'entreprises, d'industries, de régions, de nations ou d'ensembles supranationaux de générer de façon durable un revenu et un niveau d'emploi relativement élevé, tout en étant et restant exposés à la concurrence internationale ».

Employée souvent par les économistes, la notion a été initialement définie et appréhendée au niveau de l'entreprise, puis transposée au plan macroéconomique, au niveau d'un secteur d'activité ou d'un pays. On distingue 2 types de compétitivité : compétitivité de l'entreprise et celle d'un territoire ou pays (Belattaf, 2009)².

La compétitivité d'une entreprise représente ses performances à long terme, sa croissance, selon 3 critères: prix, qualité, coût. Une entreprise compétitive est celle qui obtient des résultats supérieurs à la moyenne. L'examen des forces et faiblesses de l'entreprise dans un secteur se réfère aux pratiques les plus performantes. In fine, la compétitivité s'exprime au niveau du produit. On distingue la compétitivité-prix et la compétitivité hors-prix.

La compétitivité-prix se rapporte à des produits substituables entre eux, rivalisant par les prix et exprime la structure des prix et coûts d'une économie par rapport à celle de ses partenaires commerciaux³. Elle repose sur le taux de change, coûts internes, coûts salariaux....

La compétitivité hors-prix concerne l'ensemble des déterminants hors-prix de la compétitivité : savoir-faire, qualité, spécialisation, flexibilité, innovation, différenciation.....

L'expression compétitivité des territoires (Porter, 1990) est devenu un maître-mot des politiques publiques. La compétitivité concerne la capacité des territoires à contribuer à la création et au développement d'activités économiques, à attirer et retenir les hommes et les capitaux. La compétitivité la plus connue est celle qui s'exerce entre les nations : elle passe par de multiples leviers, comme la fiscalité, la manipulation des

taux de change, la flexibilité des ressources...

Quant à la compétitivité d'un territoire, région ou pays, elle peut être appréciée par le niveau de vie de ses habitants (PIB/hab.). Pour l'OCDE et l'UE, c'est « la capacité de produire des biens et services qui passent le test des marchés internationaux, tout en maintenant des niveaux de revenus élevés et durables », ou « la capacité des entreprises, des régions, des nations ou des zones géographiques supranationales d'engendrer, tout en étant exposées à la concurrence internationale, des niveaux de revenu et d'emploi relativement élevés⁴ ».

La compétitivité nationale considère les facteurs de niveau de vie de la population : croissance, emploi et répartition du revenu. La compétitivité du territoire, liée à son attractivité, sa capacité d'attirer des activités sur son sol. Pour Krugman (Krugman, 1994), « la compétitivité ne serait que le mot poétique pour exprimer la productivité d'un pays ».

■ La compétitivité globale d'un pays

L'UE dans son agenda de Lisbonne de l'an 2000, considère la compétitivité d'un pays est sa : « capacité à améliorer durablement le niveau de vie de ses habitants et à leurs procurer un haut niveau d'emploi et de cohésion sociale »

La compétitivité d'un territoire est liée à son attractivité et donc à sa faculté à attirer sur son sol des activités mais aussi sa capacité à contribuer à l'amélioration du bien être de sa population.

ii. *Les déterminants de la compétitivité d'un territoire*

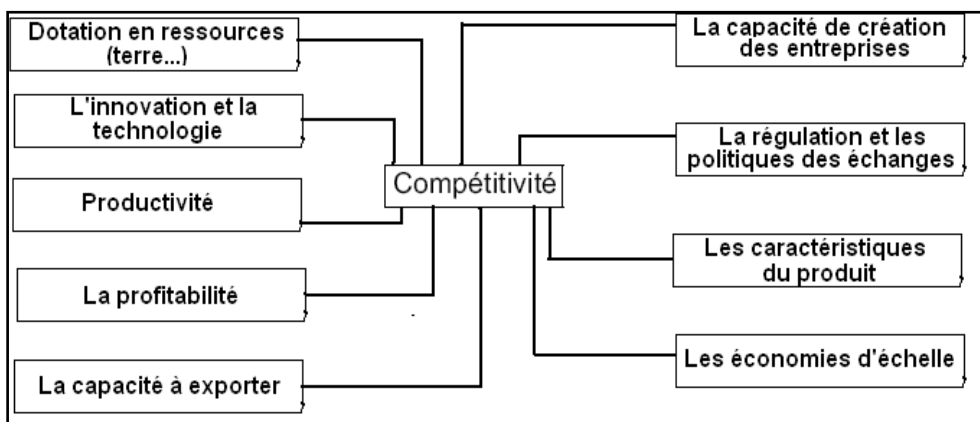
Le forum économique mondial (WEF) considère 8 indicateurs composites de compétitivité: ouverture; gouvernement; finance; infrastructures; technologie; management; travail; institutions, totalisant 73 variables. L'évolution du PIB/hab. et les parts de marché constituent des indicateurs synthétiques de la compétitivité nationale.

¹ M. Debonneuil et L. Fontagné Rapport du Conseil d'Analyse Economique sur la compétitivité, 2003

² Belattaf M, « De la compétitivité d'un pays : cas de l'Algérie », in Les Annales de l'Université de Valahia de Targoviste (Roumanie), XVI^{ème} Année – N° 25 – 2009, p101.

³ Muchielli JL, « la compétitivité : concept, indicateurs et déterminants », ACCOMEX, n°44 ; 2002, in http://team.univ-paris1.fr/teamperso/mucchieli/jlm_doc_ecointer_lecon5.pdf

⁴ OCDE, Industrial competitiveness, Paris 1996, & 6^{ème} rapport périodique sur la situation socioéconomique et le développement des régions de l'UE ; partie 2, les facteurs qui sous-tendent la compétitivité, pp 75 et suivantes.



Graphique 1 : Les déterminants de la compétitivité

Source: élaboré par les auteurs

Les déterminants de la compétitivité économique

- o la capacité d'innovation : Avec la concurrence acharnée et la guerre des prix, différencier ses produits et innover : innovation technologique, commerciale ou organisationnelle.
- o la productivité : seul indicateur de compétitivité est bien la productivité, pour Krugman.
- o la profitabilité : une entreprise compétitive est celle qui fait des profits.
- o Il y a aussi la part de marché, la capacité à exporter et capacité de création des entreprises

Les déterminants de la compétitivité sociale

L'amélioration de bien-être social durablement, signifie la compétitivité d'une société. En effet plusieurs indicateurs peuvent indiquer cette situation : taux de chômage, PIB/hab, seuil de pauvreté, taux de scolarisation...

iii. Du contexte mondial

À l'exception du ralentissement de 2001, la période 1995-2006 est marquée par la stabilité des pays industrialisés. L'UE y a connu une croissance durable, une participation accrue à l'emploi et une augmentation du revenu par habitant. Aux États-Unis et dans certains pays européens, cette stabilité cachait toutefois une accumulation de déséquilibres significatifs qui ont finalement conduit à une récession d'une gravité sans précédent depuis les chocs pétroliers des années 1970. En 2009, à l'exception de la Pologne, la production de tous les pays de l'UE, a connu une baisse: 3 % en Belgique et en France et des baisses à deux chiffres pour l'Irlande et les pays baltes.

Cette récession mondiale est inhabituelle et concomitante avec effondrement des économies de tous les pays industrialisés : forte baisse de l'activité économique et ampleur de son incidence.

Le Rapport 2009 sur la compétitivité s'est intéressé aux répercussions potentielles de la récession sur la compétitivité. Il concluait que la récession ne

devait pas nécessairement avoir un impact négatif sur le rythme de l'évolution technique; une récession procède de deux types de mécanismes: ceux qui influent négativement sur l'efficacité économique, mais aussi ceux qui renforcent notre capacité à accroître la productivité future. En effet, la période de croissance de 2000-2007 a aussi été une période de déséquilibres grandissants : le secteur immobilier aux USA et Europe (Irlande, RU, Espagne, Danemark) par un fort investissement dans le logement/PIB.

Quant au Rapport 2010, il examine l'impact potentiel des années de croissance, particulièrement l'éventuel impact des déséquilibres grandissants sur la compétitivité à travers la dérive des prix et des salaires ou l'affectation de l'investissement. Avec l'expansion, certains pays ont enregistré une augmentation de leurs coûts salariaux unitaires, aux effets mais moins significatifs à celui lié aux augmentations du niveau général des prix. Il est difficile de prouver que les années de croissance ont affecté la compétitivité, mais la sortie de la crise passera sans doute par un lent processus d'ajustement dans certains pays de l'UE.

b) Les performances générales en matière de compétitivité et leur mesure dans les entreprises européennes

La compétitivité d'un pays est la capacité des entreprises implantées sur son sol à affronter avec succès la concurrence sur les marchés national et étranger. Première puissance exportatrice mondiale, l'UE risque de voir sa compétitivité s'éroder en raison du ralentissement des gains de productivité, du retard pris dans la compétition technologique et d'un environnement économique moins propice au développement des entreprises dans certains Etats. Dans ce contexte, il est important qu'ils prennent leurs responsabilités dans la mise en œuvre de la stratégie de Lisbonne.

i. Mesurer la compétitivité des entreprises européennes: productivité, performances à

l'exportation, environnement économique

La capacité des entreprises dans l'UE à affronter avec succès la concurrence internationale sur le marché national et extérieur peut être mesurée de différentes façons.

Une 1^{ère} mesure de la compétitivité est la productivité de la main d'œuvre. La productivité européenne par personne occupée est inférieure de

26,7% à celle des Etats-Unis et légèrement supérieure à celle du Japon. Le plus faible nombre d'heures travaillées dans les pays européens n'explique qu'un tiers du différentiel entre l'UE et les USA. En outre, les gains de productivité ont ralenti en Europe entre 1996 et 2005 : 1,4% en moyenne annuelle dans l'UE) contre 2,1% aux USA, fragilisant la compétitivité de l'économie communautaire (tableau 1).

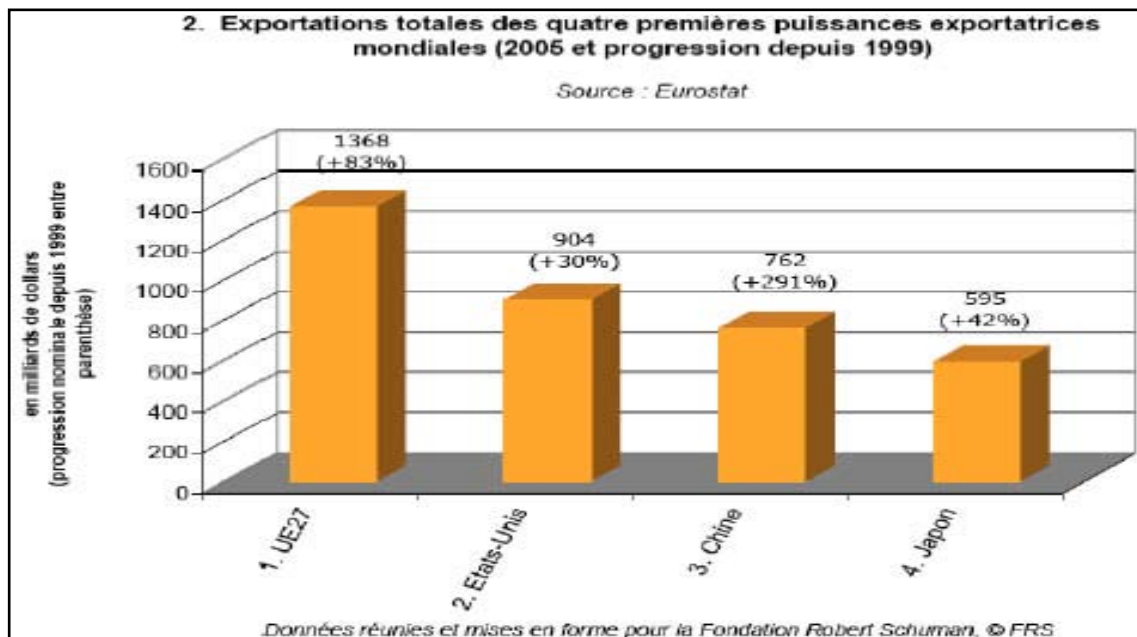
Tableau 1 : Productivité de la main d'œuvre

	Productivité de la main d'œuvre par personne occupée en \$ ppa (2005)	Taux de croissance moyen de la productivité de la main d'œuvre par personne occupé	Nombres d'heures travaillées par personne occupée (2005)
Zone euro	68,485	0,9	1 554
UE25	64,310	1,4	1 624
Etats-Unis	87684	2,1	1 919
Japon	62,665	1,4	1 749
Canada	67,298	1,3	1 782
Sources	Groningen Growth and Development Center	Groningen Growth and Development Center	Eurostat

Source: Selon la lettre de la Fondation Robert Schuman, 30 avril 2007

La 2^{ème} considère les performances à l'exportation de l'industrie européenne en étant le 1^{er} exportateur mondial de biens manufacturés devant les USA, Chine et Japon. Ses exportations sont accrues de 82% entre 1999 et 2005 et l'industrie européenne fait

mieux. Mais l'expansion rapide chinoise inquiète tout le monde, en triplant ses exportations de produits manufacturés de 1999 à 2005 et devient aujourd'hui la 2^{ème} économie mondiale.



