

The Romanian International Profile and the Trade Connections with Mercosur

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Abstract: The main objective of this study is to analyze the international profile of the Rumania and its trade connections with Mercosur Organization. It is also presented the Romanian infrastructure of business, the income level in Rumania, a cross cultural profile of the two regions, the national politics and the degree of openness to the European Union profile. The way to select foreign countries and markets involves a complex process in which each country is evaluated, the cross cultural study is the one who entice the importance of proximity as a key factor that can ensure the success of commercial activities between the exporting country and the country of the destination of the goods. The statistic hypotheses is: European Union membership affects the trade of Romania and its extremely high uncertainty avoidance is reflected in the reduced international competitiveness.

Keywords: Cross cultural profile; business infrastructure; external market; Romanian Economy; Mercosur

1. Introduction

This study aims to present the specific international features of Romania and the particularities of the trade relations with Mercosur organization. The insufficient emphasis on this relation can be explained by the enormous distances which separates the two regions, but also because the contemporary realities make us to give more importance to the analysis of the proximity situations which interact more often. The emergence and development of Mercosur is a very complex process for developing common economic and social policies, based on a set of rules and laws valid in all Member States. Mercosur, through formation,

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demonstrates the common will of the signatory states to harmonize their economic and political interests.

Mercosur central concern was to create conditions to stimulate and attract foreign investments, so as to open the more fields of cooperation not only in economic, but also in the social plan (Constanța *et alli*, 2009, p. 58).

Romania has maintained a long time business relations with each of the founding states which are now affected by EU membership but also by the global geopolitical changes.

The objectives of this study are in order of presentation:

- the presentation of Romanian economic profile;
- the description of the management style in South America and Romania;
- the highlighting of the cross cultural particularities in the two regions;
- identify the importance of the European *Acquis Communautaire* for the economic exchanges with South America;
- recommendations for the managers of the two regions to optimize the business performance.

South America, through its tradition remains much closer to the western frontier of the European Union. I believe that a better knowledge of the specificity of Southeast European and the improvement of common economic relations would increase the development and understanding of the importance of cooperation between the two regions.

2. General Consideration about Romania

Romania is a European state located in South East Europe limited to the Balkan Peninsula and covers an area of 238.391 km². Romania occupies large part of the lower Danube basin is located both at the south and north of the Carpathian Mountains. The average altitude of the country is 330 meters and the maximum altitude is 2544 meters.

The Carpathian Mountains have important natural resources (the greatest gold reserve from Europe) and have great importance in the development of economic life.

The entire sector of lower Danube (1075 km) is in Romania or represent the part of the border with the states of Serbia, Bulgaria and Ukraine.

Currently, through the Danube River and Rhine River and Main- Rhine and Danube-Black Sea channels are made the connection between the Black Sea and the North Sea.

The Romanian coastline length is about 245 km and the existence of the Romanian Black Sea coast provides multiple economic benefits.

3. The Political System

According to the Constitution adopted in 1991, Romania is a parliamentary republic where the democratic rights and freedom are guaranteed by the Constitution. Romania is a country with multi-party system many parties are registered but only the most important enjoy the representation in Parliament.

Romanian president is elected by direct, popular vote for a maximum of 2 terms of 5 years each, he represents the country's foreign relations and armed forces commander. According to the constitutional law of 1991, the president may not belong to any political party. The current President of Romania is Mr. Traian Basescu (12 December 2004).

The President appoints the Prime Minister who will lead the government, generally, the last one is the leader of the Party who has the majority in parliament. The Prime Minister is responsible for choosing the cabinet that will lead all current operations of government.

Romania is a parliamentary republic with two chambers - the Senate and Chamber of Deputies.

The members of both houses of parliament are elected for a term of four years under a system of proportional representation and the ethnic minorities also have representation in parliament.

The Supreme Court is the highest court of justice and its members are appointed by the president after the Superior Council of Magistrates proposals.

The General Attorney is the highest judicial instance in Romania and is directly subordinated to the Parliament which appoints him for a term of 4 years.

The death penalty was abolished in December 1989 and is prohibited by the Constitution of 1991.

Romania's National Day or Unification Day which is celebrated on the 1st of December and is Romania's national holiday.

The political system in Romania is composed by political parties and these are of two types: parliamentary parties and non-parliamentary parties. The most popular existing parliamentary parties at the moment are: Social Democratic Party (PSD), Liberal Democratic Party (PD-L), Hungarian Democratic Union of Romania (UDMR), National Liberal Party (PNL), the Conservative Party (PC).

