

THE IMPACT OF ROMANIA'S ACCESSION TO THE EUROPEAN UNION

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Abstract:

Most of the costs arise from the differences in institutional structures, priorities and content of economic policies in Romania, on the one hand, and defining elements of the Community model, on the other side. EU accession has involved adopting this model and replacing the national one and, consequently, costs of adoption / to ensure compatibility / convergence in this respect. Also, in sectoral perspective, most of the costs arise from the low level of development of some sectors compared to the EU ones, which makes the adoption of the communitarian acquis to seriously affect the price competitiveness of the sectors concerned and raise costs of the alignment and disappearance of certain companies or industries that cannot financially support the transposition of the communitarian acquis.

In terms of costs to be incurred to bring the Romanian economy and society with European standards, we should note that these efforts are inherent in Romania, they are not determined arbitrarily by European Union requirements, but the price is essential for economic recovery and reform of the country in general.

Keywords: *costs, benefits, membership, economic policies, sectoral policies*

INTRODUCTION

Romania's EU accession on January first 2007 constitutes a milestone in the history of the nation. It is a time for which the whole Romanian society has been mobilized for more than a decade.

A post-2007 strategy is also needed to identify the role and position of Romania in a Union which is at a crossroads and to identify and exploit opportunities that are opening to Romania.

Development of the post-accession strategy is an approach of self-definition that will show both European partners and the citizens of Romania the profile, expectations and the value-added of our country within the EU, but as well as the integration objectives. Fulfilling obligations within the European Union, promoting national interests and identifying current priorities are essential in view of Romania's image as a trusted and active partner in the EU.

CONTENT

EU conditionality is essentially an institutional arrangement, a rule, a standard of behavior that allows the connection between the benefits of belonging to a regional economic grouping, such as the EU, in compliance with the requirements and principles imposed by membership. The European requirements induce institutional changes in the content of economic policies in the Member States to the extent in which between the rules, the adoption and content of national policies, from a national level and from the European one exists disagreements. (Hughes J, Sasse G, Gordon C, 2002). These adjustments entail costs for candidate countries and the benefits derived from EU membership can be highlighted and maximized to the extent that there is a high degree of compatibility / convergence between policy and institutional framework for the adoption of these policies at the national level, on the one hand and European institutional model policies and adopting these policies, on the other side.

European conditionality contained in the Copenhagen criteria for membership is an important driver in ensuring the convergence. European accession conditionality and their implications in terms of cost-benefit analysis should not only be after their acquisition by Romania's European Union membership, but prior to accession. Such an approach is justified because the analysis of the transition period in Romania, as well as studies on other candidate countries reveals that economic policies, redefining the institutional and strategic objectives of all governments have had as a sole determinant the EU membership, which in the concrete plan involved efforts to comply with European benchmarks contained in the Copenhagen criteria.

One of the most important elements (formal) of European conditionality, with obvious implications in terms of cost and benefit is expressed through the legal criterion, assuming that the relevant communitarian acquis in the adoption of sectoral policies and with implications on the competitiveness of Romanian companies. Focusing on this requirement - in addition to the economic one - is justified in terms of:

- adoption of the communitarian acquis has required the adoption of rules and objectives, as well as of the institutional model that the EU has designed for development of sectoral policies, the European factor prevailing over national elements;
- adoption of the communitarian acquis has not only involved transposing the EU regulation into the Romanian one, but their implementation as well, and it is an approach which had to be made prior to accession to the EU itself, which implied that EU membership has generated cost and benefits, both pre and post accession;
- The acquis includes rules that impact the competitiveness of Romanian companies, creating new conditions for the conduct of their businesses.

It should also be made clear that this paper will not focus on the other two criteria (political and administrative) because a large part of the conditionality imposed by these criteria would have existed in the absence of EU accession, being essential for the transition period. The existence and stability of democratic institutions of the state; providing administrative prerequisites needed to create a functioning, competitive, etc. market economy are defining aspects of the transition; changes induced by following these imperatives would have existed in the absence of EU accession, the difference is within the timeframe allocated for their

implementation (EU accession has accelerated this process by committing the Romanian authorities to a date limit of accession, respectively 2007). In terms of legal criteria, the adoption of the communitarian *acquis*, it has a direct and obvious impact because it imposes the priorities, objectives of the content and an uniform institutional framework for the adoption and implementation of national economic policies, community interest and model prevailing in this equation. In this context, it is clear that the criteria for membership and thus accession of Romania to the European Union have involved a wide range of economic and political *transformations*.

