

Romania’s accession to EU: Challenges and Opportunities.
*Romania between the Lisbon Agenda and the necessity to increase its
absorption capacity*

Gabriela Dragan

Address:

Gabriela Dragan

Academy of Economic Studies of Bucharest
Piata Romana 6, sector 1
RO-010374 , Bucharest, Romania
Phone: +4-0723-184-807 and +4-0723-303-997
Fax: +4-021-319-18-99
Email: gabriela.dragan@yahoo.com

Biographical notes

Gabriela Dragan is Professor of Economics at the Academy of Economic Studies of Bucharest. She is also the Vice Dean of the Faculty of International Business and Economics, member Team Europe, member of Scientific Council of the European Institute of Romania, etc. She has coordinated and participated in many national and international research projects and is author and coauthor of a significant number of articles and books. Her main scientific interest focuses on European integration, Regional Policy, EU structural assistance, Common Agricultural Policy, EU Competition Policy.

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Introduction

On 1-st January 2007, Romania and Bulgaria will join EU. Even if many people are aware that the EU will soon have 27 members, the interest on what new challenges and opportunities might appear is not really significant. For the EU public opinion more colorful issues such as children adoption, corruption, Roma minority situation have been proved more interesting than real economic, social or political evolutions during the last 16 years. At the same time, this 16 years were both a transition period from plan to market, from a centralized to a market economy and a modernization one, with important transformation on economic, institutional, legislative, social and, last but not least, on political level. On the other hand, this period EU is facing some significant internal and external challenges from the Constitutional Treaty crisis, the inefficient Lisbon Agenda, the ageing of population, to globalization and the necessity of the reform of its economic and social model. The current enlargement could whether worsen most part of these problems (the economic and social divergences between new and older member states increasing the urgency of the EU internal reform) or strengthen its presence on the world economy.

Without ignoring the significance of political and social aspects, the paper is dealing with some selected economic aspects of Romania’s accession to EU, focusing on the challenges and opportunities represented by the Lisbon Agenda and Structural Funds. The author has been aware that speaking about the economic benefits of accession, it is not an easy task, not only because of complexity of the subject but also because technical matters, since a very clear separation between the benefits already achieved during the

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pre-accession period (as a result of the Europe Agreement, candidate status and the negotiation process) and those resulting from the membership status (irrespective we take into account flows of goods, services, capital or labor forces or financial transfers) is almost impossible to do.

After a brief outline of the some significant physical, political and economical features of Romania, the paper will focus on the main macroeconomic effects of enlargement and on some selected issues concerning the issue of Lisbon Agenda and efficiently spending of Structural Funds. From methodological point of view, the analysis will stand mainly (but not exclusively) on the research studies carried out since 2001, under the coordination of the European Institute of Romania¹.

Key words: integration, accession countries, economic performance, competitiveness, absorption capacity, EU structural instruments

¹ The whole series of impact studies, respectively more than 50 research studies papers, focuses on various topics, like assessment of the Romanian⁷ legislative framework and its compatibility with the *acquis*, sectoral analysis (on agriculture, transport, environment, etc) or broader research concerning the cost and benefits of Romania’s accession to the EU, the impact of Lisbon Agenda or a strategic outline of Romania’s membership status in an enlarged Europe.

Romania and European Union

Romania’s physical, economical and political background

Romania, a **country with 22 million people** (a population which has fallen over the last several years as a result of declining birth rates and emigration and according the latest prognosis the tendency will continue), is the second largest country in the Central and Eastern Europe (after Poland) and larger in population terms than 19 of the 25 current member states of the EU. It benefits from a **strategic geographic position**, having borders on Ukraine and the Republic of Moldova to the North and North East, on Bulgaria to the South, on Serbia to the South-Vest and on Hungary to the NV. The Black Sea is its eastern border and the Danube River runs along Romania’s border for 1,075 km. It is rich in natural resources, among which are to be found oil, natural gas, coal, iron, ore, non-ferrous ore (copper, lead and zinc), gold and silver ore, sulphur and salt. It is also benefits from an **educated and low-cost labor force** and **good agricultural resources**.

Despite these valuable assets, at the moment Romania is one of the poorest countries in Europe, with a **purchasing power per capita of 70% below that of the EU-25 average**. The heritage of forty years of rigid central planning together with a poorly designed first decade of transition are largely to blame for this outcome. Romania faced some of the worst starting conditions among the transition economies. In addition to all the well-known market distortion and structural problems, common to all transition countries, the legacy of Ceausescu and the forced repayment of external debt had left the economy with very serious problems (World Bank, 2005).

As in other transition economies, GDP dropped dramatically following the fall of the communist Ceausescu regime (in December 1989). Romania was a later starter in the reform process, with the key measures in the area of liberalization and enterprise reform in 1997 and the first positive results only coming in 2000. Economic and financial instability prevailed during the 1990s and culminated in a major crisis in 1998/1999. The whole second part of the 90s was characterized by a low average growth, high inflation and a volatile situation in external accounts.

However, since mid-2000, macroeconomic trends have improved and despite a less favorable international environment since 2001, economic growth remained robust at 4-5 % per year, inflation declined steadily from above 40% in 2000 to 8.4% in 2004 and 4.1 in 2005 (WIIW, 2006, p.54) and, although current account developments remained at times a source of concerns, external vulnerability decreased over the period.

Taking into account the **political background**, we could observe that 2004 was an electoral year in Romania: following the Parliamentary elections of November 2004, the PD/PNL Alliance leader, Traian Băsescu, won the second round of the presidential elections of December 2004 with 51% of the votes. He announced that Romania’s accession to the EU and the fight against corruption were his main priorities. Subsequently, the PNL (National Liberal Party) leader, Călin Popescu Tăriceanu, was nominated as Prime Minister and the new coalition Government was approved by the

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Parliament by 265 votes to 200 in December 2004. At present, the governing coalition comprises four parties (PNL, PD, UDMR and PC²).

Romania and EU

Unlike the previous enlargements, which had taken place in the context of a divided Europe, the 2004/2007 enlargement was the first to address the issue of Europe’s reunification, aiming to bring together those states of Europe which were for about 50 years under the Soviet Union influence.

Officially, the invitation to apply for membership was made in **1993** at Copenhagen European Council, which established the so-called “**Copenhagen criteria**” to be met by any candidate country. Romania **submitted its application for EU membership on June 22, 1995** and the official accession negotiations for Romania as well as for Bulgaria were launched on 15 February 2000³. The Copenhagen summit of December 2002 set 2007 as the target date for Romania’s EU accession.

