Chapter 6.

Economic Integration and Interdependence in Romania

A Challenging Transition to Market Economy

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Introduction

Until 1989, Romania had been in the sphere of Soviet political, economic and military influence that had an impact on all areas of social life. The economy followed the path of socialist development which meant a process of hard restructuring by the gradual liquidation of private property and competition, the centralised development of the economic branches on the basis of the five-year plans, the predominant orientation of the production to export, especially the countries of the Council for Mutual Economic Assistance (CMEA), the support of the domestic consumption and limitation of imports, etc. All this led to the deepening of structural, technological, managerial and mentality gaps toward the West, which was obvious in the early years of democracy.

Shortly after removing the communist regime, Romania entered the path to integration in the European economic bloc and international economic circuits. This process was extremely difficult because both of the socialist legacy (state-controlled processes and procedures, outdated technology, energy-intensive and unprofitable enterprises, etc.) and the European accession criteria to be met. The accession criteria were related to institutional stability (democracy, human and minority rights), functional market economy, and the ability to meet the obligations stemming from membership (administrative capacities and community acquis). Thus, the period after the 1989 Revolution until the end of 2006 represented for Romania a permanent transition, from

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a centralised economy to a functioning market economy and a democratic system based on the rule of law. The strategic objective was joining the European Union. This objective enjoyed the greatest popular support among the countries of Central and Eastern Europe (CEE). The Romanian public perception was that once you get into the "European club", economic and social problems would quickly find their way. Still, the achievement of the market economy criteria required efforts from both the executive and the population to reform and modernise the entire economy. According to the schedule, Romania signed on 25 April 2005 the Accession Treaty with the European Union and became a full member on 1 January 2007. After joining the European community, Romania has been given new status and roles in all areas of economic, social and political life, but actual integration measures (moving from formal to real integration) have remained topical.

The Conditions at the Beginning of the Integration Process

Prior to 1989, Romania went through at least two phases that marked the structure and organisation of the post-communist economy. In the first phase between 1949 and 1962, the Romanian Communist Party carried out an aggressive collectivisation process, consisting in confiscating most of the private agricultural property and their merging into the so-called Agricultural Production Cooperatives (ACPs). After the end of the 1960s, industrialisation was the second phase, consisting in massive investment in construction of production capacities and the development of main economic branches such as chemistry and petrochemistry, metallurgy, siderurgy, power engineering, machine building, etc. An oversized, export-oriented industry was created, which needed energy resources that could not be fully provided by internal sources because the commissioning of new power generation capacities did not keep the pace. At the same time, there was also the "new agrarian revolution" aimed at modernising and re-technologising the Romanian agriculture. Romania gradually turned from an agrarian-industrial country into an industrial-agrarian one, giving the fact that in 1989 the structure of the Gross Domestic Product (GDP) was 52%—industry and construction, over 14%—agriculture and 34% other industries. (Georgescu 2015) Of course, everything was done on the background of the state planning—a basic instrument of the socialist economic policy. The economic activity was subjected to certain administrative-bureaucratic decisions that blocked any attempt to develop market on a competitive basis. This type of planning has generated a huge waste of financial, material and human resources and created an inertial mechanism that cancelled any initiative under the pretext of respecting the objective laws of Socialism. (Stănescu 1991) During this period, the permanent strengthening of the leading role of the Party throughout the economic and social life was recorded.

Externally, the U.S. developed a special economic relationship with the Socialist Republic of Romania and granted it the Most-Favoured-Nation (MFN) status (1975). In addition, the country has been given access to funding through the International Monetary Fund (IMF). Soon, Romania's position on foreign relations changed radically. Because of disagreements with international creditors, Nicolae Ceaușescu decided to pay in advance all external debt, which reached about USD 11 billion in 1980. The isolation policy deepens even more by giving up in 1988 the benefit of the MFN because Ceaușescu's belief that the U.S. wanted to intervene in the Romanian domestic policy.