Romanian Government is the public authority of the executive power, which operates in the vote of confidence offered by the Parliament, ensuring the achievement of internal and external policy of the country and exercise the general public administration. The appointment is made by the President of Romania based on the vote of confidence of Parliament Government. The government has the role of ensure the functioning and development of the national economic and social system and its connection to the world economic system in terms of promoting national interests. The Prime Minister leads the Government and coordinates the activities of its members, in compliance with their respective legal duties. The working apparatus of government is made up of work apparatus of the Prime Minister, General Secretariat of Government, departments and other organizational structures with specific responsibilities established by Government decision.

According to data from the CIA World Factbook, corruption and bureaucracy continue to harm the business environment.

Romania became a **member state of the European Union** on 1 January 2007, after the Treaty of Accession, signed on April 25, 2005, has been ratified by all Member States. Romania applied for EU membership in 1995, and in 1999, the European Council in Helsinki decided to open negotiations with some of the States which had submitted the application for the accession.

Negotiations were opened in the first half of 2000 and have been implemented by the end of 2004, when the European Council marked the end of negotiations.

Even though Romania has received many Assistance Funds (PHARE, ISPA, SAPARD), his income in the EU is among of the lowest.

4. Consumption Practices in Romania

In Romania the conditions for the situation of consumers are measured by consumer confidence in authorities and retailers and consumer organizations, in product safety, through effective settle disputes and satisfaction with the treatment of complaints.

It is not very easy for consumers to buy from abroad which means that they do not have access to a wider range of choice and savings potential benefits. Therefore Romanian consumers do not enjoy the best conditions as in Luxembourg, Denmark, Austria, Ireland, Finland, the Netherlands, Belgium, Germany, France and Sweden (Member States above the EU average).

While electronic commerce continues to expand, transactions remain largely internal despite the potential of wide palette of choices and the savings that can be achieved across borders.

The majority of the consumers do not know their rights, only 12% of EU respondents could answer questions about their rights as consumers in terms of guarantees.

Many companies are unaware of their legal obligations towards consumers, for example, only 27% of retailers know how the customers have to return defective products.

Persists the illegal trade practices, since 2010, more and more consumers and retailers in Romania have met false advertisements and offers.

New EU Consumer Agenda 2014-2020 is intended to confer rights on consumers and reinforce their knowledge to allow them to exercise their power of choice and see their rights properly enforced. Once adopted, the proposals under discussion will help the Romanian consumers to solve their problems no matter about where and how purchase a product or service in the EU.

5. Competitive Practices

The European Commission has adopted a European Action Plan in the field of retail and a Green Paper on unfair trade practices. Retail and wholesale services are one of the most important sectors of the EU economy and should play an important role in stimulating growth and job creation under the 2020 Europe Strategy.

However, there remain a number of obstacles to the proper functioning of cross-border supply and the market entry of retailers.

The actions under the European Action Plan in retail trade (effective in all EU Member States, including Romania) refers to five key priorities:

1. more power to consumers through better information;
2. improving the accessibility to retail services by promoting the exchange of best practices between Member States on trade and spatial planning;
3. more equitable and sustainable trade relations throughout the food supply chain;
4. ensuring better links between retail and innovation;
5. creating a better working environment through a better match between the needs of employers and staff skills.

European legislation requires to Romania to assess the extent of unfair trade practices and to gather evidence on their impact on the economy and cross-border activities.

6. Performance Management

In Romania, the information sources most commonly used for the documentation of the performance management practices are web pages, articles and books. It is interesting to notice the great potential which have in the future the training courses on issues related to performance management, these being listed on the first position on the level of interest in training.

Regarding the strategic level and the implementation of performance management, the characteristics of organizations in Romania fall into the following coordinates:

1. the majority identify as present in their own organizations the fundamental concepts and techniques of strategic management but very few believe that the organization implements the concepts, techniques and specific tools at strategic level;
2. the number of respondents who stated that within their organization are utilized portfolio initiatives and strategic projects highlighting the vulnerabilities of the organization and trigger the process of improving performance is a small one (21.4%);
3. in terms of frequency of performance reporting and the analysis of results

this takes place in more than 71% of the cases, at least quarterly;

4. key issues to encourage the contribution and individual performance in organizations are: communication and understanding of priorities (38.5%) and encouraging performance through a bonus system (36.9%) (Brudan, 2012).