Graphique 2 : Les exportations des 4 premières puissances exportatrices mondiales (1999-2006)

Source: Eurostat et Fondation Robert Schuman, 30 avril 2007.

La 3^{ème} mesure concerne l'environnement économique et son influence sur la compétitivité des entreprises. Elle est affectée par l'évolution du taux de change, l'inflation et les coûts salariaux. La compétitivité-prix reflète ainsi la capacité à conquérir des parts de marché avec un niveau de prix plus faible

que les concurrents. Une inflation plus faible qu'à l'étranger et la dépréciation de la monnaie par rapport aux monnaies étrangères engendrent l'amélioration de la compétitivité-prix. Quant à la compétitivité-coût, elle dépend de l'évolution du taux de change corrigée de l'augmentation du coût unitaire du travail.

Le tableau 3 ci-dessous, montre que la compétitivité-prix et la compétitivité-coût de l'UE et de la zone euro se sont dégradées depuis 1999, par contre, celles du Japon, de la Chine et des USA se sont améliorées. Entre les pays de la zone euro, les différences s'expliquent uniquement par l'évolution de l'inflation et des coûts unitaires du travail dans la mesure où ces pays partagent la même monnaie et donc le même taux de change.

Tableau 2 : Suppression d'emplois dans les entreprises de l'UE (selon restructuration)

Type de restructuration	Volume en %
1. Restructuration	70 %
2. Faillite/fermeture de site	13 %
3. Délocalisations	7 %
4. Fusion/ Acquisition	6 %
5. Autres	3 %
6. externalisation	1 %
Total	100 %

Sources: constitué à partir du graphique de « European monitoring center on Change » et FRS, avril 2007

Tableau 3 : La compétitivité de l'environnement économique et du climat des affaires

	Classement selon la compétitivité de l'environnement économique en 2006 (124 pays)	Classement selon la facilité de faire les affaires ne 2006	Compétitivité prix-taux de change effectif réel en 2005 (indice 100 en 1999)	Compétitivité coût-taux de change réel en 2005 (indice 100 en 1999)
Allemagne	8	21	98,29	93,24
Autriche	17	30	98,97	95,87
Belgique	20	20	102,66	101,70
Chypre	46	Nd	105,63	105,00
Danemark	4	7	102,41	104,77
Espagne	28	39	108,95	108,49
Estonie	25	17	106,64	107,98
Finlande	2	14	98,84	104,05
France	18	35	101,88	102,31
Grèce	47	109	101,05	103,93
Hongrie	41	66	130,73	149,27
Irlande	21	10	117,03	116,80
Italie	42	82	104,49	110,64
Lettonie	47	24	97,16	91,51
Lituanie	40	16	110,87	105,30
Luxembourg	22	nd	102,66	101,70
Malte	39	nd	108,48	106,90
Pays Bas	9	22	106,30	110,04
Pologne	48	76	116,22	103,32
Portugal	34	40	107,97	112,42
Rép. Tchèque	29	52	123,81	137,42
Royaume-Uni	10	6	95,00	108,49
Slovaquie	37	36	146,63	120,70
Slovénie	33	61	99,09	104,00
Suède	3	13	95,74	101,71
Bulgarie	72	54	121,27	nd
Roumanie	68	49	132,69	nd
Zone euro	nd	nd	104,15	103,92
UE25	nd	nd	104,36	113,25

Comparativement aux puissances concurrentes, on peut souligner deux éléments : la limitation de l'appréciation de l'euro est rendue difficile par le contexte économique mondial (déficit du commerce extérieur américain, indexation du yuan sur le dollar), puis la définition d'une politique de change commune par le Conseil des ministres de la zone euro et la BCE.

Etats-Unis	6	3	93,39	92,15
Chine	54	93	90,79	nd
Japon	7	11	81,66	70,93
Sources	World Eco. forum	Banque mondiale	Eurostat	Eurostat

Source: Banque mondiale, DoingBusiness et Fondation Robert Schuman, 30 avril 2007.

Le tableau 3 montre que la compétitivité des 27 est inégale : Scandinaves et Royaume Uni, aux premiers rangs des classements de la Banque mondiale et du WEF, tandis que les méditerranéens et les PECO présentent des résultats moins flatteurs. En général, la plupart des Etats européens disposent d'un environnement économique moins compétitif que les Etats-Unis ou le Japon. En Effet, il est moins aisé de créer une entreprise dans ces Etats, le marché du travail moins flexible, la fiscalité sur le travail lourde, les actionnaires minoritaires mal protégés face à des violations par un dirigeant et le système de recherche et d'enseignement insuffisamment performant.

ii. *Compétitivité et emploi : délocalisations limitées en nombre, emplois non créés là où il faut*

La compétitivité de l'UE est partiellement liée à son dynamisme en termes d'emploi. Au cours de ces dernières années, des inquiétudes sont apparues sur l'importance des emplois perdus à cause des délocalisations. Celles-ci expliquent en 2006 moins de 7% des 487 000 suppressions d'emplois décidées dans le cadre d'opérations de restructuration des entreprises de plus de 100 salariés de l'UE. L'enjeu est moins celui des délocalisations que celui des décisions de nouveaux investissements et de localisation des créations de sites et de postes. Actuellement, les entreprises investissent dans les pays émergents aux marchés en expansion, bon climat des affaires : raisons commerciales, disponibilité/faibles coûts, progrès de l'environnement économique.

L'Europe est également confronté à un autre défi : développer l'emploi dans les secteurs à forte valeur ajoutée. Selon les données synthétiques⁵ sur la question, l'emploi ne croît pas là où il le devrait en Europe : de 1995 à 2000, ce sont les entreprises les moins productives qui ont créé le plus d'emplois dans l'Union, alors qu'aux USA, c'est dans le secteur le plus productif que l'emploi a été le plus dynamique. Ainsi, l'Europe est spécialisée dans des activités à faible valeur ajoutée, d'où en partie, le ralentissement des gains de productivité en Europe par rapport aux USA.

iii. *Les créations d'entreprises : une Europe inégalement dynamique*

La compétitivité d'une économie dépend aussi de la démographie des entreprises, de l'importance des créations d'entreprises et des moyens nécessaires

disponibles à leur développement. L'UE, a un taux varié de création d'entreprises où la plupart a un taux inférieur à celui des USA. Le lancement, survie et développement des jeunes entreprises dépendent de l'accès aux financements. Dans l'UE, le capital-risque est très développé au RU et en Scandinavie, ce qui crée une contrainte de crédit, peu favorable à l'expansion des "start up" européennes.

iv. *Retard dans la compétition technologique des entreprises européennes*

Dans la compétition internationale, la technologie est d'une importance capitale: les entreprises doivent innover pour se différencier et utiliser les technologies de production les plus récentes et améliorer leur productivité. Ceci est favorisé par la R&D, les NTIC et l'innovation (brevets). Mais les comparaisons avec les concurrents internationaux montrent leurs faiblesses.

Les entreprises de l'UE effectuent de faibles investissements en R&D technologique : dépenses des entreprises s'élèvent à 1% du PIB contre 1,6% aux Etats-Unis et 2,4% au Japon. Au sein de l'UE, les entreprises allemandes et scandinaves ont un fort investissement en R&D alors que celles du Sud de l'Europe et des PECO ont des résultats insuffisants en la matière (graphique 3).

⁵ Lettre de la Fondation Robert Schuman, avril 2007.



Graphique 3 : Dépenses en R&D des entreprises de l'UE, en % du PIB

Source: Eurostat et Fondation Robert Schuman, 30 avril 2007.

En matière de création d'entreprises, l'on remarque une Europe inégalement dynamique. La compétitivité d'une économie dépend aussi de la démographie des entreprises ou, plus précisément, de l'importance des créations d'entreprises et de la disponibilité des moyens nécessaires à leur

développement. Le taux de création d'entreprises varie largement d'une économie à l'autre dans l'UE (2003-2004). La plupart des Etats membres présentent un taux inférieur à celui des Etats-Unis (9,6%), à l'exception notable de l'Espagne (9,7%), du Royaume-Uni (14,3%) et de quelques PECO et pays baltes (+ 10 %)⁶.

Tableau 4 : NTIC et brevets

	Dépenses consacrées aux NTIC en % du PIB en 2005	Part des exportations en haute technologie en % des exportations de produits manufacturés (2004)	Nombre de brevets accordés par l'office européen des brevets par million d'habitants (2005)	Nombre de brevets accordés par United States patent and trade mark office par million d'habitants (2004)
Zone euro	6,0	16,3	70,9	63,4
UE 25	6,4	Nd	56,7	54,4
Etats-Unis	6,7	32,3	44,3	287,0
Chine	Nd	29,8	0,1	0,6
Japon	7,6	23,7	74,7	276,7
Sources	Eurostat	Banque mondiale	OEB	USPTO

Source: selon les données de la Lettre de la Fondation Robert Schuman, 30 avril 2007.

⁶ Eurostat et Fondation Robert Schuman, 30 avril 2007.

L'Europe a investi dans des moyens de production modernes et NTIC, mais pas spécialisée dans la production de biens de haute technologie : les exportations de produits de haute technologie représentent 16,3% de ses exportations totales, contre 32,3% aux Etats-Unis et 29,8% en Chine. Cette présence relativement faible dans les secteurs de haute technologie et la R&D expliquent le retard de l'UE en matière de brevets : rapporté à la population, l'UE dépose beaucoup moins de brevets que le Japon et les USA lorsque l'on additionne les brevets déposés à l'OEB et United States Patent and Trademark Office (111 contre 351 et 331 respectivement).

c) *Mesures et secteurs améliorer la compétitivité des entreprises européennes*

Les données précédentes notent que l'UE risque une érosion de sa compétitivité. Elle est loin de l'objectif fixé par le Conseil européen de Lisbonne, faire de l'UE « l'économie de la connaissance la plus compétitive et la plus dynamique du monde à l'horizon 2010 ». Les dépenses de R&D ont stagné depuis 2000 à 1,85% du PIB (USA, 2,7 % et Japon 3,2%). Dans l'enseignement supérieur, le taux de scolarisation est insuffisant (58% contre 83% aux USA), de même que l'investissement par étudiant (8060 euros contre 20650 euros PPA).

i. *Défis et réformes nécessaires : priorités des Etats et de la commission*

Il importe donc que les Etats membres prennent conscience de l'ampleur du défi et des réformes nécessaires. Parmi les priorités que les Etats membres et la Commission pourraient se donner :

Créer les incitations nécessaires afin que les entreprises investissent plus dans la R&D;

Encourager le dépôt de brevets, avec la mise en place d'un brevet communautaire permettant de limiter le coût de dépôt d'un brevet ou en prenant en charge une partie de celui-ci ;

Créer un climat des affaires favorable au développement des entreprises européennes : définir une politique de change commune dans la zone euro, favoriser le développement du capital-risque et des petites entreprises (Small Business Act européen, garantissant l'accès aux marchés publics et fonds publics de recherche) et simplifier les démarches administratives des entreprises,

Investir dans l'enseignement supérieur et augmenter le nombre d'étudiants qui y ont accès pour former une main d'œuvre qualifiée et adaptée aux besoins de l'économie européenne ;

Favoriser le développement des secteurs à forte valeur ajoutée, à se constituer en "clusters", à trouver les financements adéquats et à travailler avec la recherche publique et les universités.