As far the main macroeconomic indicators before 1989, we are reserved for the credibility of the figures, knowing that one of the characteristics of the reporting system during the dictatorial regime was the falsification of the data (Table 1). The table shows that Romania had a good economic and financial situation at the beginning of the 1990s, even though the economic performance and living standards of the population were not very high and the unemployment and inflation were not officially recognised. There was a relatively strong economic basis from which the country could go into the process of restructuring and reforming and there was opportunity for the Romanian economy to reintegrate into the regional and world economic and trade circuits. This fact is also demonstrated by the constant values of Human Development Index (HDI) (0.786 in 1980, 0.792 in 1985, 0.777 in 1990), (UNDP[1] 2007) which, regardless of the calculation method, has consistently included Romania in the category of countries with a medium level of development.

[1] UNDP: United Nations Development Programme.

Table 1.
The main indicators of the Romanian economy in 1989

Indicators	1980	1985	1988	1989	1990
GDP (USD billion)	29.38	38.92	40.81	38.00	40.19
GDP per capita (USD)	1,323	1,713	1,770	1,641	1,732
Budget balance (USD billion)	0.06	0.86	2.11	2.86	–0.19
Industrial enterprises	1,752	1,913	2,091	2,102	2,241
Cultivated area (thousand hectares)	9,569.5	9,890.5	9,700.2	9,846.8	9,402.1
Investments (USD billion)	10.02	11.73	11.44	11.26	8.02
Employment in total population (%)	46.62 (10,350,100)	46.58 (10,586,100)	46.87 (10,805,400)	47.28 (10,945,700)	46.71 (10,839,500)
Average net salary (USD/month)	107	135	140	146	161
Unemployment rate (%)	–	–	–	–	2.4
Inflation rate (%)	2.1	0.8	2.2	1.1	5.1
Commercial balance (USD billion)	–	1.56	3.61	2.56	–1.74

Note: The conversion from Romanian leu (RON) to USD was made at the official rate of the 1990s (21 RON to 1 USD). CFSN[2] 1990b

Source: CNS[3] 1991; INS[4] 2017a

The transition process of the Romanian economy had a slow evolution, marked by numerous ups and downs. A weaker legislative and institutional framework, lack of financial resources or reticence of economic agents has often influenced sectoral programs and strategies. Even in the first months of the fall of the communist regime, Romania has targeted the "return to the authentic values of European democracy and civilization", (*Proclamația de la Timișoara* 1990) with integration into the EU and NATO becoming the main objective of foreign policy. The Program of the Declaration of the Romanian Government of June 1990 had as a major direction the transition

[2] CFSN: Consiliul Frontului Salvării Naționale (en – Council of the National Salvation Front).
[3] CNS: Comisia Națională pentru Statistică (en – National Commission for Statistics).
[4] INS: Institutul Naţional de Statistică (en – National Statistics Institute).

to a democratic society and a market economy based on political, economic and social reforms. (Ionescu 2006) The strategic objective of EU integration appears for the first time in Romania's National Security Strategy, which states the "clear and irrevocable option of integration into the NATO and the EU" (Președintele României 1999, 5) as a useful tool to promote national interests of democracy, prosperity and security. The objective of joining the EU and NATO has coalesced the nation's resources and catalysed reforms in the economy and society. As the political class and civil society promoted this objective, presenting the advantages for the country, the attitude of the population quickly became a strong positive one. The popular support towards EU integration reached the highest rates among the Candidate Countries, from 79% in 1991 dropping to 70–71% in 1995 and 1997. (CEC[5] 1992; EC[6] 1996; 1998) Even before Romania's accession to the EU, this process continues to be supported by 75% of the population in autumn 2004 and 61% in autumn 2005. (EC 2005; 2006) Pro-European support remained high, because the population perceived integration as a repair of a great historical injustice, designed to solve both the security and prosperity issues.

Interdependence and Economic Penetration

The analysis of the most important macroeconomic indicators over the 27 years (1990–2016) highlights at least five periods of the evolution of Romanian economy (Table 2 and Figure 1).