In our opinion, the Performance Management should constitute a "modus vivendi" of any organization, regardless of the size, structure or field of activity. It should be understood and applied scientific and, especially, the results should be communicated to all the persons involved in the process. Even the Performance Management in Romania is still emerging, it is not enough to note that if you have performed in the past will get in the future better results, this situation requires managerial interventions, changes to be able to achieve the new goals.

7. Managerial Approach in Romania and Mercosur Countries

The South American market as well as the Romanian one has been characterized often by political and economic instability, although always showed signs of gradual recovery, and in both areas the experience of each culture: has an important role in the development of cognitive, affective and behavioral patterns which people presents in different cultural spaces" (Tuija, 2010, p. 143).

International Intercultural Management Guidelines (Kwintessential. Co.uk) presents Romania as a country dominated by a strong bureaucracy, the legal framework is unclear, and the judicial system is rather slow. Within an organization each person has a different role that must comply. It is widely believed that supervisors shall be elected by experience and thorough knowledge in the field. Usually, in the decisions are not consulted people who do not hold positions of leadership.

The importance of religion is closely related to nationality of the Romanians so most part of them are Eastern Rite Christians (Orthodox). Atlas of European values show that the most part of the people celebrate important moments of existence in the sacred places. Church played a very important role in the revolution for independence and in keeping the culture and national tradition. The links between the Orthodox Church and Eastern European tradition are considered to be very ancient, dating back to exactly where the Roman Empire was divided, appearing in history the Byzantine Empire (Vornicescu, 1992). In nowadays the important

moments such as baptism and marriage, takes place in churches, and people tend to make from the name day opportunities for social gatherings and to strengthen the social links between them (Chokkar et alli, 2008).

In Romania there is a tendency to respect the schedules and deadlines, especially by the managers who recently joined the European Union economic cycle. As in all South Eastern Europe, there is a strong hierarchical structure, expecting subordinates to follow the standard instructions without any personal opinion and often a suitable person is one who manages to elude the system and bureaucracy. Especially older people, perhaps because of the communist past, not openly admit the mistakes and the young employees are those who accept their individual responsibilities. In the former communist countries there is a tradition of teamwork, working groups are meeting often to discuss ideas and to create new plans. However, these plans are rarely implemented by those who lived under the influence of two ideologies. The younger generation is eager to accept the challenges and seize the opportunities of the present.

Due to influences from western EU, but not only, in Romania begins to penetrate the phenomenon of flexible specialization, which is a new type of labor organization where the workers, often with brief training, are replaced by highly skilled workers who performed complex tasks simultaneously by using their physical and intellectual abilities (Nicolescu, 2006, p. 132).

A weak point for Romania is the slow pace for making business because the system is very bureaucratic and the patience is a primary attribute to foreign investors. Many decisions need legal advice, interpreters are needed to overcome the problems of multicultural communication. Local banks enjoys a solid reputation, particularly due to the belonging to the major international financial concerns.

The things could have taken an upward turn given the fact that by 2013 Romania could receive total European Union funds in the amount of 32 billion of Euro - for agriculture, health, infrastructure and education (Bari, 2010), but this did not happen due to the weak performance of administrative staff and the internal political disputes.

Like in Romania, also in South America prevails a strong bureaucratic system that often disadvantage the international economic exchanges and it can say that the management is fraught with contradictions, meaning that although the society is receptive to innovations most of the businesses are run is traditionally and is

invested very little in human resources training and development (Burduş, 2006, p. 366).

Although large sums are spent to purchase modern technology, companies do not train their staff properly, thus demonstrating the lack of concern for workforce training. According to research conducted by Arias M. and Condo A. in South America, the lack of interest in staff training can be explained by the existence of a large number of labor force existing always the opportunity to recruit personnel, and that only large companies have continuous training programs for their employees career (Arias & Condo *apud* Burduş, p. 367).

Not only the workers need professional specializations, but also a large number of managers, and many international companies prefer managers from other areas (Europe, USA, Japan) because they have a greater ability to provide creative solutions to specific problems.

Taking decisions in South America comes strictly within the powers of senior managers and are not often consulted the managers from lower positions or the workers as it happens in European Union. Decision making process is highly centralized and is observed the tendency of managers to focus the internal control at the highest hierarchical levels of the organization (Constantinescu, 2002, p. 293).