The decision taken by the EU Council of Ministers in **December 1999 to open EU accession negotiation for Romania** appears to have a “*catalytic effect on the momentum for reform*” (World Bank, 2004), the political being focused on the requirements for the EU accession. In its 2004 Report the Commission concluded that Romania complies with the criterion of “*functioning market economy*”, a prerequisite for the EU entry, although the Report expressed a number of concerns about the Romania capacity to cope with competitive pressure and market forces within the Union.

The Brussels European Summit (16-17 December 2004) endorsed the closure of negotiations and “noted with satisfaction that progress made by Romania in implementing *the acquis* and commitments entered into as regards, in particular, Justice and Home Affairs and Competition, has made possible to **close formally all the outstanding chapters with Romania on 14 December 2004** and accordingly looked forward to welcoming it as a member from January 2007.” The report on the result of the accession negotiations with Bulgaria and Romania provides a detailed overview of the outcome of the negotiations (CE, 2005d).

The **Accession Treaty for Romania and Bulgaria was signed in April 2005**, the accession itself being expected to take place on January 1, 2007 or on January 2008 if the postponement clause were activated. The Treaty includes a number of provisions under which the Union may take specific action to prevent serious disagreements in the functioning of the internal market or to deal with shortcomings in the field of cooperation in civil and criminal matters caused by Romania. The Accession Treaty has given Romania the status of “*acceding country*” and the possibility to participate as an active observer in virtually all the committees and bodies of the EU.

The Accession Treaty features **four safeguard clauses** (Commission, February 2005): a *general economic* safeguard clause, a *specific internal market* safeguard clause, a *specific JHA* safeguard clause and a *postponement* clause. The *general economic* safeguard clause covers any sector of the economy or economic situation of a given area, both in current and new member states. The *internal market* safeguard

² In December 2006, the Conservative Party (PC) withdrew from the Government.

³ In February 2000, the accession negotiation process also started for other countries which joined the Union in May 2004, respectively Latvia, Lithuania, Cyprus and Malta.

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clause covers all sectoral policies involving economic activities with cross border effects. The *JHA safeguard* clause covers mutual recognition in the area of criminal law and civil matters. Both the internal market and the JHA safeguard clause may be applied vis-à-vis new member states only. Safeguard measures may be taken under these three clauses until the end of a period of three years after accession but they remain in force beyond this period. However, any safeguard measure shall be maintained no longer than is strictly necessary and must be proportional in scope and duration. A forth safeguard clause included in the Treaty allow the Council to decide, based on a Commission recommendation, that accession would be *postponed* by one year where there is clear evidence that the state of preparation for adoption and implementation of the *acquis* is such that there is a serious risk of Bulgaria / Romania being manifestly unprepared to meet the requirements of membership by the envisaged date of accession in January 2007 in a number of important areas. The postponement can be decided with qualified majority among member states even if normally unanimity is required.

The European Commission has continued to monitor Romania’s and Bulgaria’s progress until accession, the latest two **Monitoring Reports** being published in May 2006 and September 2006. The **September 2006 Monitoring Report** (EC, 2006a) underlines the fact that as a result of progresses made, Bulgaria and Romania will be in a position to take on the rights and obligations of EU membership on **1 January 2007**. Moreover, the Monitoring Report notices the existence of specific tools which might be used to prevent or as remedy for these actions that Commission considers necessary to address because may impede the proper functioning of EU policies. These include safeguard measures, financial corrections of EU funds, competition policy measures and infringement procedures⁴, based on the *acquis*.

Romania’s accession versus Romania’s integration to the EU

Accession is the process through which Romania joins the EU meeting the membership criteria. To accede to the EU, Romania needed to meet a number of specific criteria, laid down by the 1993 Copenhagen European Council:

- *Political criteria*: stability of institutions guaranteeing democracy, the rule of law, human rights, respect for and protection of minorities;
- *Economic criteria*: existence of a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the union;
- *Institutional criteria*: ability to take on the obligations of membership by transposing into national legislation and effectively implementing the *acquis communautaire*.

Integration is the process is the process of reaping the benefits of membership by pursuing the necessary structural reforms in a stable macroeconomic environment.

Source: World Bank, Romania Country partnership strategy 2006-2009, 2006

From plan to market economy

In Central and Eastern Europe the revolutionary changes which occurred in 1989 and in 1990 were followed by a powerful economic crisis, compared by some annalists with the Great Recession of the '30, or with the damage created by WWII. The intensity and duration of each crisis varied from a country to another, being more accentuated in eastern countries (some of them recorded negative economic growth with two digits). For the majority of countries, the crisis lasted until 1994. Starting with this year, until the end of the 90s, all candidate countries registered positive economic growth rates (with the

⁴In addition, when the *acquis* is not properly applied in a Member State, private and public parties can refer to national courts to enforce EC law, and, in the final stage, to the European Court of Justice, and their government risks being condemned.

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exception of 1997 and 1998 when the effects of crisis from Asia and Russia were felt). The 2000 year represented the beginning of the accelerated development both for the Central and Eastern European countries (CEE) and for Romania.

Among the other Central and Eastern European (CEE) candidate countries, Romania was the last to receive the status of a **functioning market economy**. Only in October 2004, in the European Commission’s report, it concluded that Romania complies with this Copenhagen criterion. Although it’s beyond the scope of this paper to analyze the causes of this delay, we have to mention that Romania inherited one of the worst starting conditions for implementing the transition to a market economy⁵. As Alain Smith (Phinnemore (coord), 2006:29) concludes, “in 1989, the Romanian economy was on the verge of collapse, with widespread shortages and severe rationing of energy, while the population had endured nearly a decade of deep austerity and capital stock had become increasingly obsolete”.

However, the slow pace of the transition to a market economy might be both attributed to the difficult situation Romania had in 1989 but also to the inefficiency of governments during the first 10 years of the transition period. Over the latest 16 years, Romania has experienced a rather unstable macroeconomic period, with episode of recession (1990-1992, 1997-1999), recovery (1993-1996) and recovery/growth (2000-2006). Most of the impetus for reform came from external pressures, such us International Monetary Fund⁶, World Bank and last, but not least, European Union.

However, since 2000 Romania has entered a phase of high growth and disinflation. Thus, during 2000-2005, Romania’s GDP grew by an annual average of above 5% [in the first quarter of 2006, real GDP rose by 6.9%] and inflation came down to 9.3% in 2004 from over 40% in 2000. The privatization process has accelerated since 2003-2004 as a result of the increasing number of direct sales of enterprises and financial institutions⁷, mainly to foreign investors. Currently, the private sector produces more than 70% of the GDP. Major news of the 2005 was the fiscal policy reform and the adoption of a flat tax rate of 16%, aimed at boosting FDI and making the economy more transparent.