Table 2.
The evolution of growth rate and other important indicators between 1990 and 2016

Year	Growth rate (%)*	GDP per capita (USD)*	Inflation rate (%)**	Unemployment rate (%)***
1989	–5.8	2,330	1.1	–
1990	–5.6	1,652	5.1	2.4
1991	–12.9	1,249	170.2	5.6
1992	–8.7	853	210.4	6.6
1993	1.5	1,155	256.1	7.4

5 CEC: Commission of the European Communities.

6 EC: European Commission.

Year	Growth rate (%)*	GDP per capita (USD)*	Inflation rate (%)**	Unemployment rate (%)***
1994	3.9	1,325	136.7	8.2
1995	7.1	1,573	32.3	8.0
1996	3.9	1,575	38.8	6.7
1997	–6.1	1,582	154.8	5.5
1998	–4.8	1,897	59.1	5.6
1999	–1.2	1,611	45.8	6.2
2000	2.9	1,670	45.7	7.0
2001	5.6	1,817	34.5	6.6
2002	5.2	2,119	22.5	8.1
2003	5.5	2,768	15.3	7.0
2004	8.4	3,542	11.9	7.7
2005	4.2	4,663	9.0	7.2
2006	8.1	5,811	6.6	7.3
2007	6.9	8,125	4.8	6.4
2008	8.5	10,160	7.9	5.8
2009	–7.1	8,221	5.6	6.9
2010	–0.8	8,277	6.1	7.0
2011	1.1	9,214	5.8	7.2
2012	0.6	8,542	3.3	6.8
2013	3.5	9,568	4.0	7.1
2014	3.1	10,001	1.1	6.8
2015	3.9	8,934	–0.6	6.8
2016	4.8	9,493	–1.5	5.9

Source: *: IMF[7] 2017; **: INS 2017a; ***: WB[8] 2017b

In the first three years, GDP fell sharply to almost a third of the one of 1989, with the highest negative growth rate in 1991 (–12.9%). The existing effects of Romania's isolation policy and the short-term policies implemented by the first governments have degraded the national economy. Most of the sectors declined: industry from 40.5% in 1990 to 37.9% in 1991, construction from 5.4% to 4.3% and agriculture from 21.8% to 18.8%. (NIS s. a.) Thus, production has declined considerably, inflation and budget deficit have risen rapidly,

7 IMF: International Monetary Fund.

8 WB: World Bank.

investments and exports have fallen slowly and imports have experienced an exponential growth because of the high demand for products that have been lacking for years on the market (food, electronics, home appliances, etc.). Between 1993 and 1999, Romania's economy has fluctuated, with the GDP rising by almost USD 10 billion. In the first years, there were taken a series of measures aimed at stopping the decline and stabilising the national economy and creating the legislative and institutional framework for the transition to the market economy.

The highest rate of economic growth was recorded in 1995, when the Agreement for Romania's Association to the European Union entered into force and Romania applied for EU membership (MAE[9] s. a.) It is noteworthy that in the middle of the 1995–1997 period, Romania's GDP stagnated around USD 36 billion. The implementation of the so-called "shock therapy" program—accelerating structural reforms with an emphasis on price liberalisation in areas that were still under state control (energy, agricultural products, public services); liberalisation of the exchange rate regime; reductions in import duties; eliminating subsidies, especially subsidised loans for agriculture; attracting foreign investment; institutional reforms—and the adoption, with the support of the IMF and with support of the "anti-crisis program"—the acceleration of the privatisation of state companies, including banks, and the completion and updating of the legislative and institutional framework in line with the Romanian society development (AR[10]–SRS[11]–FNSA[12] 2004) were not reflected in economic growth. There was a sudden interruption of the positive evolution of the economy in the period of 1997–1999, when growth rate recorded –6.1% in 1997, –4,8% in 1998, and –1.2% in 1999. However, at the Helsinki European Council (December 1999) it was decided to open accession negotiations with Romania.

[9] MAE: Ministerul Afacerilor Externe (en – Ministry of Foreign Affairs).

[10] AR: Academia Română (en – Romanian Academy).

[11] SRS: Societatea Română de Statistică (en – Romanian Society of Statistics).

[12] FNSA: Fundația Națională pentru Știință și Artă (en– National Foundation for Science and Art).