In Latin America the attitude of employees within an organization is often a conformist one, fulfilling strictly the requirements. This can be explained by the differences in the salaries between upper and executive bodies, the latter depending on the decisions of the chiefs. For this reason the loyalty many times manifests not to the organization, as it should, but to the person who can provide maximum protection.

In Mercosur countries the management has a paternalistic nature, characterized by an emphasized nepotism. Usually someone from the family is preferred in which one can only trust than a person much better prepared, but which do not part of the circle of knowledge. Personal connections counts a lot in dealing with government, church, or unions, which are approached in a personal and informal way.

In the Mercosur countries business practices can vary from one region to another, even within the same country. Taking example Brazil, in metropolitan cities Rio de Janeiro and Sao Paulo many companies are accustomed to operate according to international standard and principles.

In other areas, however (the upper basin of the Amazon), business practices are much less close to international standards and more dominated by a strong patriarchal approach. Economic and political history has produced a very low tolerance to any new change and the risks to which it is associated. Although many changes occur, they arise at a slow rate and a new situation is accomplished after careful planning and evaluation. A business failure that appears in any of the Mercosur states leads to an increase in distrust and there is no concept of learning from mistakes.

To be successful, any innovation must bring benefits from the start, this is the way that can be accepted and implemented.

South American societies are characterized by establishing very close relations in labor relations, trying to avoid uncomfortable situations between business partners. While in other cultures deadlines should be set in advance in this region their approach is very flexible. However due to the internationalization of business, the latest generation of managers appreciate the necessity to perform the deadlines on time.

There is a big difference in salary, and implicitly in lifestyle and aspirations of the different social classes both in Romania and Mercosur states. Hierarchical nature is seen very well in the degree of formality of the persons when they are in a business situation. Strong hierarchy of the business world makes in the case of teamwork that manager to maintain his role as chief. Intercultural sensitivity is very high, the assessments must be made of the group and not individually.

In terms of communication and negotiation style, both Argentinians and Brazilians prefer to do business with companies they already know. It is very important for international companies do not change their negotiating team once it is initiated a business. To avoid misunderstandings it is advisable to seek the services of an interpreter, if knowledge of Spanish and Portuguese are not quite fluent.

Due to global change and the new international requirements, many leaders of these two emerging regions are seeking to distance themselves from the old values and privileges that has been characterized thus demonstrating that also these parts of the world want change their profile.

8. The Comparative Analysis of Mercosur and Romania Cross Cultural Profile

In the contemporary period the Management must adapt to the internationalization and multicultural environments. To be successful in international business the managers need to successfully cope with the challenges and even with the differences of opinion and disagreements that may emanate from intercultural differences. The efficient management of this period requires intercultural skills in order to achieve maximum performance in a multicultural team. Cross Cultural Management seeks to identify and use effective tools and methods to know better how to exploit and manage cultural differences in order to improve or achieve positive results (profit, market share, image, perspective implantation) with the company (country, nation, region, business) which is in relation to other cultural areas (Zait, 2006).

The existence of a regional culture with roots anchored in the economic, political and historical realities has a strong impact upon the trade between companies involved in international business. National culture refers to the culture of a country defined as a territory composed of individuals who represent a political community, established on a defined geographical area with a sovereign authority (Meier, 2004, p. 22).

South American and the South - Eastern European cultures have their own defining characteristics that should be known each other in terms of bilateral economic cooperation. In Romania – Mercosur economic exchanges are significant influences of the national cultures and their knowledge is an extra advantage that can be useful in identifying the similarities between the two areas that may translate into a mutual profit (Pîrju, 2010).

In Hofstede's conception, a group culture is the basis of how to think, feel and act for individuals, organizations and countries. Therefore, differences in management practices and economic success of the companies and countries can be explained mainly by the differences of cultural groups or other type of business organizations (Hofstede & Hofstede, 2005).

To obtain a success in international relations between the two regions, a comparative presentation of cultural differences between Romania and the Mercosur countries after the model validated by Geert Hofstede but taking into

account the GLOBE project coordinated by House in 2004 and Chokkar in 2008, can help the mutual trade.

Power Distance refers to the eternal phenomenon of inequality among human beings, it is defined by Hofstede & Hofstede (2005) as an attitude of members from an institution referring the unequally distribution of power in their society.