⁵ Between 1967 and 1980, the Ceausescu government had borrowed important amount of money from western banks or international institutions (IMF) to finance a forced industrialization of the country (through investment in engineering industries, refineries, petrochemical plants, infrastructure projects such us Danube – Black Sean canal or construction of House of People in Bucharest) while the population and the production of consumer goods had been completely neglected. A financial crisis in 1981, which necessitated the rescheduling of the Romanian debt, determined Ceausescu to move on a policy of rapid debt repayment which was achieved by draconic cuts of imports (energy, consumer goods, and equipment) and forcing of exports.

⁶ Over the period, Romania signed six standby agreements with IMF which stipulated macroeconomic targets and structural reforms but only one successfully completed in 2003

⁷ One of the largest privatisations in Romania’s history were the sale of the majority share in the integrated oil company Petrom and of the Romanian Commercial Bank.

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Romania - Main economic trends (as of 7 October 2005)

		2000	2001	2002	2003	2004	2005	
Gross domestic product	ann. % ch	2,0	5,7	5,0	5,2	8,3	4,9	1st half
Private consumption	ann. % ch	0,2	6,8	4,8	7,2	10,8	11,2	1st half
Gross fixed capital formation	ann. % ch	5,5	10,1	8,2	9,1	10,1	7,6	1st half
Unemployment ¹	%	7,2	6,7	N.A.	7,1	8,1	8,5	1st qu.
Employment ¹	ann. % ch	2,5	-0,8	N.A.	-2,6	0,4	2,6	1st qu.
Wages	ann. % ch	39,8	40,5	27,1	25,4	22,5	23,9	Jan-Aug
Current account balance	% of GDP	-3,7	-5,5	-3,3	-6,0	-7,5	-9,0	1st half
Direct investment (FDI, net)	% of GDP	2,9	2,9	2,5	3,8	7,0	4,9	1st half
Interim HICP	ann. % ch	46,3	34,8	22,8	15,3	11,9	9,5	incl. Aug
Interest rate (3 months)	% p.a.	50,9	40,9	27,3	17,7	19,1	9,4	Jan-Sep
Bond yield	% p.a.	49,6	34,7	22,3	14,2	12,8	7,6	Jan-Sep
Stock markets	Index	538	661	1274	1851	3208	5359	Jan-Sep
Exchange rate ROL/EUR	Value	1,99	2,60	3,12	3,75	4,05	3,62	Jan-Sep
Nominal eff. exchange rate	Index	80,5	63,8	54,5	47,3	44,3	49,3	Jan-Jul
General government balance ²	% of GDP	-4,4	-3,5	-2,0	-2,0	-1,4	N.A.	
General government debt ²	% of GDP	23,9	23,2	23,3	21,3	18,1	N.A.	

1: LFS data; 2: ESA 95 data.

Source: Eurostat, ECOWIN, national sources

At the moment, Romanian’s economy reveals both strong and weak points. On the one hand, from structural perspective, one should notice the steady expansion of the private sector, which contributes to the GDP formation with more than 70% and employs more than 70% of active population. Moreover, we have also to observe a significant rise in foreign trade and investment and an increased integration into EU markets (trade with the EU represents around 70% of overall trade). The openness of the economy has also been noticed if we take into account the capital account liberalization, which is almost completed (access of non-residents to bank accounts was allowed in April 2005)⁸.

On the other hand, a number of serious weaknesses persist in Romanian economy and might harm macroeconomic conditions and GDP growth over longer term, such us:

- The slow pace in increasing the administrative capacity of using European funds, an issue close related with the specific budgetary aspects⁹;
- The investment climate has still caused problems because of administrative and red tape barriers and corruption;
- The pension system is under an increasing strain, the main financing source coming from the health insurance budget. The problem, which is also common to

⁸ It must be said that the capital account liberalization represented a conditions for the EU accession during the negotiation process and relates to direct inflation targeting as a new monetary policy regime. Inflation targeting as a new monetary policy regime was officially adopted by National Bank of Romania in August 2005 and reflects the NBR’s intention to improve its operational independence and focus more effectively on reducing inflation.

⁹ In the last years, the budget revenues were below 30% of GDP while financing needs are increasing. According to Daianu (2006) because of unavoidable financial obligations (EU budget contribution or co-financing of EU funds), Romania would face a budget “shock” at the moment of accession. Consequently, the budget deficit could raise above 3% of GDP which worse the situation of public finance.

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the EU, is generated the fact that the number of the retired population exceeds the official number of employees (nowadays the ration is 3:2 compared to 1:2 in the early 1990s);

- The very important agricultural sector represents an issue of concern in Romania’s relationships with the EU. Agriculture contributes with a mere 12% to Romania’s GDP although about 35% of the population lives in rural areas;
- Rigid labor markets, unemployment being kept at reasonable levels mainly as a result of massive emigration (according to the Romanian’s National Institute of Statistics, one of five households in Romania has at least one member who emigrated, temporarily or permanently, in the last 15 years);

However, the expectations of the European and Romanian experts and political decision makers concentrate on a positive development that is to take place in longer term. Owing to the fact that the degree on integration between the old and the new member states is already high, the enlargement will have a positive impact, both through the increasing and strengthening of the Single Market and of the competitiveness of the European economy. One of the EIR’s impact studies (EIR, 2005f), which evaluates the progress of the NMS the first years after 2004 enlargement, has provided a meaningful message regarding the impact of the process of integration into the EU, confirming that *these countries ended year 2004 and entered 2005 with much better macroeconomic performances than the anticipative expectations of most analysts and decision-makers.*

Challenges and opportunities of the Romania’s accession to the EU

Romania, between the Lisbon Agenda and financial transfers challenges and opportunities

The economic and political impact of adhesion is undoubtedly significant. Nevertheless, in terms of GDP and trade flows the enlargement has not drastically changed **the size of the EU in the world economy**¹⁰. The EU-25 economy measured at current exchange rate is actually somewhat larger than the USA’s and represent about one third of global economic activity. As one could observe from Table 2 the euro area is somewhat smaller than the USA in terms of GDP but it is of a similar size measured by trade flows and much larger in terms of exports and larger than the Japanese economy in terms of both trade and GDP by a margin of about 50%.