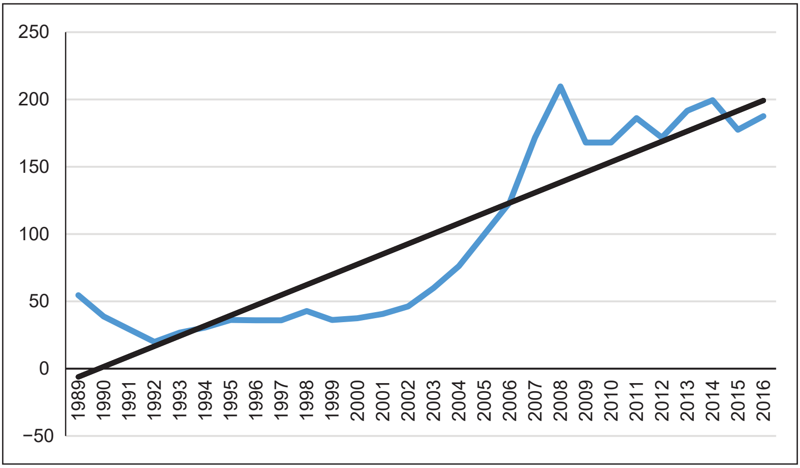


Figure 1.
The evolution of GDP between 1990 and 2016

Source: IMF 2017

Since 2000, the Government has made considerable efforts to achieve the conditions for macroeconomic stabilisation and recovering economic growth. Statistical data from 2000 to 2008 show visible progress of the national economy by implemented reforms—GDP has steadily increased from about USD 37.5 billion in 2000 to over USD 209 billion in 2008, industry and services being the main growth engines. In addition, the accelerated growth was boosted by the boom in the real estate sector and it was based on the disinflation process, the tighter control of the budget deficit and the reduction in the unemployment rate. However, domestic demand—driven by rapid credit expansion, wage increases and, to some extent, increasing arrears—has replaced exports as the main driver of growth. In this period, Romania recorded the highest growth rate in Central and Eastern Europe (5.7% in 2001, 5% in 2002, and 8.1% in 2006) and even the largest in the EU (8.5% in 2008), (Eurostat s. a.a) which was also reflected in the continuous increase of GDP per capita from only USD 1,670 in 2000 to over USD 10,000 in 2008. These positive results were also confirmed by the recognition of Romania's status as a functioning market economy, (CEC 2004) the signing of the Accession Treaty of Romania to the EU (2005) and the formal acceptance of Romania as a full Member State of the EU (2007).

The outbreak of the economic and financial crisis has not dramatically affected Romania, due to the lower degree of financial integration of the transition economies with developed economies. However, the end of 2008 was marked by the slowdown in the economic growth, the deepening of the current account deficit, the lack of foreign investment and increasing unemployment. Romania entered recession in 2009, when GDP fell for two consecutive quarters. After a record 8.5% growth in 2008, the national economy contracted sharply in the next two years (–7.08% in 2009 and –1.27% in 2010), with GDP declining by over USD 40 billion. Most economic indicators recorded depreciation, including the share of GDP in the main branches. The growth-driven sectors in 2000–2008 were the ones that pulled the economy down the most: construction and services continued to decline from –13.6% and –6.8% in 2009 to –10.7% and –2.8% in 2010. (INS 2010; 2011) A positive aspect was the significant decrease in imports (–11.1%) due to a decrease of final consumption and a slight increase in exports (2.9%). The increase in prices, excise duties, and VAT or the rigidities at sectoral level led Romania to the second consecutive year at the forefront of high-inflation EU countries. (Eurostat s. a.b) The annual inflation rate was 5.6% in 2009 and 6.1% in 2010, levels that exceeded the upper margin of the 4.5% target set by the National Bank of Romania (NBR). While real demand has suffered drastic contraction, consumer prices have risen in 2010 when service tariffs have experienced the highest growth. In fact, the over 100,000 personnel laid off in the public sector have led to an increase in unemployment rate to 6.3% in 2009 and 6.87% in 2010, compared to about 4% in the pre-crisis period. (ANOFM[13] 2010; 2011) This situation was also influenced by the reduction of public sector wages, the drastic limitation of new public-sector employment and the capping of personnel costs. Austerity measures have led to relative economic stabilisation but have amplified social grievances reflected in a sharp decline in income, consumption and, in general, the standard of living of the population. After a period when Romania was among the few countries that failed to overcome the crisis, the economic growth recovered in 2011 (1.1%). Increased investment, rise in internal and external demand and industrial orders have given new impetus to the national economy.

[13] ANOFM: Agenția Națională pentru Ocuparea Forței de Muncă (en – National Agency for Employment).

