Romania’s economic freedom score is 69.5, making its economy the 43rd freest in the 2021 Index. Its overall score has decreased by 0.2 point, primarily because of a decline in fiscal health. Romania is ranked 26th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

Although the Romanian economy had been rising through the ranks of the moderately free for more than a decade, it fell back a bit this year. To get back on track, the government will have to focus on improving the judicial system, strengthening anticorruption efforts, removing rigidities in the labor market, and further modernizing the financial sector.

**IMPACT OF COVID-19:** As of December 1, 2020, 11,530 deaths had been attributed to the pandemic in Romania, and the economy was forecast to contract by 4.8 percent for the year.

**BACKGROUND:** Romania’s transition to a free-market economy began with its new constitution in 1991, followed by membership in NATO in 2004 and the European Union in 2007. The former center-left Social Democratic Party (PSD) government was ousted in 2019 over attempts to weaken anticorruption laws and judicial independence, and the political situation has remained in flux. Ludovic Orban of the center-right National Liberal Party’s (PNL) was named prime minister in October 2019 but resigned when his minority government lost a vote of no confidence in February 2020. He was reinstated in March but resigned again after his party lost ground in December elections. The PSD won the most votes in the election, but the PNL seemed likely to lead a coalition government. With a strategic position on the Black Sea, Romania has extensive natural resources and a productive agriculture sector.
### Romania

**Rule of Law**
- Property Rights: 68.8 (−3.7)
- Judicial Effectiveness: 63.1 (+7.0)
- Government Integrity: 54.6 (−0.5)

**Government Size**
- Tax Burden: 94.3 (+4.0)
- Government Spending: 69.2 (−1.2)
- Fiscal Health: 78.9 (−6.7)

**Regulatory Efficiency**
- Business Freedom: 59.7 (+1.1)
- Labor Freedom: 63.6 (+0.6)
- Monetary Freedom: 77.7 (−0.4)

**Open Markets**
- Trade Freedom: 84.0 (−2.4)
- Investment Freedom: 70.0 (No change)
- Financial Freedom: 50.0 (No change)

Property and contractual rights are recognized by law, but enforcement through the judicial process can be lengthy, costly, and difficult. The national cadaster in rural areas is slowly being improved. Although the judiciary is generally independent, courts are vulnerable to political influence and suffer from a lack of expertise. High levels of corruption, bribery, and abuse of power persist, and anticorruption efforts have been uneven.

The individual income tax rate is a flat 10 percent, and the corporate tax rate is a flat 16 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 14.6 percent of total domestic income. Government spending has amounted to 32.1 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.4 percent of GDP. Public debt is equivalent to 35.2 percent of GDP.

Romania now allows voluntary value-added tax registration, which takes less time than mandatory registration. The 2021 Index is the first one in seven years in which Romania has increased its business freedom. Labor force participation is very low. Subsidies increased from 0.4 percent of GDP in 2019 to 1.2 percent in 2020, mainly because of higher allocations to the agriculture sector.

As a member of the EU, Romania has 45 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 3 percent, with 639 EU-mandated nontariff measures in force. Romania has an additional 20 country-specific nontariff barriers. Despite progress, the uneven regulatory system tends to discourage foreign investment. About 60 percent of adult Romanians have a formal banking account.