Table 2 The size of the EU economy in the world (GDP and external trade)

	GDP		Trade (M+X)/2	
	Euro billion	% of world GDP	Euro billion	% of world trade
Eurozone	7 243	22.5	1 033.4	
EU 15	9 288	28.8	993.2	19.5
EU 25	9 720	30.2	923.1	
NMS	432	1.3	177.8	3.5
USA	9 641	29.9	1 002.1	19.7
Japan	3 833	11.9	398.8	7.8

Source: D.Gross and Leonor Coutinho, The larger EU and the global economy, in The strategic implication of the EU enlargement, Esther Brimmer and Stefan Frohlich, editors, CTR, 2005, p.275

It is also significant to notice that in 2004 and 2005 the trade performance of individual European countries showed considerable variation and only the group of countries comprising 2004/2007 NMS has recorded the highest export and import growth, even exceeding the world average (WTO Report, 2005, 2006). What could explain that the total trade expand more rapidly in the Eastern part of Europe? There are more factors that played a role in this outcome: firstly, the enlargement process of the EU to the East is fostering an integration process above all between eastern and central part of Europe, secondly, at the time of accession some remaining barriers to goods trade between the old and new MS were removed (e.g. in particular in the agriculture sector) and thirdly, the trade of SE Europe has benefited from lower trade barriers within the region in recent years, thank to the *Stability Pact for South East Europe*, with its extensive network of 28 bilateral free trade agreements and fourthly, the eastern and central European countries benefited from vigorous import demand in the CIS given historical trade ties (World Trade Report, 2005, 2006).

Most of the academic studies consider the positive effects that the eastern enlargement will have especially on the **economic growth** through the deepening of the competition and the intensity of the activity on the financial markets¹¹. Although, due to the relatively

¹⁰ The most often instruments used are GDP and external trade

¹¹ The next step in the integration process will be the adoption of the common currency, Euro, the precise moment depending on how soon the member states will achieve the nominal convergence, according to the

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limited economic size of the new member states (NMS) – less than 5 % of the total EU-25 or 7% of the EU-27 GDP, **the direct economic impact** on the old member states (OMS) was estimated to be marginal and consequences such as migration flow, relocation of activity or downward pressure on wages in the OMS and adjustment costs in the NMS only transitory. As K. Barisch (K.Barisch, 2006) underlined the “eastward enlargement is yesterday’s news” but from political point of view “EU has not digested the accession of the ten new members”. Many people from the OMS have considered that competition in the enlarged single market is somehow unfair and in France, for example, opposition to the enlargement was one of the many reasons the Constitutional Treaty was rejected. Nowadays, in many OMS the enlargement is supported only by a minority.

Therefore it is obvious that Europe is suffering now from the so-called “*enlargement fatigue*”. Nevertheless, we have to notice that not only the enlargement itself has determined this fatigue but also the EU’s internal problems. A list of current conflicts within the EU should include, firstly, **the institutional issues**, closely related to the efficiency of EU policy-making process (more or less, addressed by the almost dead Constitutional Treaty¹²), the **lack of competitiveness of EU** comparing with the US (led to the elaboration of *Lisbon Strategy* in 2000) and, last but not least, the **globalization challenges**. Nevertheless, most part of all these problems will be deepened by the current wave of enlargement, the economic and social divergences between new and older member states increasing the urgency to reform both some of the main EU policies and the financial framework of the EU policy-making. Consequently, the process of gradual integration, subsequent to the latest enlargement, is associated with the transformations and changes that will affect all components of the society in the enlarged EU¹³.

The enlargement could not produce major negative effects neither for the NMS nor EU since the new member states had passed through intensive preparations during the pre-accession phase. After two years from the 2004 enlargement, as an EC study (CE, 2006b) has mentioned that “the process of convergence and wealth creation which had been under way for over a decade continued and accelerated”. The EC study shows just how impressive the success of NMS has been. Trade in the ten new EU members, exports plus imports, represents 93 percent of their GDP on average, compared with an EU-15 (the old members) average of 55 percent. The EU-10 also attracted significant new foreign direct investment (FDI), reaching a total of €191 billion in 2004, or 40 percent of their total GDP; it was virtually non-existent ten years earlier¹⁴. It is equally true to say that openness towards a wider economic space where asymmetries, agglomeration effects and cumulative causalities has represented not only a real opportunity but a challenge because in today’s world, extraordinary opportunities can coexist with failures of not less significant extent.

Maastricht criteria.

¹² After the failure of ratification in France and the Netherlander.

¹³ Anyway, many of the challenges the new member states are struggle with, from ageing workforce to inefficient welfare systems, under-funded universities, etc. are not so different from those faced by West European countries.

¹⁴ In the countries of the former Soviet Union and the countries of Eastern and Central Europe, the number of people living in poverty decreased by 40 million between 1998 and 2003. The GDP growth rates in the Baltic countries last year reached Chinese double-digit levels. Slovakia is the biggest car producer in the world, relative to the country's size (CE, 2006b).

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Nevertheless, as previous enlargement has already demonstrated, it is to be expected that the overall benefits of the integration would differ from one country to another and from one region to another (not only quantitatively but also in timing and intensity) and for Romania, as well as for any other NMS, accession will represent both an **opportunity and a challenge**.

Romania’s **opportunity** to join EU can be more correct understood if it is assessed as an historic chance and the biggest **modernization challenge** (at least since the Second World). Over the last 16 years, the prospect of EU membership has represented for Romania the biggest stimulus and challenges and fully supported its modernization process. The necessary process of transition from plan to market (from a centralized economy to a market economy, from a totalitarian society to a democratic one) was not a very simple one, involving different processes both at national (macro-economic stabilization, privatization, structural reforms or liberalization process) and international level. As a result, the pre-accession period has meant many important transformations, on economic, institutional, legislative, social level but also on political level (concerning the respect of democracy, freedom, and civil rights). In other words, the process of pre-accession to EU went hand in hand with the process of modernization (economically and politically). However, this process of reform and adjustment, which has become after the communist period and affected both political and administrative culture as well as the economic and social environment of each NMS, has to continue after the accession.

A British historian had noticed once that the small countries of East Europe should not even be included in discussion on social and political changes, as “*the decisive causes of their politics lie outside their own boundaries*” (Barrington Moore jr., 1966, quoted by Alina Pipiddi-Mungiu, 2002). Certainly, we have to admit that, in its history, Romania has been too often forced to accept decisions that did not take into account its interests and aims. In our recent past (and I have in mind namely the Communist period which anyway I might consider as a deviation from Romanian’s natural development), these kind of evolutions had prevented our country from a natural path of development in line with expectations and needs of the population. From this point of view, the EU enlargement project has meant not only a reintegration into the world economic and political community but as well as a way of breaking with the past and distancing from Soviet sphere of influence.