If we relate to the 10-year period since joining the EU, Romania's GDP grew from USD 123 billion in 2006 to USD 187 billion in 2016. This means an increase of over 52% despite the fact that it dealt nearly five years with economic difficulties generated by an economic and financial crisis and sovereign debt crisis. However, the nominal value of GDP has not yet reached record level (USD 210 billion) in the pre-crisis period, but it was close to the USD 200 billion threshold in 2014. With an average annual growth rate of 2.5% in the national economy, the share of GDP in the main branches varied in those ten years as follows: agriculture halved from 7.8% in 2006 to 3.9% in 2016, industry and construction declined slightly from 24.5% to 23.1% respectively from 7.4% to 6%, and services grew from 49% to 56.5%. (Anghelache–Dumitrescu 2013; INS 2017b) GDP per capita fluctuated in this period around USD 8,000–10,000, but Romania continued to record high levels of the income inequality indicator. In addition, the inflation rate has fallen sharply and the unemployment rate has been maintained with small variations of 6–7%.

The sustainability of public finance was a permanent challenge to public policy taking into account that sovereign debt grew at a higher pace than economic growth. Romania's public debt has always shown a growth trend in these 27 years, rising from USD 210 million in 1990 to nearly USD 70 billion in 2016. The debt quickly reached a threshold of about USD 5 billion in 1995, USD 10 billion in 2001, USD 25 billion in 2006, USD 50 billion in 2010, and USD 75 billion in 2013. (Analize economice 2016) As a share of GDP, debt increased strongly in the first four years, from 0.8% in 1990 to 22% in 1993. The largest share of government debt in GDP was reached in 1999 (32.7%), followed by a steady decline until EU accession (18.3% in 2006). (Curtea de Conturi a României 2015) In the 10 years of EU membership (2007–2016), the debt-to-GDP ratio increased by 2.25 times, from 19.7% to almost 44.5%.

At the beginning of the transition period, Romania's external trade was still influenced by the 1980s policy of expanding exports and minimising imports in order to pay external debt. There was action to implement modern rules of the market economy in commercial activity by eliminating the state monopoly on external trade and increasing the share of the private sector, changing the currency regime and introducing convertibility, implementing a new customs tariff. As can be seen in Table 3, 1989 was the last year in which Romania's trade balance was in surplus. In the following two decades and a half, imports steadily exceeded exports. In the first four years

(1990–1993), the trade deficit was sustained by the loss of traditional markets of former USSR and CAER,[14] the Gulf crisis and the transition since 1991 of all import–export operations in international prices. (AR–SRS–FNSA 2004) A positive element during this period was the approval (October 1990) by the Commission of the European Economic Community of the generalised system of trade preferences with Romania. (Ionescu 2006)

Since 1994, exports have been given a new impetus as a result of support measures for competitive producers and facilities for companies with foreign capital. Against this backdrop, exports almost doubled to USD 8.4 billion in 1997 versus USD 4.3 billion in 1991. After keeping growth within reasonable limits in 1991–1994, in 1995 imports had a boom of over 44% over the previous year, surpassing for the first time the USD 10 billion threshold. Subsequently, the increase in imports was limited, being generally oriented towards investment in equipment, machinery and technology, but also to some consumer goods. The reduction of consumption and capital investment amid the deterioration of the economic situation led to a steady decline in Romania's foreign trade over the period of 1997–1999. The value of exports and imports recorded a significant advance of nearly USD 2 billion and USD 2.5 billion in 2000. Then, the growth rate of foreign trade accelerated progressively over the next six years (2001–2006).

Table 3.

Export/import and trade balance between 1990 and 2016

Year	FOB Exports (USD billion)	CIF Imports (USD billion)	FOB/CIF Balance (USD billion)	FOB to CIF ratio (%)
1989	10.487	8.438*	2.049	124.3
1990	5.775	9.202*	–3.427	62.8
1991	4.266	5.793	–1.527	73.6
1992	4.363	6.260	–1.897	69.7
1993	4.892	6.522	–1.630	75.0
1994	6.151	7.109	-0.958	86.5

[14] CAER: Consiliul de Ajutor Economic Reciproc (en – Council for Mutual Economic Assistance).

