

## INVESTIGATION OF THE COSTS AND BENEFITS OF ROMANIAN INTEGRATION IN EUROPEAN UNION

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*The aim of this study is to investigate the costs and benefits of Romanian integration in European Union. Starting from this idea, the paper presents the political and economic factors that conduct to the integration even that the economic growth is under the average of European Union member states.*

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### **1. Introduction**

Accession to the European Union (EU) involves certain impediments in the expression of freedom to act in foreign policy. The business environment will become more competitive, and the Romanian companies will have to lead a fierce battle with leading companies on the European states. European integration is, first of all, execution of joint projects with the EU, the Romanian entrepreneurs to develop partnerships with businesses across the EU. These projects could help to eliminate the technological gap that we feel towards the real convergence. There is, however, a danger that the Romanian economy will not face the European technology standards. Therefore, will be necessary important domestic investments both public and private.

The aim of the paper is to investigate the political and economic factors that conduct to Romania accession to EU highlighting the costs and benefits of this process. Section 2 presents the costs and benefits of EU integration focusing on the reasons of Romania in the EU's acceptance and effects, and the objectives pursued by the Romanian governments on long run. The main concluding remarks are included in section 3.

### **2. Cost and benefits of Romanian integration in EU**

After the fall of communism in 1989, many new countries became independent states and were classified by IMF as a transition economies. They were led by a single party, with a commercial autocratically a planned economy and common property in terms of production and land. Romania is unfortunately one of the countries that have suffered from the communist regime. But after 1989, Romanian governments tried hard to acquire a sustainable economic growth, political stability and maintain good international affairs. An important step in the deployment of the past was joining NATO in late March 2004. Position and air and naval base of the Black Sea are that Romania is attractive from this angle for the alliance, but also for the European Union.

Until 1990, the EU has been restricted to the western part of Europe. If the EU would not be opened to the east, would have created a large discrepancy between the two regions and probably would have been two different systems. But there is a big problem on the extension to be addressed: who should join and who should remain on the outside? One of the reasons for enlargement to the east is a moral, said Robert Schuman. A united Europe should be able to accept people from Eastern Europe and to help achieve the desired transformation.

In addition, a stable and secure political environment in the east was absolutely necessary for the future of the European Union. Political stability is a vital condition for economic development. Since the new developing countries could become areas of conflict would be affected and consequently also the rest of Europe, the EU should provide necessary help to build a democratic political system supported by law.<sup>92</sup>

Europe has a unique chance to avoid future conflicts, but the enlargement strategy should be subordinated to long-term objectives. Being based on common values and interests, the current expansion could be the path to stability and durable peace in Europe. But the diversity of economic, social, cultural and institutional, and economic differences and the transition may create some risks.<sup>93</sup> Developing countries in Eastern Europe modify the political balance and increase the asymmetry between member states. Differences in quality of life and economic problems have led to divergent in terms of interests.

The European Union is primarily a pawn in the international market of energy being the largest importer and second largest consumer in the world. Energy is an important factor in economic and geopolitical. However, the European Union is dependent on imports for half of this addiction and demand could reach 70% by 2030 if it does not take other measures. Depending on natural gas could reach 70%, oil at 90% for coal and even 100%. In this respect, the EU should also ensure access to these resources because they are vital for economic welfare. Most likely, the EU enlargement will strengthen this trend, despite the fact that the possibility of inviting countries with natural sources of energy (eg coal to Poland and Romania for oil and natural gas) or the possibility of including transitions countries.<sup>94</sup>

Among the reasons for increasing political community is worth mention access to energy resources, and Romania was able to take advantage of the favorable geographical position. Opening the Black Sea offers another advantage for the EU as strategic links between the European Union and NATO and other important regions: Middle East, Caspian Sea and even Central Asia. Black Sea is very important for energy security is situated at the intersection interests both political and commercial. Of course it is restricting the issue of oil and gas transportation from Caspian region to Europe and will certainly start a competition for control of transport and infrastructure.

The importance of Romania, situated in this region is very high considering the existing market potential and the fact that the country is a supplier of energy resources. Janusz Bugajski, director of Eastern Europe Project belonging Center Strategic and International Studies, said that Romania could play an important role in the distribution network between Central Asia and Europe, but European Union, although it tries to diversify energy sources, there are still a well-formulated strategy.

In the years that follow will be a tough challenge for the EU and U.S. to solve the security problem that may affect this area. European Union and the United States should cooperate closely with the region, especially with NATO forces and / or the EU Member States.