Consequently, the current evolutions are fully supported by the entire population and the level of enthusiasm has remained almost constant during the whole pre-accession period. According to a 2005 *Eurobarometer* (CE, Eurobarometer 62, 2005) among the old and new member states, Romania is the country with the highest degree of trust in EU institutions (74%), the second place after the Church (82%). Even if the level of EU knowledge is relatively low, statistically, the respondents with higher levels of information are the ones most supportive of the integration process. EU is frequently associated with freedom of travel and work (64%), economic prosperity and peace being on the second place. On the negative side, EU membership is associated with great concerns concerning the unemployment and price increases. Romanian’s expectations are also very high, most of them considering that EU will play an active role in fighting terrorism (70%), foreign affairs (64%), and economic situation (64%), combating organized crime (62%), etc. Young people manifest the highest trust in the integration

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and there are also the most optimistic (78% believe that their life will improve in the next 5 years).

Anyway, this unreserved enthusiasm might become a real challenge after the accession. Some analysts consider that the society is hardly prepared to embrace the principles of the new administration and that Romanian companies are not aware of the challenges ahead. With only 4% of them fully informed on the *acquis* (a decrease compared to 7% in 2003), they exhibit the lowest share among the ten countries, whereas more than half the companies did not start organised preparations yet which again ranks Romania last among the surveyed population (CAPE, 2004).

Beyond the role of the EU membership as an anchor for continuation of economic and democratic reforms, there are also many other aspects which might be observed from those related to the NMS's presence on Internal Market, the increasing of the amount of FDI or a more favourable business's environment to a new presence in the international arena and in international organizations (such as WTO, OECD, World Intellectual Property Organization, etc).

However, Romania's membership becomes effective at a time when EU faces with an historic crisis and needs dramatic internal changes. Therefore, one question is how and to what extent the Romanian membership could influence the development of EU. Although, owing to its limited economic size, Romania's economic impact on EU should be marginal, from political and strategic stand point Romania might represent a significant member, an important geographical link between EU and the West Balkans, Republic of Moldova, Ukraine or the Black Sea. Thus, due to their historical cultural and political characteristics, Romania could represent a valuable bridge between EU and Eastern Europe (particularly with the Republic of Moldova) especially in promoting the “*European Neighboring Policy*” (ENP), a policy which try to “export” stability to and create incentives for political and economic reform in neighboring countries without an offer of membership (see EIR, 2005c).

Romania and the challenges of Lisbon Agenda

At the beginning of the '90s, EU clearly revealed a great interest in increasing its competitiveness, taking into account the assessments of the EU economy ranking in the global context as well as the challenges of the New Millennium¹⁵. **The Lisbon Agenda** was the Europe's answer to the competitive challenges coming from low-cost countries (especially China and India) and high-quality suppliers abroad (namely from US). A key part of this agenda was the completion of the internal market, especially for services, (which account for about 70% of employment and GDP) but also the preparing of transition to a knowledge-based economy and society by better policies for the information society and R&D, as well as by stepping up the process of structural reform for competitiveness and innovation and by completing the internal market. Moreover, the

¹⁵ European Commission, *An industrial competitiveness policy for the European Union*, Bulletin of the European Union, Supplement 3/94; The European Commission, *White Paper on Growth, Competitiveness and Employment, the Challenges and Wages forward into the 21 sty century*, COM (93) 700 final, Brussels, 5 dec. 1993, Chap. 2: “The conditions for growth and enhanced competitiveness ”European Council, 23 and 24 March 2000

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Lisbon Agenda was to be complemented by structural reform on the national level, especially in the area of taxation, labor market and regulatory policy.

Although in March 2000, when the Lisbon Agenda was launched, the program once referring only to the 15 member states, more recent evaluations concerning the degree of achieving the Lisbon objectives include the new and the future member states (like Romania). The main findings of periodical evaluations on competitiveness, as they appear in European Commission's reports on competitiveness, but also in some independent bodies' reports, like *World Economic Forum*¹⁶, refer both to the degree of achieving the Lisbon objectives (the 8 objectives) and to the EU situation compared to the USA.

Different reports of the EC or prepared by independent experts (CE, 2003, CE, 2004, OECD, 2004, Ederveen, S. et al, 2005, Gross, 2005) have shown that the overall performances of the MS are disappointing¹⁷. While some MS have very good results (e.g. the Nordic countries), several others are considerably lagging behind. European Commission identifies the main causes which have led to the present situation, respectively: the maintenance of some barriers within Internal Market, the weak reaction of the business to the introduction of *Euro*, the insufficient highly qualified labour force, the low funding for the universities, but also their weak connections with the business environment, and the weak entrepreneurial culture.

We have to notice that even if in Romania the Lisbon Agenda theme is not a very well debated one, some distinctive initiatives tried to raise awareness among both Romanian political class and society¹⁸. The relative lack of interest for this kind of subject was essentially determined by the specific characteristic of this strategy, which focuses mainly on the benchmarking process, using a number of indicators for a comparative perspective, but not on compulsory interventions. Moreover, the Romanian's date for EU accession (2007) was not in peril by the unfulfilled Lisbon targets since the failure in complying with Lisbon targets did not attract direct negative consequences of administrative nature.

¹⁶ Following this particular goal, the WEF based its analysis on two synthetic indexes: the Growth Competitiveness Index, in the last report applied to 116 countries, and the Business Competitiveness Index, which is a synthesis of empirical researches' results based on a questionnaire on investors' opinions about the business environment

¹⁷No EU country reached the maximum points for any competitiveness indexes. The countdown, based on medium points, is as follows: three Nordic countries (Finland, Denmark, Sweden) ranked in the first positions, in the middle we find United Kingdom, Netherlands, Germany, Luxembourg, France, Austria, Belgium and Ireland; at the lowest level we find the Southern countries (Spain, Italy, Portugal and Greece). The European Union not only has not achieved the objectives on competitiveness but, it is still a heterogeneous area in terms of performance level established at Lisbon. In the same time, in each country, we can identify certain gaps in terms of performance levels. These gaps suggest that the EU policy refers only to the common aspects, the member state being responsible for identifying the specific measure in the vulnerable domains.

¹⁸ A number of independent reports assessing Romania's economic performance have been published since March 2004: the first analysis provided a scorecard based on a brief evaluation of the main objectives set in the Lisbon Agenda, the second (November 2004) focused more on Romania's competitiveness challenges, while the third (October 2005) and the fourth (November 2006) examines the progress made in specific areas of Lisbon agenda.