Year	FOB Exports (USD billion)	CIF Imports (USD billion)	FOB/CIF Balance (USD billion)	FOB to CIF ratio (%)
1995	7.910	10.278	–2.368	77.0
1996	8.084	11.435	–3.351	70.7
1997	8.431	11.280	–2.849	74.7
1998	8.302	11.838	–3.536	70.1
1999	8.487	10.557	–2.070	80.4
2000	10.367	13.055	-2.688	79.4
2001	11.385	15.552	–4.167	73.2
2002	13.876	17.862	–3.986	77.7
2003	17.618	24.003	–6.385	73.4
2004	23.485	32.664	–9.179	71.9
2005	27.730	40.463	–12.733	68.5
2006	32.336	51.106	–18.770	63.3
2007	40.471	70.414	–29.943	57.5
2008	49.674	84.286	–34.612	58.9
2009	40.579	54.344	–13.765	74.7
2010	49.494	62.098	–12.604	79.7
2011	63.042	76.540	–13.498	82.4
2012	57.921	70.285	–12.364	82.4
2013	65.879	73.519	–7.640	89.6
2014	69.886	77.907	–8.021	89.7
2015	60.618	69.861	–9.243	86.8
2016	63.589	74.627	–11.038	85.2

*FOB prices

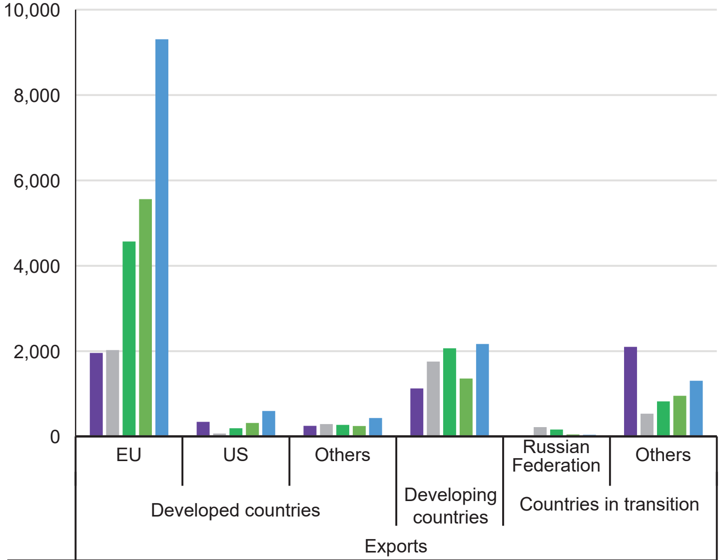
Source: NIS 1995; 1997; 2003; 2007; 2012; 2017

The implementation of a monetary and fiscal stimulus policy has led to the development of trade agreements both bilaterally and with EU countries. During this time, Romania's trade relations were relaunched by the implementation of the regulations provided for in the regional agreements to which the country became a party. In particular, there are the Association Agreement with the EU and the countries of the European Free Trade

Association (EFTA), the Central European Free Trade Agreement (CEFTA), the completion of the trade treaty with the U.S. and granted again with the MFN status, the establishment of a generalised system of custom preferences in relations with other OECD partners, the creation of free trade areas with Central and Eastern European (CEE) transition countries.

After Romania joined the EU, the external trade experienced an extraordinary momentum with annual growth rates of USD 8–9 billion for export and USD 14–18 billion for import in the first two years (2007–2008). This expansion was interrupted by the economic problems raised by the economic and financial crisis (19% decrease in export and 36% in import in 2009 compared to the previous year), sovereign debt crisis (8% decrease in export and import in 2012 compared to of the previous year) and political instability (13% decrease in export and 10% in import in 2015 compared to the previous year). Trade deficit shrank by a maximum of USD –34.6 billion in 2008 to a minimum of USD –7.6 billion in 2013 and USD –11 billion in 2016, as the export to import ratio increased to 80–90% from 2010.

During the analysed period, Romania's trade relations experienced a stronger dynamic in terms of geographical distribution, increasing the share in total export and import to/from developed countries, especially EU Member States, and a slight reduction to/from developing and transition countries (Figure 2 and 3). If in the first three years of transition (1990–1992) export to developed countries had relatively declined, in the next 10 years they entered an ascending trend, exceeding USD 10 billion in 2002. Thus, export to developed countries was four times higher in 2002 than in 1990, their share in total rising from 44% to 74.5%. Romania's import has registered a similar evolution, with noting that it also increased in the first years after the 1989 Revolution. Thus, import from developed countries increased 4 times in the period of 1990–2002, with an annual average of USD 728 million.