Black Sea is the point where some major powers, spheres of influence and security areas intersecting with political, military and ideological factors as well: EU, NATO, Russia and USA. To accelerate economic development, countries in the region should cooperate with one of the actors mentioned above.

In Romania, the general opinion was to support integration in the Union. According to Eurobarometer 64, autumn of 2005, 64% of Romanians had confidence in the European Union, compared with 62% in Greece and Portugal.

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92 Canbazoglu, R.G.; Kaiser, M. (2006). Where does Europe end: a political-economic approach to an enlarging United States of Europe? – International conference, The process of EU enlargement: today, p 6-8.

93 Pascariu G.C. (2001). A study on Romania's situation in the process of accession to the European Union, Centre for European Studies

94 Canbazoglu, R.G.; Kaiser, M. (2006), p.18

After 1993, the status of obtaining EU has become a priority for any Government. Unaffected by politics, all the leaders followed the same common goal: joining the EU. This can only materialize through the implementation of reforms and fulfilling the criteria of Copenhagen and Madrid as soon as possible. The integration in 2007 has highlighted certain advantages but also costs the country had to bear. I will summarize the costs and benefits of the next part.

As we mentioned above, the Romania has certain benefits and costs. There are at least three clear benefits of EU integration: security (economic, strategic resources), welfare (to participate in this framework is a select) and obtaining a higher standard of civilization. No Member State has lost those benefits after integration, the maximum benefit less than others. Among the main benefits obtained by European integration are:

- politico-economic climate is more stable contributing to sustainable growth and development;
- economic and business environment will become more stable and slightly predictable;
- increase productivity by stimulating local businesses - they will increase efficiency by developing new products and services, the introduction of modern technology and reducing cost of entry so we have the ability to compete on the European market;
- commercial trade will increase, both in the Member States of the Union and the rest of the world also;
- facilitate access to capital markets and investments in Europe to diversify financial products, Romanians will benefit from access to modern hi-tech know-how and organizational techniques that have already been successfully implemented in other countries;
- opportunities of the European Monetary Union;
- increase of national security;
- ability to participate in making decisions about the future of the European Union, also, Romania will follow his own best interests, both at European and global;
- country's public image has improved globally;
- Romanians enjoy the European rights;
- Romanians can access the labor market Europe, as part of accession;
- reforms designed to bring economic growth have intensified;
- Counseling at European level from different institutions, as result, the Competition Council and the Ministry for European Integration have been formed and adopted new standards on the environment.

Costs resulting from an attempt to bring Romania to the European standards are in fact the Romans price that they have paid for economic reform and to obtain a certain degree of development. According to economic theory, European integration has 4 types of costs:

- legislative and institutional costs generated by the need to implement the *acquis*, by the participation to the European institutions and the contribution to the EU budget. Implement the *acquis* means substantial investment in environment, agriculture, transport and in general, investments in those sectors where Romania is less developed in comparison with other countries;
- costs for production modernization. They are designed to increase productivity so that domestic companies to face competition imposed by the single market. If not, there is the possibility that these companies can not compete and fail;
- costs generated by implementation of European standards by Romanian agencies (standards of environment, infrastructure, consumer protection, animal protection, customs control);
- costs generated by the labor market (the reorientation and retraining). Single European market may have negative influence on companies, resulting in bankruptcy that are not competitive enough and thus resulting in increasing unemployment. Local farmers may also be affected.

Another objective of Romania in the agenda is to be accepted into the Schengen area scheduled in 2011. Regrettably, although both Romania and Bulgaria are members of the community with full rights, are not allowed in Schengen (22 states of the EU, Iceland, Norway). Among the

advantages of the Schengen areas are: lack of control at the border, less lost time and, therefore, less bureaucracy. The two countries have to wait a little and prepare thoroughly before becoming part of this group. Romania signed the Treaty of Accession to the Schengen area in January 2007, and membership costs can amount to approximately half a billion Euros. Part of this amount will be assigned new system to send photos faster and fingerprints to the Community.

Therefore Schengen border will soon become the line divides the space into two parts, respectively europeans and non-europeans. It is obvious that Bulgaria and Romania will be part of this area like Greece and Hungary. However, the process will be on long run.

### **3. Conclusions**

In conclusion, we can say that cooperation between domestic policies and the EU had results. There remained the problem of capacity and interests of some political parties were affected. People with different political views were able to cooperate so that could lead to achieving common objectives. Even if it comes to costs, both short-term objectives and the long term are considerable.

Regarding the decision making process, the most important challenge is to connect with the national vision European, resulting in more transparency in the political credibility and to strengthen institutions that take these decisions.

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