	Direct impact	Indirect impact
Economic	<ul style="list-style-type: none"> -Removing barriers from trade -The application of Community provisions on competition (with obvious effects on the business environment) -Implementation of the CAP instruments in agriculture -Access to structural funds 	<ul style="list-style-type: none"> -Reorientation of trade flows (creation and diversion of trade) -Industrial and agricultural restructuring -Regional implications -Accession to the EMU convergence criteria (Maastricht)
Political	<ul style="list-style-type: none"> -The prevalence of Community law over national one; -Direct applicability of EU law; -Amendments to the Constitution and the constitutional status of the national parliament; -Representation and participation in community decision making 	<ul style="list-style-type: none"> -Reorientation of foreign policy (including trade diplomacy) -Changing the way of developing and implementing government policies; -The emergence of new patterns of interest representation at the company level

This paper does not propose an inventory, in an exhaustive manner, of the transformation and effects induce of Romania's EU accession, but to quantify and analyze them in terms of *costs and benefits* generated.

In terms of costs directly related to EU membership and that Romania supports are, in fact, costs of modernization of Romania, which would have been made anyway, even without community support, where we have not be integrated. Can we say that we invest in freeways because we are integrating, or would be, in fact, correct to say that we want better roads, that are contributing to the economy and thus to create new jobs? Can we say that investments to reduce pollution or improve drinking water quality are made for the sake of the European Union? I think it would be fair to say that we ourselves are keen to have better water and a cleaner environment for everyone. Similarly, I believe that each of us want that all hygienic conditions to be met by slaughterhouses and dairies, in order to ensure food safety. So, most of the costs of joining are considered related to the improvement of our life. They should have been done anyway. Now, they are supported by EU funds. For example, environmental costs have been assessed, for the next 20 years, to about 29 billion Euros. These will be covered from the central state budget and local budgets but also from companies. During 2005-2025, Romania will allocate about 1% of GDP annually for environment and transport, and the European Union, 1.7% of GDP Romania's. It is true that to the amount offered by the European Union we must add a co-financing as well.

This does not mean a contribution to the Community budget, but it is an investment in development projects in Romania. Certainly it would not have been more bearable for the population if we had to make these investments with 100% Romanian funds.

Thus, Romania's contribution to EU budget is approximately 2.5 billion Euros in the period 2007-2009 (800 million in 2007, 900 million in 2008 and 2009).

Co-financing is not a contribution to the Community budget. This money does not leave the country, but here are invested in projects for the modernization of Romania (roads, sewers, modernization of farms, businesses, jobs, etc.). But Romania has received from the Community budget, in the same period (2007-2009), 11 billion Euros, of which 6 billion payments, while the rest of payments will be done as the projects unfold.

Probably the only costs that may be associated strictly with integration are closely related to the creation of specific institutions: the management of EU funds, in agriculture, etc. But the benefits brought by this management system of European financial inflows are exponentially higher reported to costs.

And there would be something more: the money costs, that must be accepted, as I said, as costs for growth or development / upgrading, are producing medium and long term effects, much amplified for every euro spent. And anyway, the benefits of integration should be evaluated also at the level of non-monetary effects: economic behavior change, now based largely on moral hazard, increasing technological, economic and trade competitiveness, improving business environment, in terms of predictability and risk reduction of uncertainty. And perhaps the most important benefit is the possibility for Romania to participate actively in drafting the new communitarian acquis, so that maximum will be served in our country's interests.

It is clear that adjustments in the institutional, economic and social plan caused by Community rules and policies are generating costs.

In terms of costs to be incurred to bring the Romanian economy and society with European standards, we should note that these efforts are inherent in Romania, they are not determined arbitrarily by European Union requirements, but the price is essential for economic recovery and reform of the country in general.