The Power Distance in Mercosur countries have an average of 50%, the score for Romania is 82%, and this shows the great tolerance of Romanians to the unequal distribution of power.

Individualism-Collectivism refers to human relations within a society, in individualistic societies each deals with personal prosperity, at the other pole, collectivist societies integrate the individual into a well-defined cohesive group that provides protection and receives in exchange loyalty. Individualism is governed by the phrase, every man for himself, and collectivism, not to be confused with communism, is dominated by the principle, of belonging to a group all his life.

In individualistic societies, is very important to reach an agreement as quickly as possible when collectivist societies is cultivated the trust between partners (Mooij & Hofstede, 2011).

The score for Individualism / Collectivism is reduced to Romania (32%) comparing with the countries from the southern hemisphere which have on of average 45%, Brazil is more close to Romanian values (40%), which demonstrates the interest of the group in front of personal the personal desire.

Masculinity vs. femininity shows the differentiation of roles between men and women in society. In masculine societies it is assumed that men have a leading role, and the values are: subordination, obtaining money and indifference and the social roles based on sex should be differentiated to a maximum. At the opposite pole, feminine societies emphasize collaboration among fellows, preservation of life, and the social roles should be overlapped.

For the Romanian space, as well as for the South American, the Masculinity indices are almost identical (not exceeding 45%), and this trend shows visible intention from both areas in terms of improving quality of life, interest in environmental issues and creating a microclimate favorable to work.

Uncertainty avoidance refers to the anxieties that may occur in the unknown future, within a community where people is constantly under stress at the workplace.

The score regarding Uncertainty Avoidance for Romania is about 69.38% and the average for Argentina, Brazil, Uruguay and Paraguay is also 80%. In Romania and in South America we see the need for rules and security, resistance to change and unwillingness to assume risk and responsibility. In the western part of Romania, influenced by Western European style, we find a much lower uncertainty avoidance and a high risk taking (Onea, 2011).

Most countries with a high degree of control of uncertainty presents a great distance from the power and vice versa, the rules of companies must not be violated, even if this action would have positive effects (in general the feelings of insecurity are shared by the other members the community).

A person, who is not familiar with Eastern European society, would think that it puts very little value on human orientation. In Eastern Europe in terms of human orientation, there are a lot of corruption in business and ethical and moral rules are not respected either in business or society. A lot of the current behavior of the economy is exploited, and large fortunes fall in the hands of a few people. In South America, various nongovernmental institutions finance communitarian projects in areas where the revenues do not cover legitimate needs of its inhabitants (Chokkar *et alli*, 2008).

For a manager from South Eastern Europe, involved in South America market, Intercultural Management knowledge may be particularly useful because it must take into account the small differences that exist in how to make a business in Ushuaia (southern Argentina) or Sao Paolo (Brazil).

We conclude that there are many similarities regarding cultural values between Romania and Mercosur countries explained by the lately periods characterized by economic and social insecurity, and by the large number of European immigrants who settled in this region.

9. The Role of the European *Acquis Communautaire* in the Development of an Economic Partnership Romania – Mercosur

European Union accession has meant for the Romanian Government the adoption of the entire European *Acquis Communautaire* and the completely observance of all treaties signed in pre-accession period - all trade policy of Romania is dependent on the EU legislation.

First EU agreement with Mercosur was signed in December 1995 and entered into force in July 1999, its main objective is preparing for a future association to be discussed in detail in the coming years, and the nature of its business would refer to reciprocal and progressive liberalization of trade (Bizzorrero, 1999).

Its main elements were: help for the intensification of the integration process, help to strengthen the institutionalization of Mercosur etc. (Benecke, 1999).

The countries which have supported the most international association agreements with South America was the former Metropole: Spain and Portugal (Camero, 2001).

Thus there are three identifiable guidelines revealed in the evolution of the EU to Latin America:

- phase that begins negotiations from Spain and Portugal (Casanova, 2002);
- Delors Commission offers since 1989 founded a concrete economic policy toward Latin America (Cebada, 2000);
- concrete support for Mercosur after the agreement of 1995 (Cuadro *et alli*, 1999).

After numerous rounds of negotiations was not made a trade agreement and the negotiations have not been completed especially due to consideration by the EU as insufficient concessions in services and Mercosur objecting to the agricultural European Community policy (Lopresti, 2007).

The only compromise available today, is to continue the negotiations and to organize meetings for mutual economic progress because EU is aware that: the region has become one of the most dynamic markets for European exports, has a favorable political climate, strengthening the rule of law and democracy, which creates conditions for economic growth and development (Miclea, 2007).