	EU	US	Others	Developing countries	Russian Federation	Others
1990	1956	342	250	1126		2101
1993	2023	69	291	1754	220	535
1996	4569	192	270	2066	164	823
1999	5562	317	245	1358	47	952
2002	9310	599	433	2166	40	1304

Figure 2.

Romania's FOB exports by countries and categories of countries, 1990–2002 (USD billion)

Source: NIS 1995; 1997; 2003

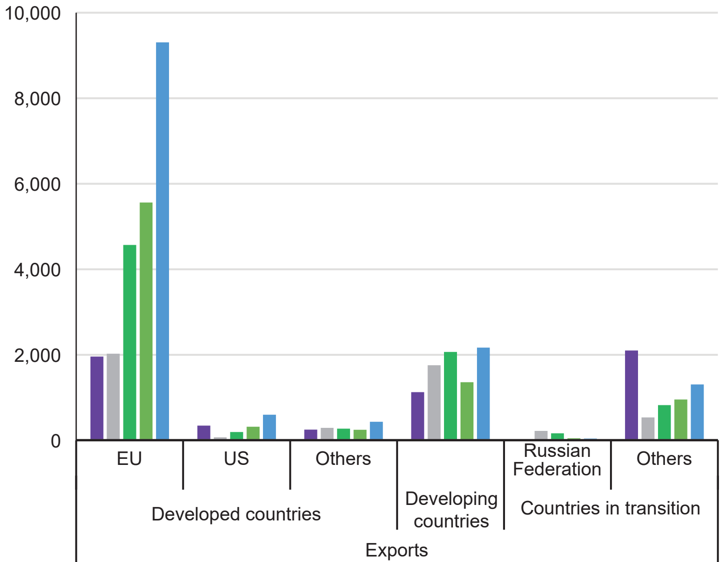


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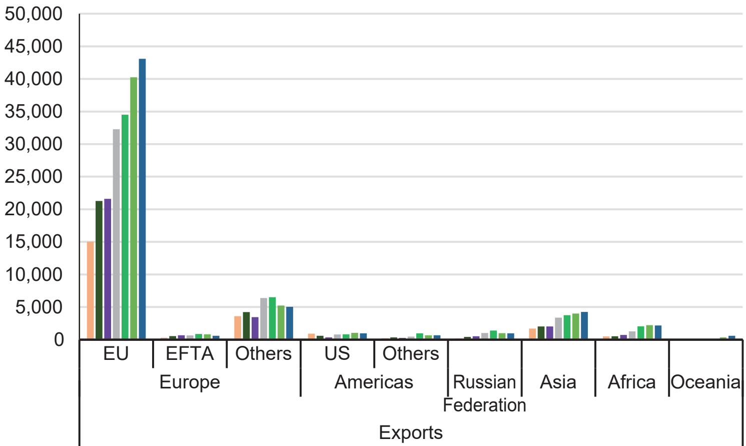
Figure 3.

Romania's CIF imports by countries and categories of countries, 1990–2002 (USD billion)

Source: NIS 1995; 1997; 2003

Just before joining the EU, the Union became Romania's main trade partner, with exports and imports to/from this destination/source increasing almost 5 times in 2002 as compared to 1990. Trade with the U.S. and the Russian Federation experienced a very poor evolution in the period of 1990–2002, their cumulated share reached in 2002 only 4.6% of Romania's total export and 10.2% of the total import. In the top export destinations in 2002, seven of the nine partners on the European continent were EU countries. Same, in the ranking of the top sources of import, six of the eight partners in Europe belonged to the EU. (INS 2016) If in 1990, the most important trade relations were made with the USSR, Germany, Saudi Arabia, the U.S., Iran, Italy, Poland or Bulgaria, (Comisia Națională pentru Statistică 1991) in the following years, there was a clear orientation of Romania's foreign trade to the EU market. In 2002, the main trading partners in the EU were Italy with exports of USD 3.46 billion (25% of Romania's total exports) and imports of USD 3.69 billion (20.7% of total imports of Romania), Germany with exports USD 2.17 billion (15.6%) and imports of USD 2.66 billion (14.9%) and France with exports of USD 1 billion (13.8%) and imports of USD 1.14 billion (6.4%). The top three export destinations were followed by the U.K. with USD 0.8 billion, the U.S. and Turkey with about USD 0.6 billion each, and import sources—the U.K. with USD 0.7 billion, Hungary and Austria with USD 0.6 billion each. (NIS 2003)