Il importe que les Etats membres se positionnent clairement sur chacun de ses sujets et

engagent les réformes correspondantes. Ainsi l'UE retrouvera le chemin vertueux qui transformera son ambition en action, et pourra améliorer sa compétitivité⁷.

ii. *Défi démo-économique : démographie et compétitivité*

Lors du sommet de Lisbonne en mars 2000, les chefs d'Etat et de gouvernement européens s'étaient fixé un objectif ambitieux à l'horizon 2010 : faire de l'UE « l'économie de la connaissance la plus compétitive et la plus dynamique » du monde. A l'origine de la « stratégie de Lisbonne », un constat inquiétant : l'écart se creuse entre la dynamique de croissance de l'UE et celle de l'Amérique du Nord ou de l'Asie. L'Europe doit affronter le double défi : le défi démographique, par la faible natalité et vieillissement de la population, et défi économique, par la concurrence mondiale accrue dont les enjeux sont les ressources et les marchés⁸.

Il faut reconnaître que l'objectif de Lisbonne ne pourra pas être atteint, à cause de l'évolution démographique inquiétante, par le vieillissement inexorable de la population européenne bridant la dynamique de croissance de l'UE, générant des valeurs et des modes de comportement inconciliables avec l'objectif ambitieux de Lisbonne. L'accélération du vieillissement à partir de 2015, contribuera à tasser la compétitivité de l'UE pour longtemps. Certes certaines régions du monde (Chine, Asie du sud-est) très compétitives, sont confrontées aussi au vieillissement démographique, mais décalé dans le temps. L'Europe joue un rôle de précurseur dans une évolution mondiale, ce qui fait de la maîtrise du problème démographique une priorité absolue pour l'UE. Les politiques européennes doivent prendre conscience du problème démographique et l'affronter. C'est la condition sine qua non pour que l'Europe préserve sa compétitivité.

L'Europe perdra son influence et sa compétitivité dans le monde : 7% dans la population mondiale en 2050, recul de 29% de la population en âge de travailler et hausse de 8 % du PIB des dépenses de santé et de retraites, et net vieillissement des actifs occupés. Seront-ils encore productifs et innovants ? Avec la qualité assurée du capital humain, la réduction des transferts sociaux, au profit de l'investissement et le partage mondial du travail de l'Europe mais la croissance potentielle de l'UE baissera à 1,25 % en 2050, des valeurs et comportement peu offensifs et une faible ouverture au changement⁹. D'où la nécessité de maîtriser les effets des mutations démographiques en prenant conscience du déclin démographique.

⁷ Tableau de bord européen de l'innovation, 2008 & Eurostat « Sources de croissance économique au sein de l'OCDE », OCDE, 2003.

⁸ Wahl S., « Démographie et compétitivité : Regards sur l'économie allemande », nov. 2009, in

⁹ Idem

Donc, l'Europe doit affronter un double défi : *vieillesse de sa population et concurrence mondiale accrue* et vite maîtriser les effets des mutations démographiques en les appréhendant dans leur globalité, où la priorité est de prendre conscience de l'ampleur de ces mutations et de faire les choix permettant de guider son action. La particularité des mutations démographiques est de s'effectuer insensiblement, ce qui permet aux hommes politiques européens d'aiguiser la prise de conscience du problème démographique et à développer la volonté de l'affronter. C'est la condition sine qua non pour que l'Europe préserve sa compétitivité.

iii. *Les actions clés pour la compétitivité industrielle européenne*

Dix actions clés de la Commission pour la compétitivité industrielle européenne:

Un «examen explicite et détaillé de l'incidence sur la compétitivité» des nouvelles législations, sera entrepris. L'incidence sur la compétitivité de toutes les propositions politiques sera soigneusement analysée et prise en compte.

Des «bilans de qualité» de la législation existante identifieront les possibilités de réduction des effets cumulés de la législation, afin de diminuer les coûts pour les entreprises en Europe.

La création et le développement des PME seront soutenus: celles-ci bénéficieront d'un accès plus facile au financement et d'une aide à l'internationalisation.

Une stratégie visant à renforcer la normalisation européenne sera présentée afin de répondre aux besoins de l'industrie.

Les infrastructures et services européens du transport, de l'énergie et des communications seront mis à niveau de manière à pouvoir servir plus efficacement l'industrie, en tenant mieux compte de l'environnement concurrentiel actuel en constante évolution.

Une nouvelle stratégie sur les matières premières sera présentée dans le but de créer les conditions-cadres adéquates pour un approvisionnement et une gestion durables des matières premières domestiques.

Les performances d'innovation sectorielles feront l'objet d'actions dans des secteurs comme les technologies manufacturières avancées, la construction, les biocarburants et les transports routier et ferroviaire, en vue notamment d'améliorer leur efficacité en matière de ressources.

Les défis des industries à forte consommation d'énergie feront l'objet d'actions destinées à améliorer les conditions-cadres et à soutenir l'innovation.

Une politique spatiale sera menée et élaborée avec l'Agence spatiale européenne et les États

membres. La Commission mettra en place une politique de l'industrie spatiale afin de créer une base industrielle solide couvrant la totalité de la chaîne d'approvisionnement. La Commission fera rapport sur la compétitivité de l'Europe et des États membres, ainsi que sur leurs performances et politiques industrielles sur une base annuelle

Le Rapport annuel sur la compétitivité s'intéresse aux impacts de la récession économique sur la productivité et ses principaux futurs facteurs déterminants pour la compétitivité de l'UE: modifier la structure des échanges de produits intermédiaires et chaînes d'approvisionnement de l'industrie dans l'UE, activités de R&D et d'innovation des entreprises étrangères dans l'UE, compétitivité européenne dans les technologies génériques clés,

d) *Synthèse et recommandations*

i. *Pour une Europe ouverte, mondiale : gage de productivité*

Défendre et approfondir le Marché unique durant cette décennie et se concentrer sur le développement de politiques ciblées dans les domaines générateurs de croissance future.

Pour éviter la distorsion et promouvoir la concurrence loyale, les dérogations provisoires des règles d'aide d'État convenues en 2008 doivent être retirées en décembre 2010.

Faire tomber les obstacles par la Commission pour un changement marqué de règles du Marché unique et se servir d'une gamme d'outils complète pour améliorer la coordination entre les organismes de contrôle, telle que la Direction générale de la concurrence.

Alléger le fardeau réglementaire imposé aux entreprises (réduire le fardeau administratif de 25% à l'horizon 2012) et réaliser une économie de 10 milliards d'euros à la fin 2010.

Construire des rapports étroits pour uniformiser l'accès au marché des pays tiers dans les domaines de propriété intellectuelle, sécurité des produits, innovation et des technologies.

ii. *Capital humain et compétences et accès au financement*¹⁰

Compétences. Analyse régulière de la Commission des compétences actuelles et essentielles pour l'avenir de l'UE, avec le développement de la capacité dans ces domaines ; renforcer le rôle du

¹⁰ « SME and Entrepreneurship Outlook », OCDE, 2005, & « La formation et la survie de UE-US, UE-Japon », «Future Skill Needs in Europe – Focus on 2020 », CEDEFOP, 2008 & « Who cares, who dares? – Providing the skills for an innovative and sustainable Europe », INSEAD, 2009.

Fonds social européen en simplifiant l'accès au fonds et diriger les fonds vers les besoins de formation et d'apprentissage, reconnaître systématiquement les qualifications et conseils plus clairs pour les européens souhaitant travailler dans un autre pays de l'UE.

Innovation. Investissements orientés vers les technologies vertes et exploitables sur le plan commercial; accès des PME aux Programmes cadres et programmes de financement des PME à forte intensité de recherche; mise en œuvre intégrale de l'Espace européen de recherche pour un espace de recherche transfrontalier; création de Brevet communautaire et accélération des mécanismes d'octroi des brevets verts par un « système allégé ».

Finances. 50 milliards d'euros pour les 2 prochaines années, la BEI doit prêter davantage aux entreprises dans le cadre de projets d'infrastructure critique comme l'énergie et accélérer la mise à disposition des fonds; nouvelle campagne de sensibilisation des entreprises et prêteurs aux sources de financement proposées par la BEI et la Commission ; simplification des règles de l'UE en matière de capitaux à risques pour augmenter les volumes d'investissements transfrontaliers, surtout pour les petites entreprises novatrices.

Des programmes européens (Programme-cadre pour la recherche et Programme pour la compétitivité et l'innovation) sont des sources utiles de financement pour les entreprises. Le premier représente un fonds de 53 milliards d'euros. L'accessibilité à ces programmes doit néanmoins être améliorée, en rationalisant et simplifiant les procédures de candidature.

L'on identifie des domaines généraux liés aux technologies, produits et services où l'UE dispose d'avantages concurrentiels et d'un potentiel évident de développement : industries vertes, technologies et processus économes en ressources, sources de croissance et de création d'emplois dans les prochaines années. La valeur actuelle des écoindustries mondiales est estimée à 3 trillions \$, pouvant augmenter de 50% d'ici à 2020. Les sociétés européennes sont performantes : 12% plus efficaces que les USA et faisant déjà partie des leaders du marché des technologies vertes et services connexes. Le European Emissions Trading Scheme est à l'origine d'un mécanisme commercial précieux de définition d'un tarif du carbone pour inciter et motiver un changement de cap en faveur de l'économie à faibles émissions de CO₂ pour créer un marché transatlantique du carbone.

iii. *Stratégies ciblées de renforcement des atouts du futur¹¹ : les écoindustries ?* -

L'UE doit adopter une approche stratégique vis-à-vis de plusieurs secteurs clés, potentiellement générateurs d'une croissance en offrant des opportunités dans les écoindustries :

Stratégie d'entreprise aux opportunités commerciales découlant de la transition vers une économie à faibles émissions de CO₂, en développant les technologies vertes.

Une stratégie des services post 2010 pour continuer à améliorer l'accès au marché et l'environnement commercial des industries des services spécialistes de prestations commerciales, prestations d'entreprise et professionnelles incluses.

Une stratégie de fabrication avancée et à forte valeur ajoutée basée sur une approche stratégique de développement des atouts manufacturiers de l'UE, notamment par l'expansion des Plates-formes technologiques européennes et en multipliant les partenariats public-privé.

Une stratégie des sciences de la vie de l'UE qui encourage l'émergence des centres d'excellence biotechnologique¹², un environnement réglementaire qui soutient l'évolution future des biosciences et de nouvelles mesures de développement des biocarburants.

Un plan d'action pour l'économie numérique dans l'infrastructure à technologies numériques et réseaux de téléphonie, nouvelle génération, pour faciliter le développement du marché et rassurer les consommateurs de la fiabilité du commerce électronique.

II. CONCLUSION : PRONOSTICS POUR LA PÉRIODE POST-2010

La décennie actuelle comptera parmi les plus difficiles de l'histoire économique récente de l'UE. Ensemble, les États-membres de l'UE doivent vite réagir, pour soutenir les particuliers sans emploi et les entreprises viables et menacées par la pénurie de crédit, avec un soutien simultané à long terme par l'UE des intérêts économiques.

Les réactions proposées ont une dimension nationale et européenne. L'action coordonnée à l'échelle de l'UE doit se concentrer sur les secteurs à potentiel d'avantages transfrontaliers où la coopération unilatérale ne suffit pas pour traiter les obstacles entre les États, grâce à la formulation à ces deux niveaux d'une stratégie claire et efficace pour remettre l'économie européenne sur la voie de la croissance durable et la replacer au sein de l'économie mondiale.

¹¹ « Economic assessment of the barriers to the internal market for services », Copenhagen Economics, 2005

INNOVAS Solutions Ltd 2009, & « Mid-term review of industrial policy – A contribution to the EU's Growth and Jobs Strategy », CE, 2007

¹² Commission européenne « Biotechnology in Europe », Critical I, 2006.