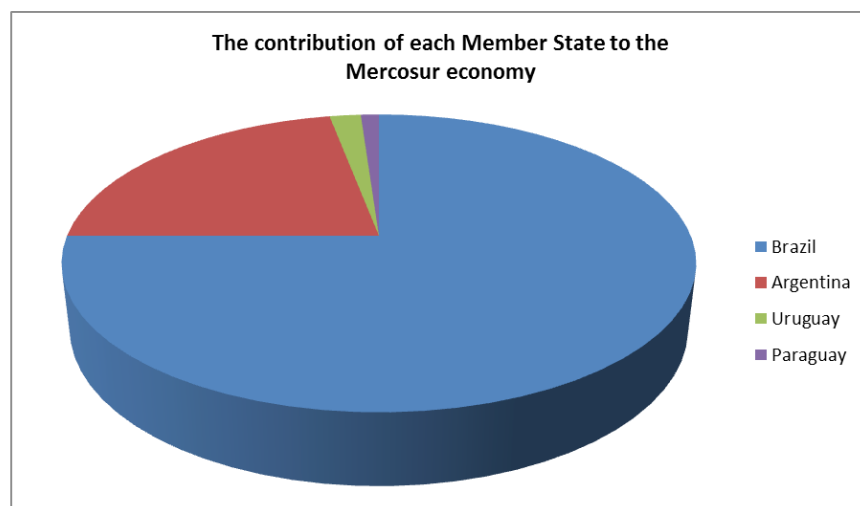


Figure 1. The contribution of each Member State to the Mercosur economy;

Source: Author adaptation apud World Bank

However the EU and Mercosur have a mutually profitable economic partnership. In the last decade, the EU was the main southern hemisphere countries and business partner an important source of direct investment (Bittencourt *et alli*, 2006).

According to a study conducted by the UN, the European Union is the major business partner for Mercosur, the average starting with 2006 to the present is approximately 20% for Mercosur exports to the EU and about 18.9% for imports came from the EU (Boyer & Scuschny, 2010).

Since 2004 it is noted that Brazil and Argentina, the biggest countries in the region, have been successful in the balance of trade with the EU and the same is the case of Paraguay. Instead Uruguay, the smallest economy has negative scores in terms of trade with the EU. The main export to Europe four South American countries are: transport equipment, machine tools and chemicals, while Mercosur exports mainly agricultural products.

Despite the economic crisis and disagreements arising is desirable that a free trade agreement between the two blocs to maintain the current trend. Should be noted that Mercosur apply the same tariffs for all goods originating from the EU, while the EU has different pricing systems for each country of the South American organization.

Because of the past trade traditions and within the membership of the European family, there are some reasons for which Romania has to accept and work to the EU-Mercosur agreement.

- EU seeks to export its economic and institutional model and to promote new values and principles.
- There is a desire to minimize U.S. influence in the region, which already has signed bilateral agreements with Colombia and Peru and is also in negotiations with the South American Pact.
- Boyer & Schunschy (2010) indicates the predisposition of Europeans to respect the rules of international economic exchanges. The authors explain that the EU is still a *soft power*, which has none of the characteristics of a *hard power* (use of force, ability to cause fear) because Europeans don't consider to be the last guarantors of security (Laidi, 2005 *apud* Boyer & Schunsky, 2010).
- Europeans try by persuasion to induce the others to accept their point of view in the implementation of democracy, economics, law and social justice the fight against corruption and ensuring intellectual property. This preference for rules it is originated in the internal rules of the EU, always oscillating between state sovereignty and supranational elements, rules allowing the EU to have autonomy over national sovereignty, without abolishing it.
- Openness to international trade is vital for Europe which is the first exporter in the world and the second investor, why the Europeans aim is to optimize trade relations with the different areas and access to the best advantage in their markets.

In this new situation, although Mercosur is one of the most attractive markets, Romania does not have an agreement with the organization. Actually, this is not an isolated fact, the only country that has signed a treaty of partnership with the Mercosur trade bloc, and not with individual country is Israel.

Romania's EU accession has meant a reorientation in trade, to the detriment of the individually common interest and the excelling of the common one. In these circumstances, Europeans concluded that the Mercosur region has become one of the most dynamic markets in the world of European exports and this has contributed to the favorable political climate which was achieved by strengthening

the rule of law in the region and these new elements create a favorable climate for real economic growth (Miclea, 2007).