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The World Economic Forum’s reports (*The Lisbon Review 2004, 2006*), analysing eight objectives of the Lisbon Strategy, reveals that Romania, with a score of 3,35 points out of 7 in 2004 and 3.59 in 2006 ranks on the final positions among the new member states/former acceding countries¹⁹. The lowest scores were registered for *Innovation, Research and Development* and *Information society* index, and the best for *Business environment for enterprises* and *Financial Services* index. According to the same analysis, the top positions of the Nordic countries are attributable to strong performances in all areas, particularly in innovation, social inclusion and sustainable development.

The evaluation of the *Group of Applied Economics* (2004, 2005, 2006) focuses on the measurement of the scores in five fields of interest. The GEA’s studies reveals the lagging behind in terms of different specific indicators. Still, it is worth mentioning again that the vast majority of the EU-27 countries did not fulfill, at halfway period (2005), a mere third of the targets set for 2010. Comparing Romania’s performance to the EU average, as well as to cohesion countries (Greece, Portugal, Spain), new member states (Poland) and acceding countries (Bulgaria), one should notice could notice that Romania is generally underperforming when compared to EU average, but it has, especially on social inclusion indicators, similar or better performances comparing with cohesion countries or with Poland or Bulgaria (see Table 3).

Table 3 Structural indicators for Romania and selected EU countries for 2004

	EU 25	EU 15	Romania	Bulgaria	Poland	Greece	Portugal	Spain
GDP/capita in PPP	100	109.0	32.9 (36% in 2006)	31.1	47.9	82.3	74.8	98.4
Labor productivity/ person employed	100	106.6	37.4 (40.7 in 2006)	31.8	60.7	97.5	68.8	99.3
Employment rate	63.3	64.7	57.7 (57.6 in 2006)	54.2	51.7	59.4	67.8	61.1
Gross R&D expenditure (%GDP)	1.95	2	0.4 (0.63% in 2006)	0.5	0.59	0.62	0.79	1.11
Long term unemployment rate	4.0	3.3	4.2 (4.4% in 2006)	7.1	10.2	5.6	3.0	3.5

Source: Adapted from GEA reports (2004, 2006)

It is obvious that even if since 2000 Romania has made significant progress at GDP per capita at PPP and labor productivity per person, it still lags very much behind the EU average (but above Bulgaria) at very important indicators. Moreover, a substantial part of the progress made in terms of GDP was due also to the strong real appreciation of the national currency against Euro in the last years, while the progress made in labor productivity can be explained partially by the decrease in employment. On the other hand, Romania has stagnated at employment rate and long term unemployment. Moreover, the relative high level of employment is partly due to statistical reasons (farmers are accounted as employed, although their monthly incomes are generally lower

¹⁹ On the last position among the new member states / former acceding countries is placed Bulgaria with 3.25 points in 2004 and 3.31 points in 2006.

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than the minimum wage and people working abroad are missing from statistics). The relative low level of long term unemployment can be explained by a combination of hidden unemployment, due to structural reforms, massive emigration from the pool of working age population (1 in 5 households in Romania has at least one member who emigrated, temporarily or permanently in the last 15 years) black economy and statistical reasons. On the other hand, the „*Gross R&D expenditure*” (as % in GDP) has improved (from 0,4% in 2004 to 0.63% in 2006) even if its composition has not met yet the Lisbon targets (now 60% of Gross R&D expenditure is from public sources compared with only 30% required by the EU standards).

An EIR study (EIR, 2006b) analyses the performance of the EU-27 countries (the current 25 members plus Romania and Bulgaria) in the context of the LA, especially regarding the target set for public and private spending designated to research and development, while considering all matters from an institutional perspective and asking if the national institutional design for research and development activities matter in achieving the LS targets. The need of public policy actions regarding the institutional framework, the governance mechanism and the support measures sustain the conclusion of the CREST Report (2005). The latter one identifies a number of shortcomings on the Romanian innovation policy among which the uncertain role and the lack of efficiency of the industrial national institutes, a low interaction between universities and industries or the lack of an ex-post evaluation for financed programmes or of impact analysis.

The assessment of the policies related to Lisbon Strategy in the field of R &D (R&D and Innovation Policies in Romania, 2005) made by a group of EU experts from the European Commission - DG Research has revealed the following: although, Romania’s efforts and commitments in this field are appreciated, big differences can be identified between Romania and the EU. More precisely, despite the great number of research centres, there is a weak participation of Universities to fundamental research and weak orientation towards R&D applied in the industry, respectively, the weak orientation towards high-tech industries. Consequently, all these evolutions might explain the low number of domestic innovations. It is highly appreciated that the *National Plan for Development* (2007-2013), which formulates objectives connected to the Lisbon strategy, respectively the *New Plan for RDI*, starting from 2005, has introduced the creation of technological platforms at national level and launches the programme for the creation of *Excellence Centres*. The financial resources - in 2007, 1% of GDP and in 2010, 3% of GDP - are considered as insufficient for achieving the ambitious objectives of the plan, especially in terms of human resources in the field. The involvement of the private sector in supporting RDI is very weak, revealing the lack of a proper supporting policy in the field.

However the national performances, priorities and/or needs of a specific country must be analysed according to its level of development. Thus Romania’s performance concerning Lisbon targets must be seen in the context of an emerging economy. Judging by Porter’s development stages model, Romania is nowadays advancing from a *factor based economy* to an *investment-based economy*. For an emerging economy knowledge diffusion is arguably more needed than knowledge creation. While the OMS are mainly concerned with economic growth, job creation or allocation of more resources for research and innovation, an emerging economy has to concentrate on modernisation of its economic structures through foreign investments (especially in infrastructure) before

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jumping to competitiveness through innovation. In other words, for the time being, Romania has to deal with important economic development problems such as the significant need of investments in infrastructure, continuation of restructuring process (including job destruction), the wage control, consolidation of disinflation process or the improving of the business environment's quality (*investment-based economy*). Moreover, Romania is still in a particular position, investors being attracted by the presence of cheap resources (*factor-based economy*). In these conditions, the need for continuation of the structural reform process in Romania might explain why some of the Lisbon targets seem to be less realistic for current Romania's level of development.