Quoi qu'il en soit, l'efficacité du programme de travail proposé dépend d'un haut niveau de coopération et de coordination ce qui s'inscrit dans la Stratégie de Lisbonne 2000–2010.

Les institutions de l'UE doivent définir un ordre du jour stratégique économique européen et un budget de l'UE conçus pour défendre et approfondir le Marché unique, contribuer aux efforts visant à remettre l'économie européenne sur la voie de la croissance durable et investir dans les atouts économiques de l'Europe à long terme.

Afin de défendre ses intérêts à travers le monde, la CE travaille sur une politique commerciale ambitieuse, avec la collaboration états–commission–entreprises, pour améliorer les conditions d'exportations des entreprises¹³. Et ce au double niveau intérieur et extérieur.

Pour la dimension intérieure, l'UE doit continuer la stratégie de soutien aux entreprises exportatrices, promouvoir l'innovation, vecteur de la compétitivité européenne, développer des *partenariats entreprises – universités – centres de recherche*, encourager le développement durable au sein des entreprises de l'UE (avantage compétitif mondial), accéder aux marchés publics étrangers et renforcer *la* coopération pour réduire les entraves au commerce.

La dimension extérieure consiste à rapprocher les réglementations dans les négociations pour lutter contre les barrières non tarifaires; à profiter des partenariats stratégiques avec différents ensembles pour réduire les entraves aux échanges. Puis prioriser l'accès aux marchés étrangers pour les entreprises européennes dans les négociations avec les partenaires (Chine, USA, Japon, Russie, ...). Le Conseil de l'UE, en décembre 2007, a adopté un accord politique pour créer un brevet de l'UE et une juridiction du brevet européen et du brevet communautaire. L'OEB soutient l'innovation, la compétitivité et la croissance économique en Europe, nécessité d'un brevet unique pour que l'UE soit compétitive¹⁴.

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The Causal Relationship between Exports and Economic Growth in Jordan

By Ruba Abu Shihab, Thikraiat Soufan & Shatha Abdul- Khaliq

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Abstract- This study aims to examine the causal relationship between economic growth and exports in Jordan using the Granger methodology in order to determine the direction of the relationship between the two variables during the period 2000- 2012. The study found that there is a causal relationship going from the economic growth to Export, and not vice versa. Based on the outcome of causality tests, the changes in the economic growth help explain the changes that occur in the Export.

Keywords: exports, economic growth, the causal relationship, gdp, granger, jordan.

GJMBR-B Classification: JEL Code: F43, O47



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The Causal Relationship between Exports and Economic Growth in Jordan

Ruba Abu Shihab ^α, Thikraiat Soufan ^σ & Shatha Abdul- Khaliq ^ρ

Abstract- This study aims to examine the causal relationship between economic growth and exports in Jordan using the Granger methodology in order to determine the direction of the relationship between the two variables during the period 2000-2012.

The study found that there is a causal relationship going from the economic growth to Export, and not vice versa. Based on the outcome of causality tests, the changes in the economic growth help explain the changes that occur in the Export.

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1. INTRODUCTION

Economic growth is one of the most important determinants of economic welfare. The relationship between exports and economic growth is a frequent topic of discussion, when economists try to explain the different levels of economic growth between countries. Exports of goods and services represent one of the most important sources of foreign exchange income that ease the pressure on the balance of payments and create employment opportunities.

The argument concerning the role of exports as one of the main deterministic factors of economic growth is not new. It goes back to the classical economic theories by Adam Smith and David Ricardo, who argued that international trade plays an important role in economic growth. The neoclassical approach emphasizes the importance of competitive advantages in international trade. Each country maximizes its welfare through the activities which are the most efficient regarding resource and production factors scarcity in of economy. In this case, the benefits of the trade are static and trade liberation and openness can't lead to increase in long run growth rate, but it influences income level.

Over the past years, an increasingly larger role granted to exports in rising domestic demand, the growth of exports increases technological innovation covers the domestic and foreign demand and also increases the inflows of foreign exchange, which could lead to greater capacity utilization and economic growth.

The study is carried out to examine the relationship between exports and growth in a small developing Economy, Jordan. To achieve this, the study is structured into 3 sections: section (1) deals with the literature review; section (2) discusses methodology and data; while analysis of results, conclusion and recommendations are presented in section (3).

a) Previous studies

Several studies address the importance of exports on economic growth. The findings of these studies indicate that exports have a statistically significant positive impact on economic growth. We can summarize some of these studies that have addressed the issue of causality between exports and economic growth as follows:

Kalaitzi (2013) examined the relationship between exports and economic growth in the United Arab Emirates over the period 1980-2010. The study applied the two-step Engle-Granger cointegration test and the Johansen cointegration technique in order to confirm or not the existence of a long-run relationship between the variables. Moreover, this study applied a Vector Autoregression Model in order to construct the Impulse Response Function and the Granger causality test to examine the causality between exports and economic growth. The findings of this study confirmed the existence of a long-run relationship between manufactured exports, primary exports and economic growth. In addition, the Granger causality test showed unidirectional causality between manufactured exports and economic growth. Thus, further increase in the degree of export diversification from oil could accelerate economic growth in UAE.

Ahdi and others (2013) investigated the dynamic causal link between exports and economic growth using both linear and nonlinear Granger causality tests. The study used annual South African data on real exports and real gross domestic product from 1911-2011. The linear Granger causality result showed no evidence of significant causality between exports and GDP. Accordingly the study turned to the nonlinear methods to evaluate Granger causality between exports and GDP. It used both Hiemstra and Jones (1994) and Diks and Panchenko (2005) nonlinear Granger causality tests. For the Hiemstra and Jones (1994) test, it found a unidirectional causality from GDP to exports. However, using the Diks and Panchenko

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(2005) test, the study found evidence of significant bi-directional causality.

Kim and Lin (2009) examined the impact of export composition on economic growth, indicated that not all exports contribute equally to economic growth. In particular, many developing countries depend on exports of primary products, which are subject to excessive price fluctuations. In most cases, this category of exports had negligible impact on economic growth, while manufactured exports had a positive and significant effect on economic growth.

Abu al-Foul (2006) investigated the export-led growth hypothesis in Jordan over the period 1976–1997. The empirical results indicated a unidirectional causation from exports to output. These findings supported the export-oriented growth strategy pursued by Jordan. In promoting faster economic growth, such government institutions as Free Zones Corporations, Jordan Investment Board and Jordan Export Development Corporation should continue pursuing their mission in attracting foreign investments and boosting exports.

Abou-Stait (2005) examined the export-led growth (ELG) hypothesis for Egypt, using historical data from 1977 to 2003. The paper employed a variety of analytical tools, including cointegration analysis, Granger Causality tests, and unit root tests, coupled with vector auto regression (VAR) and impulse response function (IRF) analyses. The paper set three hypotheses for testing the ELG hypothesis for Egypt, (i) whether GDP, exports and imports are cointegrated, (ii) whether exports Granger cause growth, (iii) whether exports Granger cause investment. The paper failed to reject the first two hypotheses, while it failed to accept that exports Granger causes investment.

Awokuse (2003) re-examined the export-led growth (ELG) hypothesis for Canada by testing for Granger causality from exports to national output growth using vector error correction models (VECM) and the augmented vector autoregressive (VAR) methodology developed in Toda and Yamamoto (1995). The empirical results suggested that a long-run steady state exists among the model's six variables and that Granger causal flow is unidirectional from real exports to real GDP.

Crespo, Cuaresma and Worz (2003) argued that exports of manufacturing products are less sensitive to the cyclical changes in the international market compare to exports of raw and intermediate goods. Hence, countries that depend on the exportation of manufactured products were less affected by the cyclical changes in the world economy. Indeed, a major problem facing most developing countries was the heavy dependency on the export of raw materials. Changes in the world economy affected its demand for primary products, which then affected the economic performance of less developed countries.

Burridge and Sinclair (2002) investigated the causal links between trade, economic growth and inward foreign direct investment (FDI) in China at the aggregate level. The integration and cointegration properties of quarterly data analyzed. Long-run relationships between growth, exports, imports and FDI are identified in a cointegration framework, the study found bidirectional causality between economic growth, FDI and exports. Economic development, exports and FDI appeared to be mutually reinforcing under the open-door policy.

Shan and Sun (1998) tested the export-led growth hypothesis using quarterly time series data for Australia by constructing a vector autoregression (VAR) model. The Granger no-causality procedure developed by Toda and Yamamoto was applied to test the causality link between tested real export growth and real manufacturing output growth. Two principle results emerged. First, no evidence was found for the export-led growth hypothesis in Australia; second, when applying a longer lag structure, the study found evidence of a one-way Granger causality running from manufacturing growth to exports growth.

Shan and Tian (1998) tested export-led growth hypothesis using monthly time series data for Shanghai and the Granger no-causality procedure developed by Toda and Yamamoto (1995) in a vector autoregression (VAR) model. This paper built on the existing literature in three distinct ways. This paper was the first study of the export-led growth hypothesis which employs a regional dataset (Shanghai). Second, the paper followed Riezman et al. (1996) in controlling for the growth of imports to avoid a spurious causality result; and finally, the use of the methodology by Toda and Yamamoto was expected to improve the standard F-statistics in the causality test process. The research found one-way Granger causality running from GDP to exports

Sharma and Dhakal (1994) investigated the causal relationship between exports and output growth in 30 developing countries over the period from 1960 to 1988 in a multivariate framework. The study indentated a feedback causal relationship between exports and output growth in five countries, export growth caused output growth in another six countries; output growth caused export growth in a further eight countries; and no causal relationship was observed between export growth and output growth in the remaining 11 countries. It also found that in 15 countries the foreign exchange caused export growth, and that in 12 countries world output caused export growth.

Ghartey (1993) tested Causal relationships between exports and economic growth for Taiwan, US and Japan. The method of Hsiao (1979) was employed in finding the direction of causation. Wald and likelihood ratio tests confirmed that exports growth in

the US, and a feedback causal relationship existed in Japan.

Khan and NAJAM (1993) examined the relationship between exports and economic growth for a variety of countries. They examined the relationship between these two variables in a simultaneous equation framework and used 3SLS technique. They found not only a strong positive association between exports performance and economic growth but more than 90 per cent of the contribution of exports to economic growth was indirect in nature.

Fosu (1990) examined the extent to which export growth affects the rate of economic growth in less developed African countries as a subgroup, GDP growth of 28 less developed African countries was analyzed using a pooled cross-sectional time-series estimation of 1960–1970 and 1970–1980 as an average annual growth rates. Based upon the usual augmented production function that includes labor, capital formation, and exports, export growth was observed to exert a positive and significant impact on economic growth. While this export effect is somewhat smaller than that for non-African less developed countries, the difference was not statistically significant.