Even if there is no agreement with the organization, Romania has signed trade agreements at state level with all Mercosur countries (both permanent members and associate states). Romania can have an effective dialogue regarding its relations with Latin America due to linguistic approaches and common economic objectives as emerging zones (improving economy, institutional reform etc.).

There are several motivating factors which support the maintenance and development of trade between Mercosur and Romania:

- tradition of economic, political and cultural dates from before 1980 and the Romanian products have had a solid reputation in the region;
- with its strategic location on the Black Sea, via Danube River, Romania offers to South American goods the opportunity to reach the destination in countries without sea communication;
- Romania is the regional leader in IT and automobile production and a long term collaboration would facilitate the technology transfer and would increase the capital stock;
- trade agreements with any European State are strong incentives for Mercosur and if in the future the agreement would be signed with the EU it would lay the foundation for the largest free trade area in the world.

In the international economic exchanges, Mercosur countries and Romania, should be aware that an increase in exports does not inevitably lead to a further increase in production levels without a number of additional policies which would reduce the negative effects of the contemporary crisis and without supporting the productive sectors less affected by international competition (for Romania the machine tool industry, chemicals etc.).

The modest presence of the Romanian companies on the South American market can be explained by the fact that, currently, Romanian firms are expanding more into proximity, often preferring countries with similar background.

Romanian companies have not reached the maturity and the development necessary to expand and gain profit from regional and international markets (Bari, 2010).

Romania in the last 20 years has gone through a period of transition, being necessary to increase the competitiveness to the international market economy

standards and the unification of the national strategy with the EU acquis. To this is added the industrial potential decrease of the national market and the devaluation of national currency.

Another explanation for the poor export performance of Romanian companies is given by Lut & Mitariu (2010) which states that, over 90% of Romanian companies are small and medium enterprises (National Institute of Statistics 2008), and this could be an advantage in flexibility and adaptability in case of change but this advantage is not sufficient to keep them viable during the international context.

For Mercosur countries, the only perspective that matters right now is the increasing in European markets of their agricultural and fishery products, where they are world leaders and the establishment of a free trade area EU – Mercosur.

10. Conclusions

At the conclusion of this study, EU- Mercosur Trade Agreement is still under negotiation. Mercosur countries: Argentina, Brazil, Uruguay and Paraguay as well as all European Union states (including Romania) are involved in the negotiation.

An efficient management has always been a guarantee of economic growth and the experience of South Korea, which has liberalized trade policies in 1960, has demonstrated that economies where management supported open trade policies had superior results compared to areas where restrictive work ruled (Eastern Europe, North Africa etc.).

Mercosur market is one of continental dimensions, following the example of the EU which promotes the free exchange of goods, people and capital and being the sixth world economic power the interest in developing trade with this region is a priority for all the states of the world.

To achieve common goals, Mercosur is trying to follow the European model on the development of legislation available in the territory of each State in the fiscal, monetary and macroeconomic policy.

The signing of an EU – Mercosur agreement would create the largest free trade area in the world, with a population of approximately 700 million.

Since the joining the EU, Romania must adopt completely *The acquis communautaire* and its interest depends on the other 27 European partners.

The problem in signing a trade agreement with Mercosur states is closely related to competition in the agricultural sector, which would affect a large number of land proprietary in different parts of rural Europe.

To improve the current *status – quo* it is necessary a reorganization of strategy framework agreement Romania - Mercosur countries. The new agreement should be based on political dialogue, cooperation and effective management strategy.

A better understanding of intercultural differences can provide viable solutions to achieve the desired economic goals. However, comparing two cultures can often be a difficult thing to achieve, especially when they are strongly separated by geographical point of view.

Final reflections leads us to say that whatever the current situation is, Romania, Argentina, Brazil, Uruguay and Paraguay can get profit from mutual economic exchange.

Both South East Europe and South America constitute two economic markets which due to their features can complement each other in many aspects.

In order to obtain benefits from mutual trade Mercosur countries and Romania should take into account a number of new factors: continuous integration to the international markets, changes in the strategies of multinational companies, the differences between the capital markets and the different rhythm of integration of the countries to the requirements of the new global economy.

In these circumstances, the creation of strong links between Southeast Europe and South America could generate synergies in an increasingly globalized and interdependent world.

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