Nevertheless, for Romania as well for the other new member states, the evaluation under the LA objectives is obvious needed not only to find out where the country is placed at a specific moment compared to the other countries, but also because the Lisbon targets might support the Romania's progress towards the EU direction in the field of competitiveness. On the other hand, the catching-up objective requires a stable macroeconomic environment and also productivity gains both through technology assimilation and efficiency gains. The time interval covered by the Lisbon Strategy (2000-2010) also includes 3-4 years of Romania's post-accession period. According to a GEA report (Daianu, coord, 2006), the Lisbon process might contribute to the Romanian's macroeconomic stability firstly, by supporting the reduction of structural trade deficit over the long term (more intense research and innovation might increase the value added of domestic production and support the export-oriented activities), secondly, by ensuring a better access to education and knowledge which can help increasing saving and investing behaviour and thirdly, by diminishing individuals' propensity to migrate, supporting the active employment and social inclusion policies.

Concerns regarding Romanian' absorption capacity

The structural assistance contributes to the integration of the accession countries in the EU structures and also has a significant impact on their structure of trade, capital and labour flows. For this assistance to have the expected influence on their economic performance, a preliminary condition to be met is to ensure a high absorption capacity of EU funds. However, the previous experiences in development of the EU regional policy and utilization of the EU Funds, from the initial stagnation of Greece to the astonishing success of Ireland, underlines the significance of EU cohesion policy (and equally of structural funds) and domestic policies (from macroeconomic policies, exchange rates, foreign investment policies to the the rule of law in fighting against corruption).

The accession to EU of the two new member states, Romania and Bulgaria, in January 2007, increases much more the regional heterogeneity within the EU. Thus, using as indicator the level of GDP per capita, in PPP, the 27 member states might be divided into three categories of development²⁰: first group of 12 member states with a GDP/capita largely above the EU average (10% and over), the second group, of 7 countries, with a GDP/capita between 68% and 94% of the EU average and the third group which includes 8 countries (6 of the 2004 NMS plus Bulgaria and Romania) with a GDP/capita below

²⁰ The income disparities between EU's member states will increasingly widen, the GDP per capita (measured in PPP) ranging from around 35% of the EU-25 average in Romania and Bulgaria to 220 % in Luxembourg.

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60% of EU average. Consequently, during the 2007-2013 programming period, in a EU with 25 members the *Convergence objective* would cover 86 regions, representing 140 milion people (31% of the EU-25 population) while in a EU with 27 memebers, 100 regions, representing 170 milion population and respectively 35.1% of the EU-27 population.

In the first ten years of the latest enlargement process, the PHARE programme²¹ was used to fund different national projects. The PHARE support over 1990-1998 period of nearly 9 billion euro represented a significant volume of financial assistance, although, compared to the needs of candidate countries it was still relatively small. Thus, the Berlin European Council decided in 1999 to double the pre-accession aid from the year 2000 on. Since 2000 the pre-accession financial instruments have been allocated about 3 billion euro per year (1,5 billion for PHARE, 1,04 billion for ISPA²² and 0,52 billion for SAPARD²³ programmes). For the period 2004-2006, in the case of the ten new member states, the Copenhagen Council finally opted for an envelope of almost 22.8 billion euro for the Structural Funds and the Cohesion Fund (the method of allocation appropriations proposed by the Commission and based on a strict application of the *acquis communautaire*).

During the same period (2004-2006), Romania and Bulgaria have continued to receive significant EU funds through PHARE, ISPA and SAPARD programmes, respectively 3 billion for Romania and 1.3 billion for Bulgaria (Table 4).

Table no 4 Pre-accession funds for Romania and Bulgaria (euro million)

Country	2004	2005	2006	TOTAL
Romania	948	1026	1104	3078
Bulgaria	406	440	474	1319

Source: Financial Statement Annexed to “Roadmap for Bulgaria and Romania”, www.europa.eu/inforegio

As we have already mentioned, the expected results concerning the economic performance could be achieved only ensuring a high absorption capacity of the EU funds. A European Commission report (EC, 2005) has demonstrated that the PHARE funds allocated by country between 1990 and 2004 were contracted in proportion of 80.3% and effectively paid in proportion of 69.4% .

Tabel no.5 Phare funding by country between 1990-2004

Partener country	Commitments	Contracts	Payments
Bulgaria	1792,15	1313,36	1120,22
Czech Republic	898,24	730,86	674,87
Estonia	337,44	268,96	254,42
Hungary	1462,59	1341,13	1174,57
Latvia	410,84	330,82	313,30
Lithuania	797,00	750,53	654,92
Poland	3930,96	3292,59	2856,95
Romania	2723,40	1860,11	1559,37
Slovakia	702,30	585,7	491,40
Slovenia	351,64	278,49	255,64

²¹ Originally, PHARE = Poland and Hungary Assistance for Restructuring of Economies

²² ISPA = Pre-accession instrument for transport and environment infrastructure improvement.

²³SAPARD = Special Accession Programme for Agriculture and Rural Development

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<i>Czechoslovakia</i>	231,40	230,82	228,88
<i>East Germany</i>	34,40	28,80	28,80
<i>Multi-country programmes</i>	3005,90	2382,52	1959,91
TOTAL	16677,50	13395,73	11573,29

Source: Commission, Annex to the Communication from the Commission. Fourth Progress Report on Cohesion: Growth and Jobs and the Reform of European Cohesion Policy, COM(2006)281 final, SEC(2006)726, Brussels, 12.06.2006

In the new programming period 2007-2013²⁴, according to the financial framework decided by the European Council in December 2005, the new member states would have to continue to be net beneficiaries of the EU budget. Anyway, the structural assistance will meet the expected results only if a high absorption capacity – at macroeconomic, administrative and financial level – will be ensured. However, the *ability* of the new member states to fully benefit from the EU transfers has been limited due to certain agreed reforms and transitional arrangements. Thus, for the period 2000-2006, the European Council of Berlin decided that for the new member states the receipts from the EU budget cannot exceed 4% of their GDP. For the period 2007-2013, according to the Presidency Conclusions from 15 and 16 December 2006, the maximum level of transfers to individual member states will be reduced, from 4% to 3.71 and 3.2% (and below) depending on national GNI per head.

A significant number of studies and reports prepared and/or published by the European Commission have focused on the effects of the EU structural policies on social and economic cohesion and real convergence between regions and member states. Thus, a study developed by ECORYS-NEI in 2002 upon EC’s request and based on a broader analysis of four country studies (Ireland, Spain, Portugal and East Germany’s Lander) and five sectoral issues (management, programming, implementation, monitoring and evaluation, financial management and control) has defined a set of key indicators, benchmarks and baseline indicators for candidate countries. According to the ECORYS NEY Report, **the absorption capacity** may be studied either as macroeconomic capacity - defined and measured in terms of GDP levels, administrative absorption capacity - defined as the ability and skills of central, regional and local authorities to prepare acceptable plans, projects in due time or financial absorption capacity - meaning the ability to co-finance EU-supported programmes and projects.