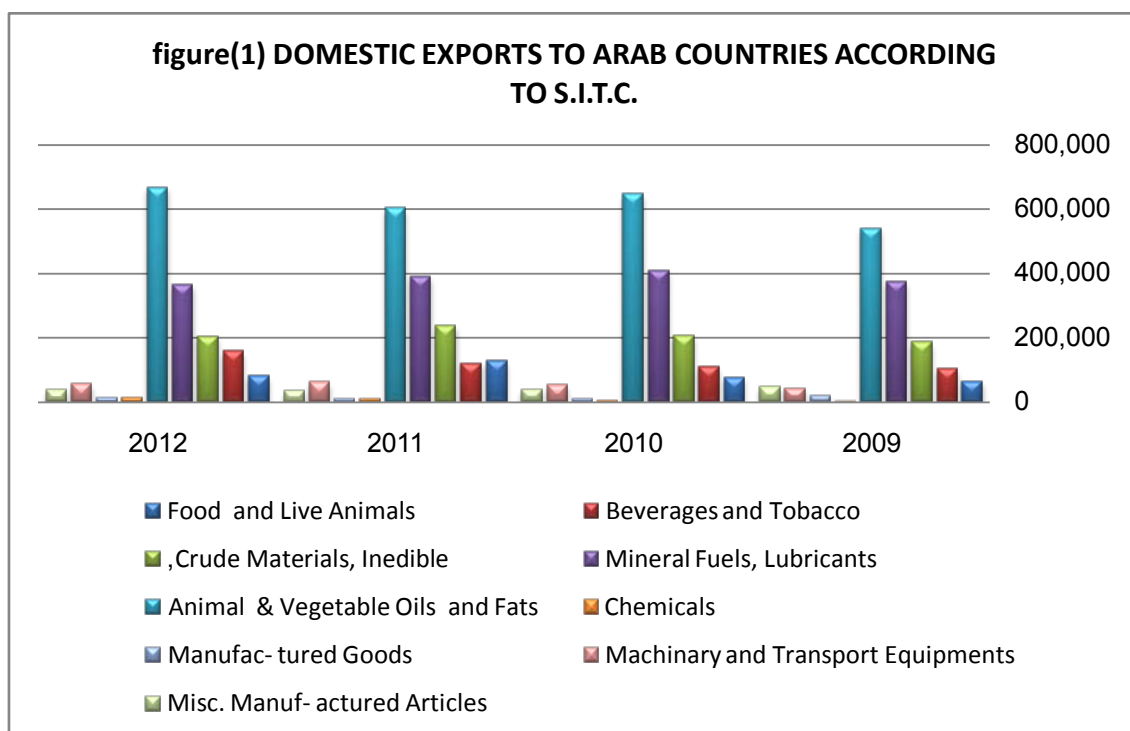
Chow (1987) investigated the causal relationship between export growth and industrial

development in eight Newly Industrializing Countries (NICs). Results of causality test showed that for most of the NICs, there is a strong causality between the growth of exports and industrial development. These findings supported the export-led growth strategy in that expansion in exports not only promote the growth of national income but also lead to structural transformation of the developing countries.

b) Exports in Jordan

Jordan has witnessed a drastic jump in exports recently due to its continuous effort in trade liberalization and its on-going engagement in free trade practices. The volume of exports in 2012 reached 4749 million JD after having been 1080 million JD in 2000.

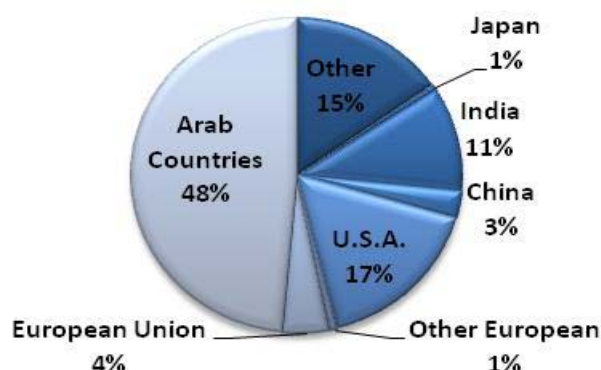
The extraordinary performance of exports in recent years has been primarily due to the partnership and free trade agreements signed with various countries. The geographic distribution of domestic exports reveals that Arab countries remain the major destination for Jordanian exports. More than half of all Jordanian exports to Arab countries go to Iraq and Saudi Arabia. The Medical, pharmaceutical and vegetable products are the main exported items to the Arab countries as show in Figure 1.



On the other hand, exports to the US were ranked the highest growing from 44 million JD in 2000 to 788 million JD in 2012. because In 2009, Jordan and the United States secured their business relation by a new trade agreement which was fully implemented on January 1, 2010; it allows products to enter USA market

duty-free if manufactured in Jordan. In addition, India is considered one of the major importers of Jordanian crude phosphate, potash and fertilizers. Exports to India have increased recently from 172 million JD in 2000 to 510 million JD in 2012. shaw figure (2).

**figure (2) Geographic Distribution of Jordan Exports
2012**



II. DATA AND METHODOLOGY

a) Data

The data used for this study are basically time series data for Jordan covering the period 2000- 2012. The two economic variables included in this study are the Exports of goods and services and the change in Real Gross Domestic Product at Market Prices (GDP) is an indicator to measure economic growth. Data were sourced from The Central Bank of Jordan and The Department of Statistics.

b) Method

In this paper, the statistical properties of both economic growth and Export were investigated, using the unit root test. Causality among variables, using Granger causality test, was utilized to determine the directional causality between variables. Then, a long-term relationship was estimated, using Johansen cointegration test.

c) The Unit Root Test

Macroeconomic time series data are generally characterized by a stochastic trend which can be removed by differencing. Some variables are stationary on levels, others become stationary after one differentiation, and some may become stationary by more than one differentiation. To test for the stationarity of the variables, the Augmented Dickey-Fuller (ADF) technique was utilized. The ADF equation was performed for the case when it includes intercept only in addition to the case when it includes both intercept and time trend.

The results indicate that both variables, the EX and the GR, are not stationary on their levels. In other words, they have a unit root. Then, we repeated the unit root test for the first difference for both variables. The results point out that the EX and GR became stationary after the first difference. Since the computed values (in absolute value) are greater than the critical values (in absolute value) at a 1% level of significance, the null hypothesis of the unit root or nonstationary variable can be rejected. (Shaw table (1))

Table 1 : Augmented Dickey-Fuller test

Variable			Level	First difference	Second difference
	Critical values 1%	Critical values %5	ADF	ADF	ADF
GR	-4.2	-3.2	-2.9	-6.5	-9.5
EX	-4.2	-3.2	-0.15	-4.5	-4.1

d) Granger Causality Test

The Granger causality test was developed by Granger and according to him, a variable (in this case export) is said to Granger cause another variable (GR) if past and present values of export help to predict GR.

A simple Granger causality test involving two variables, exports and GR is written as:

$$GR_t = \sum_{i=2}^n \alpha_i EX_{t-i} + \sum_{j=1}^n \beta_j GR_{t-j} + U_{1t}$$

$$EX_t = \sum_{i=2}^n \eta_i EX_{t-i} + \sum_{j=1}^n \delta_j GR_{t-j} + U_{2t}$$

Testing null hypothesis: $H_0: \alpha = 0; j=1, \dots, p$, this hypothesis means that export does not

Granger cause economic growth against the alternative hypothesis $H_1: \alpha \neq 0: j=1, \dots, p$, this hypothesis means that export does Granger cause GR.

Similarly, testing $H_0: \eta = 0: j=1, \dots, p$, this hypothesis means that economic growth does not Granger cause exports against $H_1: \eta \neq 0: j=1, \dots, p$, this hypothesis means that GR does Granger cause EX. If none of the null hypotheses is rejected, it means we accept the claims that export does not Granger cause GR and economic growth also does not Granger cause exports. This indicates that the two variables are

independent of each other. If the first hypothesis is rejected, it shows that exports Granger causes economic growth. Rejection of the second hypothesis means that the causality runs from GR to exports. If all hypotheses are rejected, there is bi-directional causality between exports and economic growth.

The below table show that there is a causal relationship between Export and growth rate but in one direction so that changes in the economic growth have effects on Export and not vice versa, where tests showed causal there was no effect of changes in Export on economic growth.

Table 2 : Granger causality test

Prob.	F-Statistic	Obs	Null Hypothesis:
0.7797	0.08308	12	EX does not Granger Cause GR
0.1190	2.96889		GR does not Granger Cause EX

This means that an increase or a decrease in economic growth can affect and causes the Export at 15% significant level. On the other hand, Export does not seem to Granger Cause economic growth. This suggests that information about Export in past periods cannot explain the behavior of economic growth in the present time.

e) *Descriptive analysis of the variables of the study*

Table (3) shows descriptive statistics for the variables of the study, the table shows that the variable

GR does not far from the normal distribution using the test (Jarque-Bera), and to accept the null hypothesis that the data follow a normal distribution. As shown us from the results of the sprain values and through review of mean and median values, we find its close, so this indicating the absence of sharp fluctuations in the fluctuation of the economic growth data. In the other hand the export is not normal distribution using the test Jarque-Bera.

Table 3 : Descriptive analysis

BD	GR	
2956.734	0.118829	Mean
2929.310	0.103168	Median
4805.873	0.285375	Maximum
1080.817	0.060864	Minimum
1326.113	0.063658	Std. Dev.
0.060692	1.503601	Skewness
1.610606	4.619877	Kurtosis
1.053623	6.319771	Jarque-Bera
0.590485	0.042431	Probability
13	13	Observations

III. CONCLUSION

This paper has examined the role of export in the economic growth process in Jordan using causality tests for data over the period 2000 to 2012.

Granger causality was applied to test the causal relationship between Export and economic growth. The results show that there is evidence of uni-directional causality between export and economic growth in Jordan and the direction of causality runs strictly from

economic growth to exports. In conclusion, this study provided support for growth-led export in case of Jordan. Thus effort should be direct towards policies that will enhance economic growth such as import substitution industrialization, in order to impact more on exports.

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Telecommunications Trade Liberalisation and Individual Privacy in Jordan: Some Perspectives and Evolving Concerns

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Introduction- During the past few years, the Jordanian economy has been transformed. Economic reform in Jordan covered several areas, including the deregulation of business sectors, the privatisation of public services, and the elimination of trade barriers. These reforms may be interlocked. For example, the rapid development of ICTs made it necessary for the telecommunications sector in Jordan to become the first public enterprise to be privatised. Currently, this sector provides customers with variety of services and products that were unavailable to them before the start of privatisation process.

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Telecommunications Trade Liberalisation and Individual Privacy in Jordan: Some Perspectives and Evolving Concerns

Dr. Akram Almatarneh

I. INTRODUCTION

During the past few years, the Jordanian economy has been transformed. Economic reform in Jordan covered several areas, including the deregulation of business sectors, the privatisation of public services, and the elimination of trade barriers. These reforms may be interlocked. For example, the rapid development of ICTs made it necessary for the telecommunications sector in Jordan to become the first public enterprise to be privatised. Currently, this sector provides customers with variety of services and products that were unavailable to them before the start of privatisation process.

Further, the recent economic reform has made Jordan an active actor in the 'globalised' world. Jordan's accession to the World Trade Organisation (WTO) and signing of trade agreements with important partners including the US and the EU has signalled its broader participation. These agreements are strong factors in making Jordan's economy accessible to multinational institutions. Multinational and foreign companies are engaging in the Jordanian markets to provide customers with a range of products and services, particularly in the area of telecommunications. Because of its international trade commitments, Jordan has introduced new laws and regulations to reform its ICT industry. The significant laws adopted include: the *Telecommunications Law No 13 of 1995*,¹ the *Electronic Transactions Law No 85 of 2001*,² and the *Information Systems Crime Law No 30 of 2010*.³

This paper examines the issue of individual privacy in one important sector in Jordan that was subject to reform and liberalisation: the telecommunications sector. The method adopted in this paper to address individual privacy issues is based on

an empirical analysis of the information privacy practices of the above mentioned sector in Jordan.

The study of these practices is undertaken to determine whether it provides adequate protection for individual privacy. To achieve this goal, the study relies on one source: the privacy 'policies or statements' which are available on the websites of telecommunications companies in Jordan. These privacy 'policies/statements' directly address a company's obligations and responsibilities regarding the protection of the personal information they obtain.

The first section (below) examines the telecommunications sector in Jordan. It gives a brief overview of the developments of this sector in Jordan. Then in a case study, the paper goes to examine individual privacy implications in this sector.

II. THE TELECOMMUNICATIONS SECTOR IN JORDAN

Globally, there is no sector that has undergone more rapid change in the past two decades, in terms of new technologies and policies, than the telecommunications sector.⁴ This is the result of a number of phenomena, including the rapid evolution of technology, the introduction of many new services, the liberalisation of the market and the privatisation of many government owned networks.⁵

At the national level, the Jordanian telecommunications sector has witnessed significant changes in many aspects including: the adoption of regulatory policies, a government commitment to liberalise the telecommunications market (Jordan was the first Arab country to fully liberalise this sector), the adoption of a deregulation process, and the readiness of the Jordanian market to introduce new and advanced services to meet the needs of businesses and consumers in this sector.⁶ Further, with private sector help to build a dynamic, sophisticated communications

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¹ *Telecommunications Law No 13 of 1995 as amended by the Temporary Law No 8 of 2002, (Jordan) Official Gazette No 4416, 17 February 2000, The original law was issued in the Official Gazette No. (4072), 1 October 1995.*

² *Electronic Transaction Law No 85 of 2001, (Jordan) Official Gazette, No 4524, 31 December 2001, at 6010.*

³ *Information Systems Crime Law No 30 of 2010, (Jordan) [Arabic] Official Gazette, No 5056, 16 September 2010, at 5334.*

⁴ Kelley Lee, *Global Telecommunications Regulation: A Political Economy Perspective* (1996) 1.