The main categories of costs directly related to joining the European Union may be categorized as:

- *costs of adopting the EU rules and policies* (communitarian acquis), being included in this category: the cost of creating or modifying the institutional framework for their implementation, human resources training costs of these structures, costs of assuming the objectives of communitarian economic policy (which, depending on field characteristics and / or time, they may involve high costs for short periods of time, obvious in areas where short-term priorities of the two partners, Romania and the EU, were different) etc. Most of these costs have been focused on the period before actual accession.

- ***costs of compliance and implementation of standards defined by European standards and policies*** – it has been tried to quantify the efforts required for compliance in the fields covered by the communitarian acquis. These costs have occurred both at the institutional level (public authorities) and micro-economic level. This category also includes costs in specific areas such as upgrading transport infrastructure, labor and social protection standards, consumer protection, quality standards, environmental standards, etc. This category also includes the costs derived from the processes of liberalization of the movement of goods, services, persons and capital. Most of these costs are obvious at the micro-economic level and have the ability to affect the competitiveness of Romanian companies. Distribution in time (before and after accession) of these costs is difficult, given that their materialization occurs with the implementation of EU rules.

- ***costs of becoming a member of the European Union.*** These costs have materialized when we joined the European Union and include: EU budget contributions, participation in E.U. institutions, etc. A small portion of these costs, as volume, can be highlighted before actual accession and is composed of Romania's contributions in the form of co-financing to European Union programs in which they participate (i.e.: Phare, SAPARD, ISPA, Leonardo da Vinci, FP6, etc.).

- ***costs of modernizing the Romanian economy.*** Costs included in this category are directly related to the modernization of productive capacities, competitiveness of Romanian products and services to cope with competitive pressure from the European Union. Most of these costs are positioned, in time, prior to accession. In this category of costs are included: costs strictly related to the modernization of production capacities in sectors of the economy (increasing technology, increasing product quality and services provided, etc.), not being included and cost of upgrading the production equipment to ensure production, environmental, safety, etc standards imposed by the European Union; these being included in another category in the typology proposed by this study. Costs in this category refers to 'compulsory investments' or economic and social development of Romania and is difficult to separate evidence of the modernization costs directly related to the accession to the European Union and those imposed by the transition period.

Most of the costs arise from the differences in institutional structures, priorities and content of economic policies in Romania, on the one hand, and defining elements of the Community model, on the other side. EU accession has involved adopting this model and replacing the national one and, consequently, costs of adoption / to ensure compatibility / convergence in this respect. Also, in sectoral perspective, most of the costs arise from the low level of development of some sectors compared to the EU ones, which makes the adoption of the communitarian acquis to seriously affect the price competitiveness of the sectors concerned and raise costs of the alignment and disappearance of certain companies or industries that cannot financially support the transposition of the communitarian acquis.

Quantifying the costs of Romania's EU accession is a difficult endeavor, even in the conditions in which Romania is an EU member since January 2007 due to the high dynamics of economic, political and social transformations within European Union. It is always possible to change certain economic policies, mechanisms for implementing these policies or objectives in the European Union, such a scenario being plausible and because of the accession on May first 2004 of the 10 countries, which can be a factor likely to create pressures for such adjustments.

It should also not be denied the positive effects of EU conditionality compliance. One of the important benefits of Europeanization is the financial and technical assistance granted to Romania by the European Union to create legal and institutional framework necessary for the proper functioning of the economy (i.e.: Copyright Office Building, the Competition Council, customs legislation, environmental standards etc.). Also, accession to the European Union and therefore respecting the conditionality imposed, have a beneficial effect, in the sense of accelerating economic reforms and adopting the necessary measures for economic growth and increased competitiveness of Romanian companies. The main benefits of Romania's accession to the European Union can be classified as:

- ***supplementation and diversification of financial resources.*** The EU membership of Romania provides access to structural and cohesion funds. The volume of these transfers of funds to Romania cannot be assessed at this time (and hence any effects thereof), the national financial allocations from the Structural Funds being subject to the period from 2007 to 2013 which is ongoing. Some of these benefits can be highlighted before the moment of accession and it captures the positive effects and total of funds input through pre-accession financial instruments.
- ***benefits derived from membership.*** These benefits have occurred after the EU accession and are derived from participation in the single market, economic and monetary union, and better support of national interests by participating in EU institutions, etc.
- ***accelerating reforms and support of the transition by providing the basic elements for defining national economic policies.*** Transition from command economy to market economy has no historical precedent. In these circumstances, for the entire transition period, until the accession, EU has provided to Romania a model for its economic policy (given the criteria for membership and wish to join the EU, this has meant, in most cases, even taking these objectives and policies in their entirety or copying policies of certain Member States, to the extent in which the policy is not communitarian). These benefits are difficult to estimate and may take the form of shortening the period of transition. Technical assistance from the EU to Romania in different areas is an example of benefit from this class.

Costs and benefits of EU membership can be expressed in the form of budgetary implications, as well. Obvious effects on the budget are in the following areas: contributions to the EU budget, CAP and structural funds (regional policy).

From the methodological point of view, it seems difficult to clearly distinguish between the effects of integration and the ones of the transition process. On the other hand, the dichotomy winner / loser are relative. Identification of a sector as a winner or loser in the integration process does not mean that the same can be said about any firm or individual in that sector. In addition, the sector analyze does not necessarily correspond to positive / negative influence on the welfare of the entire society. A loser sector can free up resources for other sectors, thus improving efficiency of resource allocation in the economy.

CONCLUSIONS

Integration is achieving the socio-economic convergence targets; set and updated periodically under the imperatives of the historical moment

In terms of modeling, convergence is defined by a set of indicators chosen to reflect the criteria that are beyond the requirement of convergence. Concrete definition of these criteria differs, however, not only from moment to moment, but also from one case to another.

Through its status of member state, Romania aims primarily to achieve the Copenhagen criteria, namely *"to establish a functioning market economy able to withstand competitive pressure and market forces within the European Union."* The European Union has passed to monitoring the progress in meeting the Lisbon criteria, aiming to become *"the most dynamic and competitive knowledge-based economy in the world by 2010, maintaining and even accentuating social cohesion."*

To summarize, I could list the main benefits obtained by Romania after EU accession:

- establishing a more stable political and economic climate that will help to stimulate sustained and sustainable development;
- greater stability and predictability to the business level
- increase economic competitiveness by stimulating local economic agents, meaning that they have increased productivity and efficiency by developing new products and services, introduction of modern technologies and reduce production costs to face increased competition on the single internal market;
- a positive impetus was given to trade as well, which has grown much faster, with both EU countries and the rest of the world;
- there was greater access to capital markets and European investment, to a wider and consistent range of financial resources, to the latest high-tech equipment and information systems, to the know-how of management and organizational techniques of the developed countries;
- Another important benefit was the presence of Romanian economic agents on a large single market and with a high absorption capacity;
- taking advantage of the opportunities of implementing the requirements of Economic and Monetary Union;
- with the integration in the mechanisms of the Common Foreign and Security Policy was increased the level of national security;
- Romania, as a full member, has the opportunity to participate directly in decision-making processes regarding the future configuration of Europe, has the possibility of greater "visibility" and better support for national interests not only at European level but also internationally (including the influential organizations, such as the UN or WTO, this due to its participation from the position as a EU Member State);

- with the integration in the European Union it has increased the prestige of the country and it has consolidated its status worldwide;

- Romanian citizens have acquired the rights arising from granted "citizenship";

- Romanian citizens have opportunities for professional development and access to the EU labor market.

At the same time should not be underestimated nor the positive impact of "respecting the European conditionality", both before and after accession. In this respect, among the important benefits of the effort to align with EU standards we could mention the following:

- Accelerating the pace of the reform on economic growth and increased competitiveness of Romanian companies;

- Significant financial assistance and advice given by the EU on improving legal and institutional framework such as the creation of the Competition Council, the adoption of new customs legislation or introducing new environmental standards.

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