During 2007-2013 programming period, Romania will be eligible under two objectives, *Convergence* and *European Territorial Cooperation* and might receive around **30 billion** euro (about 17 billion for *Structural Intervention* and 13 billion for *Agriculture and Rural Development*).

²⁴ Under the new financial framework 2007-2013 the SF will support the pursuing the Lisbon goals (expenditure concentrated on Lisbon objectives) and focus on: *Convergence*, the purpose being to speed up the economic convergence process of the less developed regions by improving conditions for growth and employment through investment in human and physical capital, innovation and development of knowledge society, encouraging the adaptability to economic and social change, protection of environment, improving the administrative efficiency; Regions with a per capita GDP less than 75% of the average EU; *Regional competitiveness and employment* [for the rest of the Union, regions not covered by the Convergence objective]; *European territorial cooperation*, for strengthen cooperation throughout the Union (cross-border cooperation, transnational cooperation or networks for cooperation and exchange of experiences)

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Table 6 **The allocation of Structural and Cohesion Funds, 2007-2013**

Convergence objective: 16,8 billion euro

- *Competitiveness: 2,24 billion euro*
- *Transport infrastructure: 4,01 billion euro*
- *Environment infrastructure: 3,96 billion euro*
- *Regional development: 3,27 billion euro*
- *Technical assistance: 0,15 billion euro*
- *Human resources: 3,05 billion euro*
- *Administrative capacity: 0,18 billion euro*

▪ **European territorial cooperation: 0,394 billion euro**

Therefore, one decisive issue for Romania’s economic and social development as a new member state will be how to *increase its capacity to absorb the Structural Funds* and how to reflect these financial transfers in the amelioration of regional disparities (not only in Romanian but also in European context²⁵).

A recent study developed under the auspices of the European Institute of Romania aiming to analyse the administrative capacity of absorbing the post-accession EU funds has revealed that this capacity is still insufficient, due to significant and numerous weaknesses which must be tackled in the period of time before accession (EIR, 2006a).

Table 7. Evaluation of the absorption administrative capacity in Romania

	Design			Total
	Structure	Human resources	Systems and instruments	
Management	A (95%)	C (54%)	C (50%)	C (72%)
Programming	C (50%)	C (50%)	C (60%)	C (52%)
Implementation	C (69%)	D (49%)	D (36%)	C (53%)
Total	B (76%)	C (51%)	D (45%)	

Note: A: Strong capacity: system ready for the Structural Funds (at least 90%);
 B: Sufficient capacity, but weak points should be addressed (75-90% from the maximum score);
 C: Capacity not sufficient yet, serious weaknesses must be addressed (50-75%);
 D: Insufficient capacity, there is no base for administrating the Structural Funds.
 Source: EIR, 2005.

In this context, the evaluation of Romania’s administrative absorption capacity at approximately one year before accession (see Table 7) revealed that this capacity was still at the beginning of its building-up process. Though, the comparisons with other former candidate countries – currently EU members at almost the same time before their accession demonstrated that the problems still unsolved could get an answer until accession and the delays could be recovered.

One of the most important problems that still need to be solved in relation with increasing and strengthening the administrative capacity, refer to employing an extended partnership framework, promoting a continuing education and training policy, elaborating and

²⁵ Anyway, as many studies have already pointed out interregional disparities in Romania are neither bigger nor smaller than in many other European countries. Though, the situation is by far much worse when the intra-regional disparities are taken into consideration. For example, there are many cases of big differences between counties within the same region in terms of unemployment rate.

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properly applying work procedures, etc. In another register, an efficient pipeline and co-financing capacity needs to be ensured in order to maximize the absorption of the EU funds. A sound financial management and control for all operational programmes is also required, as well as the implementation and the testing at an early stage of corresponding procedures.

Conclusions

The economic and political impact of accession is undoubtedly significant. Nevertheless, as previous enlargement demonstrated, it's expected that the overall benefits of the integration would differ from one country to another or from one region to another, not only quantitatively but as well in timing and intensity. Most of the academic studies suggest the positive effect that the eastern enlargement will have on the *economic growth* especially through the deepening of the competition and the increasing intensity of the activity on goods, services, labour and financial markets.

Moreover, Romania membership will become effective at a time when the EU should deal with an historic crisis, imposing significant internal changes. A list of current conflicts within the EU would include, firstly, *the institutional issues*, closely related to the efficiency of EU policy-making process (more or less, addressed by the almost dead Constitutional Treaty), the *lack of competitiveness of EU* (problem that led to the elaboration of *Lisbon Strategy* in 2000) and, last but not least, the *globalization challenges*. Most part of all these problems will be deepened by the current wave of enlargement, the economic and social divergences between new and older member states increasing the urgency to reform both some of the main EU policies and the financial framework of the EU policy-making.

Therefore, the main question arising is how and in what extent the Romanian membership could influence the development of EU. Although, owing to its limited economic size, Romania's economic impact on the EU is rather marginal, from political and strategic stand point Romania represents an important member, a significant geographical link between EU and West Balkans, Republic of Moldova, Ukraine or the Black Sea.

One of the obvious enlargement's opportunity derives from the chance Romania has to integrate in a community built on shared values such as democracy, respect of human rights, solidarity and cohesion, equal opportunities and fight against all forms of discrimination, universal access to education and healthcare, quality of life and quality in work, sustainable development and involvement of civil society, all of these representing a choice in favour of a social market economy²⁶. At the same time, the challenges might come from the speed in the process of economic reform, adopting and implementing EU legislation, strengthening institutional capacity, etc, all in all in increasing the speed of the catching-up process.

²⁶ This choice is reflected in Treaties and secondary legislation, as well as in the European Convention of Human Rights and Charter of fundamental rights.

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The general conclusion is that the enlargement might not produce major negative effects for the NMS or EU since the new member states had passed through intensive preparations during the pre-accession phase. Moreover, the perspective and then the status of the EU membership represent a real anchor in ensuring the continuation of economic and democratic reforms in NMS. Consequently, the medium term prospects for Romania are highly positive, accession being generally close related with an improvement in growth rate, foreign trade and FDI. At the same time, the Lisbon Agenda and the absorption capacity regarding the EU funds will continue to represent two of the biggest challenges both for Romania and EU.

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