⁵ Natasha Finlen, *Consumer Protection in the Australian Telecommunications Market-Post July 1997* (Legal Research Project Thesis, Macquarie University, 1997) 3.

⁶ Telecommunications Regulatory Commission (TRC), 'Annual Report 2007' (2007) 12 avail <www.trc.gov.jo>.

infrastructure,⁷ the telecommunications sector is set to become a key industry for the Jordanian economy with 10 per cent contribution to GDP in 2006.⁸

In the telecommunications sector, Jordan incurred significant trade liberalisation and competition obligations under GATS, in relation to both basic and value added services. Under its general GATS obligations, Jordan is obliged to extend most favoured nation (MFN) status to other WTO member countries and 'ensure transparency of local' regulations.⁹ Those obligations and more specific ones spelt out in under the WTO Basic Telecommunications Agreement (the relevant sector specific agreement) involve basic telecommunications service provision (including voice telephone services, telegraph services, facsimile services, private leased circuit services, packet-switched data transmission services (internet), and circuit-switched data transmission services); and value added service provision (including e-mail, voice mail, online information and data base-retrieval, electronic data interchange and code and protocol conversion).¹⁰ Jordan was obliged to terminate the state's monopoly over telecommunications, with the exclusive rights of the Jordan Telecommunications Company (JTC) to be withdrawn by 2004. Also to be considered were the prevention of anti-competitive practices in the sector, and security of regulatory independence.¹¹

Further, Jordan is committed to meet the obligations included in the 1996 Reference Paper for the WTO Agreement on Basic Telecommunications Services that was later integrated into GATS.¹² Therefore, Jordan must:

1. Implement laws and regulations to prevent major suppliers from engaging in anti-competitive practices in telecommunications (for example, engaging in anti-competitive cross-subsidisation,

and the use sensitive information from competitors with anti-competitive results).

2. Administer universal service obligations (USO) in a transparent, non-discriminatory, and competitively neutral manner. The 1996 Reference Paper specifies that USOs will not as regarded as anticompetitive per se.
3. Ensure public liability of licensing criteria.
4. Establish an independent regulator to monitor the telecommunications market. The regulatory body could be a government ministry or an independent commission with the power to issue decisions, instructions and procedures which must be impartial with regard to telecommunications actors.
5. Allocate and use of scarce resources, which may include: radio spectrum, numbers and rights of way. This must be carried out in an objective, timely, transparent and non-discriminatory manner.

Jordan's commitments to the above in the telecommunications sector entail a number of legal obligations in regarding to: (1) market access, (2) foreign ownership and national treatment, (3) anti-competitive laws and regulations, (4) establishment of an independent regulator; (5) market liberalisation; and finally, (6) measures enacted in order to effect such commitments.¹³

Liberalisation of the telecommunications sector is one of the most noticeable changes that have occurred and has led to many positive impacts on Jordan's economy, particularly on the ICT sector. Prices of services in this sector have decreased, the number of internet services (ISPs) and communication product suppliers has increased, and foreign telecommunications products are now freely imported into Jordan. Further, consumer demand for telecommunications services in key services sectors such as financial and banking services has increased.¹⁴

Figure 1 below shows that in year 2009 there were 6.01million mobile phone customers in Jordan, which is equivalent to a penetration rate of 101 per cent, representing an increase of 44 per cent since year 2005. Business Monitor International predicted that over 8.45 million mobile users by the end of 2013, giving a penetration rate of almost 120 per cent.¹⁵ The ongoing growing number of mobile users in Jordan as reflected in Figure 1 is a clear evidence of the impact of the liberalisation program on the telecommunications sector

⁷ MoICT, *Invest in ICT in Jordan* (2005) Ministry of Information and Communications Technology <<http://www.jordanecb.org/pdf/InvestinICTinJordan.pdf>> at 16 April 2009, 12.

⁸ Ministry of Information and Communications Technology, *The e-Readiness Assessment of The Hashemite Kingdom of Jordan 2006* (2006) MoICT <http://www.moict.gov.jo/MoICT_Jordan_ereadiness.aspx> at 26 June 2009.

⁹ InfoDev/ITU, *ICT Regulations Toolkit* <<http://www.ictregulationtoolkit.org/en/section.1651.html>> at 31 January 2011.

¹⁰ World Trade Organisation, 'Report of the Working Party on the Accession of Jordan to the World Trade Organisation: Trade in Services: Schedule of Specific Commitments on Services' (World Trade Organisation, 1999) WTO Doc WT.ACC/JOR/33/Add.2, 15 December 2000, 1415 <http://www.mit.gov.jo/Portals/0/wot/services_schedule.pdf> at 10 January 2011.

¹¹ Karla J Cunningham, 'Factors Influencing Jordan's Information Revolution: Implications for Democracy' (2002) 56(2) *Middle East Journal* 240, 253.

¹² World Trade Organisation, *Reference Paper: Negotiating group on basic telecommunications* (24 April 1996) WTO <http://www.wto.org/english/tratop_e/serv_e/telecom_e/tel23_e.htm> at 23 January 2011. WTO Agreement on Basic Telecommunications Services was integrated into the WTO GATS as the Fourth Protocol to GATS, adopted 15 April 1997 (entered into force 8 February 1998).

¹³ Kent Bressie, Michael Kende and Howard Williams, 'Telecommunications trade liberalisation and the WTO' (2005) 7(2) *Info* 3, 9.

¹⁴ Ministry of Industry and Trade, 'Assessment of Trade in Services of the Hashemite Kingdom of Jordan: A Project of the Ministry of Industry and Trade (MoIT) and United Nation Conference on Trade and Development (UNCTAD)' (2006) part II, 37 <<http://www.mit.gov.jo/portals/0/the%20study%20%20all%20parts.pdf>> at 12 June 2009.

¹⁵ Business Monitor International, 'Jordan Telecommunications Report Q2 2009: Including 5-year industry forecasts' (2009) 21.

in Jordan. Liberalisation facilitated strong competition between local and foreign telecommunications companies which resulted in a significant drop in mobile

prices, thus making them more accessible to a more people and resulting in an increased uptake of the technology.¹⁶

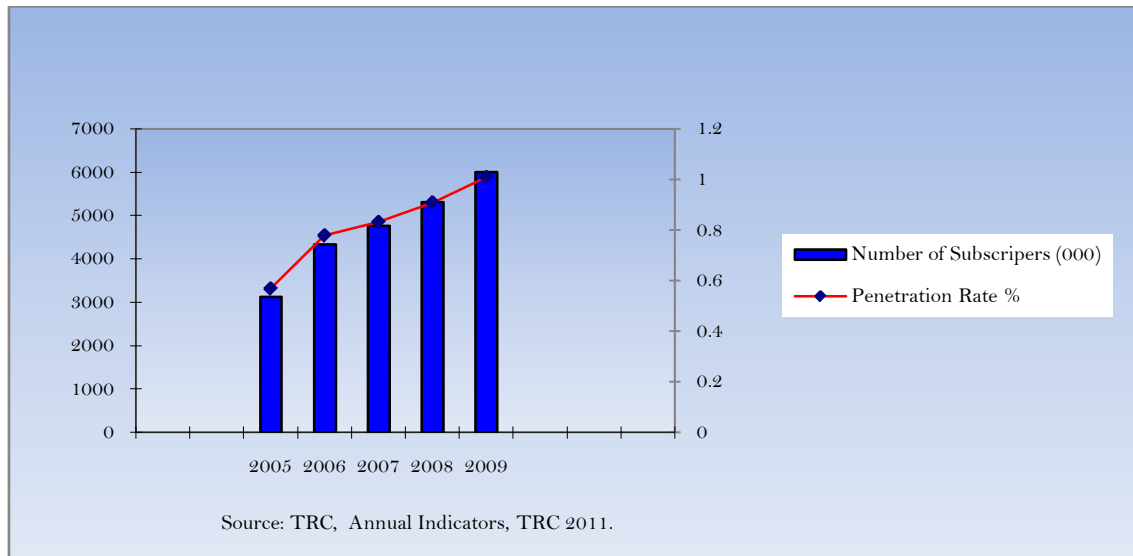


Figure 1

Number of Mobile Subscribers and Penetration Rate (2005–2009)

With respect to the internet users in Jordan, Figure 2 below shows a slight increase of the number of internet users. In 2009, the number of internet users was 1,742 million with an increase of 15.8 per cent since year 2005. Although, this is still below desired levels due to on-going affordability issues, the number of internet users is expected to reach 3.066 million by the end of

2013. This would give a penetration rate for Internet usage of 43 per cent.¹⁷ A number of factors have been identified as obstacles to growing number of internet users including the high cost of internet access and of personal computers (PC) themselves and of related equipment (for example, software) and for repairs.¹⁸

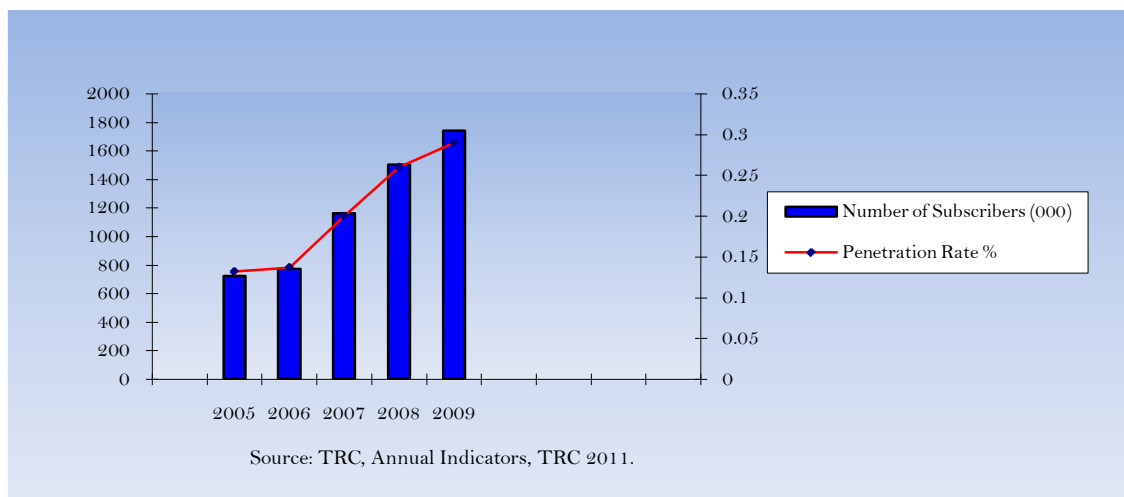


Figure 2

Number of Internet Subscribers and Penetration Rate (2005–2009)

¹⁶ Ministry of Information and Communications Technology, *The e-Readiness Assessment of The Hashemite Kingdom of Jordan 2006* (2006) MolCT <http://www.moict.gov.jo/MolCT_Jordan_ereadiness.asp> at 26 June 2009, 9.

¹⁷ Business Monitor International, 'Jordan Telecommunications Report Q2 2009: Including 5-year industry forecasts' (2009) 23.

¹⁸ Ministry of Information and Communications Technology, *The e-Readiness Assessment of The Hashemite Kingdom of Jordan 2006* (2006) MolCT <http://www.moict.gov.jo/MolCT_Jordan_ereadiness.asp> at 26 June 2009.

Mobile for fixed substitution and the use of Voice Internet Protocol (VoIP) as well as the high cost of a fixed line has caused fixed line telephone services to

drop. Figure 3 shows the number of fixed line subscribers has reached 614,000 customers which is equivalent to a penetration rate of 10 per cent.¹⁹

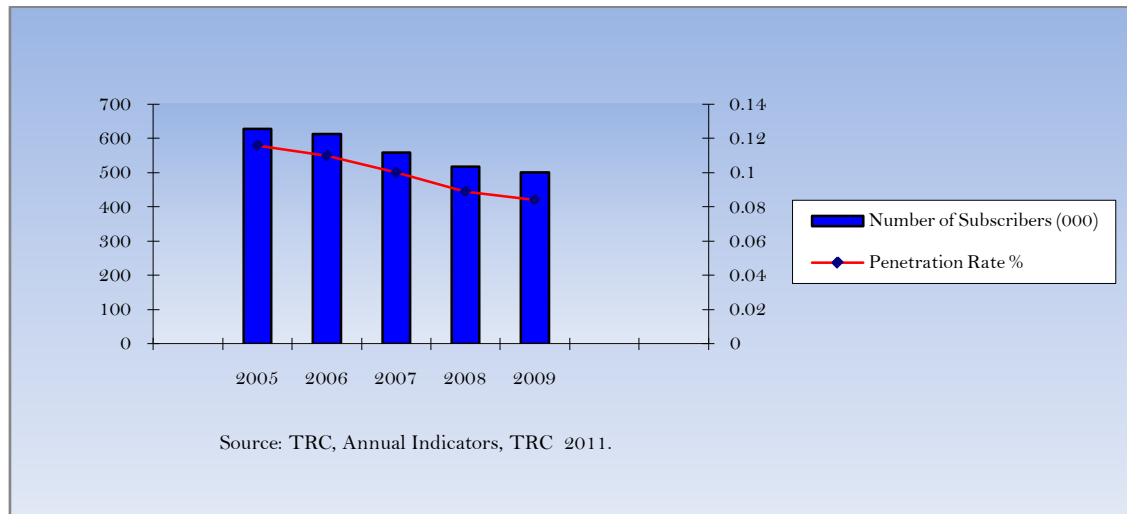


Figure 3

Number of Fixed line Subscribers and Penetration Rate (2005-2009)

III. TELECOMMUNICATIONS LAW NO 13 OF 1995

Jordan's government made the first move towards the liberalisation of telecommunications sector by enacting the *Telecommunications Law No 13 of 1995*.²⁰ The law has ended state monopoly of the above services. The legislation was designed to create a fair and competitive regulatory framework, to address the issuance of licences, to separate regulatory and operating sectors, and to facilitate the privatisation process. The law has established two regulatory bodies to regulate and monitor the telecommunications services: the MoICT and the Telecommunications Regulatory Commission (TRC), Jordan's national telecommunications authority,²¹ which has the responsibility to implement Jordan's obligations in accordance with GATS. (The role of the TRC is discussed in a separate section, further below). The next two sections provide a brief account of these governmental regulators and their roles.

a) The Ministry of Information and Communications Technology (MoICT)

Established in April 2002, the MoICT is the governmental entity responsible for articulating policy in the areas of IT, telecommunications, and post in Jordan. The Ministry's policy calls for market liberalisation, public-private partnership (PPP), and an end to government monopoly, which would include the government disposing of its majority shareholding in the telecom and postal sectors.²² The MoICT is charged with the developing, incubating, and supporting ICT initiatives at the national level, stimulating local and foreign technology investments, as well as promoting awareness of the significance of ICT and encouraging its use by all segments of the population.²³ Furthermore, the MoICT is also responsible (in collaboration with other government agencies and to present them to the Council of Ministers) for the preparation of draft laws on telecommunications and information technology.²⁴ Its role is to ensure that the ICT resources are exploited by Government entities in the most efficient way possible, consistent with best practices and free market principles.²⁵ However, day-to-day regulation of Jordan's telecommunications and postal markets is delegated to the Telecommunications Regulatory Commission (TRC). The role of TRC in regulating the telecommunications market is now examined in detail.

¹⁹ Business Monitor International, 'Jordan Telecommunications Report Q2 2009: Including 5-year industry forecasts' (2009) 22.

²⁰ *Telecommunications Law No 13 of 1995 as amended by the Temporary Law No 8 of 2002*, (Jordan) Official Gazette No 4416, 17 February 2000, The original law was issued in the Official Gazette No. (4072), 1 October 1995..

²¹ Karla J Cunningham, 'Factors Influencing Jordan's Information Revolution: Implications for Democracy' (2002) 56(2) *Middle East Journal* 240, 242.

²² Moict, *About The Moict* (2003) Ministry Of Information And Communications Technology <Http://Www.Moict.Gov.Jo/Moict_Abo- Ut_Moict.aspx> At 25 June 2009.

²³ Business Monitor International, 'Jordan Telecommunications Report Q2 2009: Including 5-year industry forecasts' (2009) 41.

²⁴ *Telecommunications Law No 13 of 1995*, art 3(k).

b) *Telecommunications Regulatory Commission (TRC)*

Established in 1995 under the *Telecommunications Law No 13 of 1995*, the TRC is an independent agency. It is not responsible to the MoICT, but rather reports to the Prime Minister. The TRC's primary responsibilities are included within Article 6 of the *Telecommunications Law No 13 of 1995*.²⁶ Among those responsibilities are:

- a. To regulate telecommunications and information technology services in the kingdom in accordance with the established general policy so as to ensure the provision of high quality telecommunications and information technology services to beneficiaries at reasonable prices; and, by doing so, to make possible the optimal performance of the telecommunications and information technology sectors.
- b. To protect the interests of Beneficiaries and monitor the actions of persons and licensed parties to ensure that the conditions of Licenses are observed, including specified services standards, service quality, and prices and to take necessary actions in this regard and to penalise those who violate these conditions.
- c. To stimulate competition in the telecommunications and information technology sectors, relying on market forces and so regulating them as to ensure the effective provision of telecommunications and information technology services and to ensure that its regulation is sufficient and effective to forbid or curtail illegal competitive practices or prevent any person with a dominant position in the market from abusing his position, and to take all necessary actions in this regard.
- d. To encourage self-regulation by the telecommunications and information technology sectors.
- e. p) To propose draft laws dealing with the telecommunications and information technology sectors, escalate them to the MoICT, and prepare the by-laws and established the instructions related thereto.²⁷

The above responsibilities grant the TRC an exclusive authority over a set of issues such as: licensing of ICT services, consumer protection,

protection of interests for individuals, market competition and most importantly, the authority to regulate laws and issuing instructions to address arising issues in the telecommunications sector.

With respect to the issue of licensing, Article 12(a) of the *Telecommunications Law of 1995* authorises the TRC to grant licences for the following:²⁸

- To build, operate, and manage Public Telecommunications Networks and to provide Telecommunications Services to Beneficiaries,
- To build, operate, and manage Public Telecommunications Network, or
- To provide Telecommunications Services to Beneficiaries.

As of the end of 2009, Jordan had a total of 78 telecommunications service providers. An individual licence issued for 24 public telecommunications service providers who require the use of scarce resources (radio frequency spectrum, public rights of way, and telephone numbers). A class licence issued for 54 public telecommunications service providers who do not use those scarce resources.²⁹

With regards to market competition, the TRC has been influential in allowing multinational (local and foreign) telecommunications service providers to operate in Jordan and provide a variety of services and products such as: mobile telephone services, land line telephone services, internet, paging services, data networks, prepaid telephone cards and public pay phones. Currently, there are three major telecommunication companies providing such services and products: Zain (with its parent company based in Kuwait), MobileCom (a subsidiary of Jordan Telecom), and Umniah (a subsidiary of Batelco Bahrain). In addition, there is the New Generation Telecommunications Company, Xpress, a company licensed to provide radio trunking services, SMS and other information services.

The role of the TRC is to draft laws and issue instructions to address any arising matters. This is an important role. For example, in response to public pressure, the TRC has issued a set of instructions to

²⁷ *Telecommunications Law No 13 of 1995 as amended by the Temporary Law No 8 of 2002*, (Jordan) Official Gazette No 4416, 17 February 2000, *The original law was issued in the Official Gazette No. (4072)*, 1 October 1995..

²⁸ *Telecommunications Law No 13 of 1995 as amended by the Temporary Law No 8 of 2002*, (Jordan) Official Gazette No 4416, 17 February 2000, *The original law was issued in the Official Gazette No. (4072)*, 1 October 1995..

²⁹ Telecommunications Regulatory Commission (TRC), 'Annual report 2009' (Telecommunications Regulatory Commission (TRC), 2009) 65, Appendix (3). Text avail: <www.trc.gov.jo>.

²⁶ Ministry of Industry and Trade, 'Assessment of Trade in Services of the Hashemite Kingdom of Jordan: A Project of the Ministry of Industry and Trade (MoIT) and United Nation Conference on Trade and Development (UNCTAD)' (2006) at 27, <<http://www.mit.gov.jo/portals/0/the%20study%20%20all%20parts.pdf>> at 10 June 2009.

²⁶ *Telecommunications Law No 13 of 1995 as amended by the Temporary Law No 8 of 2002*, (Jordan) Official Gazette No 4416, 17 February 2000, *The original law was issued in the Official Gazette No. (4072)*, 1 October 1995.

prevent the sending of bulk SMS (Short Message Service) to individuals (mobile phone users). These instructions provide individual with the following protections:³⁰

1. Telecommunications service providers must provide individuals, free of charge, with an easy and accessible mechanism to request a stoppage on receiving SMS.
2. Telecommunications service providers must not send SMS to individuals who wish to opt out.
3. Telecommunications service providers must not send SMS to individuals who opted out which has been originated from a third party.
4. Telecommunications service providers must not send SMS to individuals on a public holiday and on weekdays between 9am-7pm.

Although these instructions are a step in the right direction in the area of privacy protection in the telecommunications sector in Jordan, the author believes that they suffer from a number of shortcomings that make them insufficient to protect individual privacy in this sector. These shortcomings are:

- 1) They are only applicable to one type of telecommunications services, namely telemarketing via SMS, and do not extend their application to telemarketing via telephone calls or e-mails.
- 2) The current instructions give individuals the right to opt out rather than opt in. As discussed earlier in Chapter Four, an effective opt-out method relies upon individuals being able to understand how telecommunications service providers are using their personal information. It also relies upon individuals being informed that they have the right to opt-out of this information practice (that is, receiving SMS).
- 3) The application of these instructions does not extend to government agencies, which means that governmental departments and their affiliates (private entities) can still send unwanted SMS to individuals.

The author believes that the above instructions adopted by the TRC are insufficient to protect individual privacy in the whole telecommunications sector in Jordan. In order to propose an alternative comprehensive and adequate regulatory framework for privacy protection, a number of telecommunications service providers in Jordan were subject to investigation to identify individual privacy concerns within this sector in relation to its adoption and use of ICTs.

³⁰ Instruction to Regulate Sending of Bulk SMS, Board of Commissioners (TRC), Decision No 3, 4 January 2011 (Jordan) [Arabic], issued in accordance with Article 6(a) (d) and Article 58 of the *Telecommunications Law No 13 of 1995* (Jordan) <http://trc.gov.jo/images/stories/pdf/Instructions_to_Regulate_Bulk_SMS_09012011.pdf?lang=english> at 15 December 2010.

IV. THE PRIVACY IMPLICATIONS IN THE TELECOMMUNICATIONS SECTOR IN JORDAN

As stated above, the TRC in Jordan has issued licences to 78 telecommunications service providers as at 31 December 2009.³¹ These companies handle personal information about their customers in order to supply them with services and products, including landline telephone services, mobile telephone services, internet services, and pre-paid telephone cards.³² Jordan has no law regulating privacy in this sector and online privacy is self-regulated. However, in order to determine whether self-regulation is adequate, the study will look into the privacy policies/statements of nine telecommunications service providers in the country. The study adopts the following method.

a) *Methodology: An Online Case Study*

An online method was utilised in a survey conducted during 10 to 25 September 2009 to examine privacy policies/statements on a sample of 9 telecommunications service providers listed in Table 1 below.³³ The remaining companies with an online presence in Jordan were excluded from this study because their websites either could not be accessed via online (for example, due to technical difficulties) or because these companies do not have privacy policies/statements on their websites. The purpose of this study is to measure whether or not these privacy policies/statements implemented by telecommunications companies in Jordan provide adequate protection to individual privacy. The privacy policies/statements are the only available provisions concerning individual personal information that can be assessed in this context. Jordan's lack of privacy legislation or regulation to deal with the privacy issue, and particularly, in the telecommunications sector is the driving force behind this study.

The adequacy of these privacy policies/statements is measured against the principles of the Information Practice Privacy Principles (FIPs). These principles are: (1) Notice, (2) Choice, (3) Access, (4) Security, and (5) Enforcement. The reason for using the FIPs as the benchmark for this study is because they were developed to become a cornerstone of the self-regulation regime. As claimed above, the telecommunications sector in Jordan chose the self-regulation approach to protect personal information. This is documented in the Jordan-US Joint Statement on

³¹ Telecommunications Regulatory Commission (TRC), 'Annual report 2009' (Telecommunications Regulatory Commission (TRC), 2009) 65, Appendix (3) avail: <www.trc.gov.jo>.

³² Australian Law Reform Commission, 'For Your Information: Australian Privacy Law and Practice' Report No 108 (2008) V3, 2377.

³³ See Appendix B, Exhibits 1-9.

e-Commerce and in the Statement of Government Policy 2007 on the ICT & Postal Sectors. One way to implement such approach is for telecommunications

companies to introduce privacy guidelines on the form of policies/statements.

Table 1 : Telecommunications Companies in Jordan with FIP Principles

Company Name	Ability of Collecting, Using & Transferring of Personal Information	Availability of FIP Dimensions				
		Notice	Choice	Access	Security	Enforcement
1. Jordan Mobile Telephone Services Company http://jo.zain.com/English/Pages/ZainPrivacyPolicy.aspx	Yes	Yes	Yes	Yes	Yes	No
2. New Generation Telecommunication Company http://www.xpress.jo/terms/terms-policies.asp	Yes	Yes	No	No	No	No
3. Umniah Mobile Company http://www.umniah.com/umniah/Templates/terms/PrivacyPolicyAr.shtm	Yes	Yes	Yes	Yes	Yes	No
4. Orange Telecom http://www.orange.jo/en/index.php	Yes	Yes	Yes	Yes	Yes	No
5. Tarasol Telecom http://www.tarasol.jo/privacy-policy	Yes	No	No	No	No	No
6. Al-Moakhaha Lilkhadamat Al-Logisteiah http://www.xol.jo/PrivacyPolicy.aspx	Yes	Yes	Yes	Yes	Yes	No
7. Middle East Communication Corporation http://www.mec.com.jo	Yes	Yes	No	No	No	No
8. Sama Telecom www.sama.jo	Yes	No	No	No	No	No
9. Al-Raeh Li Khadamat Al-Lttisalat http://www.aa-telecom.com/dev/privacy.php	Yes	Yes	Yes	Yes	Yes	No
Percentage of Telecommunications Company with FIP Principles	100%	77.7%	55.55%	55.55%	55.55%	0.00%

The online study examines the following issues:

1. Do telecommunications companies in Jordan collect use, store, and transfer customers' personal information?
2. Do telecommunications companies in Jordan have one standard privacy policy/statement?
3. Do these privacy policies/statements meet the standards of the FIPs? And,
4. How do telecommunications companies in Jordan attend to customer complaints in regard to their privacy?

b) Results

Table 1 above reveals that all 9 or 100 per cent of the telecommunications companies whose online presence has been here surveyed have the ability through their websites to collect customers' (visitors) personal information. This practice can occur when customers use hyperlinks such as 'Contact us', 'Sign

Up', 'Register', or 'Suggestions & Complaints'. The use of these hyperlinks enables companies to collect personal information including: name, postal address and contact details (telephone number and email addresses).

The survey also shows that some companies placed information regarding their information privacy practices under the name of 'privacy policy' while other companies preferred the term 'privacy statement'. The difference between privacy 'policy' and privacy 'statement' is that a privacy statement communicates company's information practices to the public while privacy 'policy' describes company's standards for the collection of personal information and this information is used and managed by the company.³⁴ This difference may lead to the conclusion that these privacy policies/statements may have been obtained from different sources.

Table 1 above also shows that privacy policies/statements placed on the home page of the telecommunications companies surveyed do not have standard provisions to address the issues included in the FIPs. These issues are:

i. *Notice*

The online study shows that 7 of the 9 websites surveyed (or 77.7 per cent) have information related to the 'notice' dimension. As stated in the previous chapter, this dimension is considered by the US FTC as the most fundamental dimension of the privacy policy/statement. Without a notice, an individual cannot make an informed decision as to whether or not and to what extent personal information is to be disclosed.³⁵

ii. *Choice*

With regard to the dimension of choice, the above study shows that only 5 of the 9 companies assessed (or 55.55 per cent) provide individuals with choices regarding the use of their personal information. The availability of this offers individuals the option to whether or not their information can be used or collected personal information disclosed to third parties.

iii. *Access*

With regard to the principle of access, the study also shows that the same number of companies, that is 5 of the 9 surveyed (or 55.55 per cent) give individuals a right to access to their information. These companies provide individual with information on how to correct or amend their personal information.

iv. *Security*

With regard to the principle of security, 5 of the 9 telecommunications companies listed in Table 5 above (or 55.55 per cent) have made reference to the issue of data security. Such a reference informs individuals as to how the security of personal information is maintained by the company concerned. It also urges individuals to take all necessary actions to ensure the safety of their personal information when such information is transmitted through company websites (with such actions including, for example, regularly changing their password, the use of a secure browser).

v. *Enforcement*

One of the most surprising findings is that none of the 9 companies examined included in their privacy policies any information (for example, contact details) to individuals regarding access to an independent agency that could enforce their privacy rights. Only general information was available, namely that for individuals who wished to contact the company if they had any complaints concerning their personal information.

Individuals must have access to an independent enforcement mechanism that is free of charge, fast and effective – and preferably via the website of the communications companies themselves rather than rely on consumer knowledge of their rights and of independent avenues of complaint.

c) *Discussion: Adequacy of Privacy 'Policies/Statements'*

In summary, a number of comments can be made from the above study:

1. All of the telecommunications companies in Jordan surveyed above do not have similar provisions in their privacy policies/statement. This may create a discrepancy and confusion for individual service users. Therefore, privacy policies/statements should clearly outline a company's information practices. The privacy policy/statement should be written in clear and easy to understand language by a non-specialist person.
2. All telecommunications companies represented in the above table collect personal information, however, they should collect only the information that is a necessity to proceed or complete a transaction. Any collection of non-essential information should be optional.
3. Privacy policies/statements should clearly state that personal information submitted by children and young individuals is not required to access to their websites. Any information obtained by telecommunications companies about children should be deleted immediately.
4. A company should obtain prior consent before transferring personal information to another company as a result of dissolving, merging with a new company, or changing its legal status.
5. In addition to having an enforcement mechanism, a telecommunications company should make available specific information relating to the management of personal information. It is recommended that a telecommunications company establish a specific position, namely a privacy officer, who is responsible for the company's compliance with its privacy policy/statement.

V. CONCLUSION

The paper has focused on the issue of privacy for the telecommunications sector in Jordan. The telecommunications sector was selected for empirical examination in relation to privacy protection policies. The paper has concluded that the protection of individual privacy is inadequate and insufficient for the current

³⁴ William G Staples (ed), *Encyclopedia of Privacy* (2007) vol II, 427.

³⁵ Federal Trade Commission, *Privacy Online: A Report to Congress* (1998) Federal Trade Commission <<http://www.ftc.gov/reports/privacy3/priv-23a.pdf>> at 04 March 2010.

environment. As the empirical studies showed, most of the telecommunications companies in Jordan have the ability to collect, use, access and transfer personal information without the knowledge of the individuals supplying that information. It also showed that Jordan's telecommunication companies are under no legal obligations to inform individuals that their personal information may be transferred to other countries.

The absence of applicable privacy laws on the telecommunications sector in Jordan and the right given to formulate their own policies has allowed companies in this sector to adopt privacy policies/statement of their own devising and to place them on company's websites. However, this paper has shown that these policies/statements are inadequate and are unable address privacy concerns. And where they do exist, it is difficult for the average person to read them as they are often written in legal jargon. Even if customers could understand them, the amount of time required to read privacy policies is too great.³⁶ As the study also revealed, where they do exist such statements are often separated from the document or transaction page the user is accessing. Without an independent body (for example an ombudsman or authority) to which to appeal in regard to perceived privacy abuses (they cannot be breaches if legislation is non-existent), statistical evidence other than that presented above is difficult to assemble. But that here presented clearly reveals a lack of privacy provisions and therefore the possibility of abuses.

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- Shield the model - why did you employ this particular system or method? What is its compensation? You strength remark on its appropriateness from a abstract point of vision as well as point out sensible reasons for using it.
- Present a justification. Status your particular theory (es) or aim(s), and describe the logic that led you to choose them.
- Very for a short time explain the tentative propose and how it skilled the declared objectives.

Approach:

- Use past tense except for when referring to recognized facts. After all, the manuscript will be submitted after the entire job is done.
- Sort out your thoughts; manufacture one key point with every section. If you make the four points listed above, you will need a least of four paragraphs.



- Present surroundings information only as desirable in order hold up a situation. The reviewer does not desire to read the whole thing you know about a topic.
- Shape the theory/purpose specifically - do not take a broad view.
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This part is supposed to be the easiest to carve if you have good skills. A sound written Procedures segment allows a capable scientist to replacement your results. Present precise information about your supplies. The suppliers and clarity of reagents can be helpful bits of information. Present methods in sequential order but linked methodologies can be grouped as a segment. Be concise when relating the protocols. Attempt for the least amount of information that would permit another capable scientist to spare your outcome but be cautious that vital information is integrated. The use of subheadings is suggested and ought to be synchronized with the results section. When a technique is used that has been well described in another object, mention the specific item describing a way but draw the basic principle while stating the situation. The purpose is to text all particular resources and broad procedures, so that another person may use some or all of the methods in one more study or referee the scientific value of your work. It is not to be a step by step report of the whole thing you did, nor is a methods section a set of orders.

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- Explain materials individually only if the study is so complex that it saves liberty this way.
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- Do not take in frequently found.
- If use of a definite type of tools.
- Materials may be reported in a part section or else they may be recognized along with your measures.

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- Report the method (not particulars of each process that engaged the same methodology)
- Describe the method entirely
- To be succinct, present methods under headings dedicated to specific dealings or groups of measures
- Simplify - details how procedures were completed not how they were exclusively performed on a particular day.
- If well known procedures were used, account the procedure by name, possibly with reference, and that's all.

Approach:

- It is embarrassed or not possible to use vigorous voice when documenting methods with no using first person, which would focus the reviewer's interest on the researcher rather than the job. As a result when script up the methods most authors use third person passive voice.
- Use standard style in this and in every other part of the paper - avoid familiar lists, and use full sentences.

What to keep away from

- Resources and methods are not a set of information.
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- Leave out information that is immaterial to a third party.

Results:

The principle of a results segment is to present and demonstrate your conclusion. Create this part a entirely objective details of the outcome, and save all understanding for the discussion.

The page length of this segment is set by the sum and types of data to be reported. Carry on to be to the point, by means of statistics and tables, if suitable, to present consequences most efficiently. You must obviously differentiate material that would usually be incorporated in a study editorial from any unprocessed data or additional appendix matter that would not be available. In fact, such matter should not be submitted at all except requested by the instructor.



Content

- Sum up your conclusion in text and demonstrate them, if suitable, with figures and tables.
- In manuscript, explain each of your consequences, point the reader to remarks that are most appropriate.
- Present a background, such as by describing the question that was addressed by creation an exacting study.
- Explain results of control experiments and comprise remarks that are not accessible in a prescribed figure or table, if appropriate.
- Examine your data, then prepare the analyzed (transformed) data in the form of a figure (graph), table, or in manuscript form.

What to stay away from

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Approach

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- Put figures and tables, appropriately numbered, in order at the end of the report
- If you desire, you may place your figures and tables properly within the text of your results part.

Figures and tables

- If you put figures and tables at the end of the details, make certain that they are visibly distinguished from any attach appendix materials, such as raw facts
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- All figure and table must be adequately complete that it could situate on its own, divide from text

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- Make a decision if each premise is supported, discarded, or if you cannot make a conclusion with assurance. Do not just dismiss a study or part of a study as "uncertain."
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- Recommendations for detailed papers will offer supplementary suggestions.

Approach:

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<i>References</i>	Complete and correct format, well organized	Beside the point, Incomplete	Wrong format and structuring



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