In the transition years there have been major changes in the structure of exports by group of goods, due to the reconfiguration of markets, the increasing competition, the lack of competitiveness and the restructuring of production capacities. If in 1990, in most groups of goods, except for "mineral products", the value of exports fell below USD 1 billion, in 2002 the number of those exceeding this sum rose to five: "mineral products", "textiles, clothing, leather, footwear", "metal products", "machinery and mechanical appliances, electrical equipment", and "other products" (wood products, including furniture, construction supplies, etc.). The most significant increase was recorded by the "textiles, clothing, leather, footwear" with 6.6 times in 2002 compared to 1990 (their share in total tripled during this period), followed by the "agri-food products"—5.3 times, "other products"—2.4 times, "machinery and mechanical appliances, electric equipment"—2.3 times and "chemical products, plastics, rubber"—2.1 times. (AR–SRS–FNSA 2004) In general, imports targeted both consumer goods as well as raw materials, equipment and technologies for productive activity. If in 1990 only three groups of goods—"agri-food products", "mineral products" and "machinery and mechanical appliances, electric equipment"—registered a value of imports of over USD 1 billion, in 2002 all of the groups exceeded this level. The most significant increase was recorded by the "textiles, clothing, leather, footwear" with 10.3 times in 2002 compared to 1990 (their share in total being five times higher during this period), followed by "chemical products, plastics, rubber" and "other products"—3.3 times, "metal products"—2.5 times, "machinery and mechanical appliances, electric equipment"—2.3 times. (Academia Română 2004) Since 2005, when Romania signed the Accession Treaty with the EU, external trade has boosted, especially with the EU Member States (Figure 4 and 5). In 2005–2016, exports and imports to/from the European countries increased 2.6 times and 2.3 times, but trade with the U.S. remained relatively constant: EUR 0.9–1 billion value of exports and EUR 0.6 billion value of imports. Over the same period, exports to other destinations increased: Asia–EUR 2.6 billion, Africa–EUR 1.7 billion, Russia–EUR 0.8 billion. Also, cumulated imports from Asia and Africa increased by EUR 2.5 billion, while those from the Russian Federation fluctuated from a maximum of EUR 3.2 billion in 2007 to EUR 2 billion in 2015 and 2016. (NIS 2006; 2011; 2017)

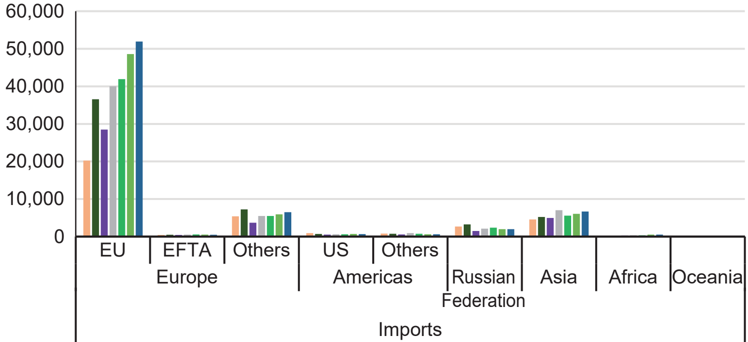


	EU	EFTA	Others	US	Others	Russian Federation	Asia	Africa	Oceania
2005	15043	291	3601	906	203	187	1685	488	12
2007	21269	536	4236	598	336	428	2017	506	43
2009	21600	655	3451	344	254	514	2030	706	20
2011	32289	645	6381	798	471	1018	3380	1279	37
2013	34508	866	6511	825	975	1382	3748	2053	61
2015	40257	813	5225	1052	657	987	3992	2213	330
2016	43080	583	5027	956	669	970	4241	2174	588

Figure 4.

Romania's FOB exports by countries and categories of countries, 2005–2016 (EUR billion)

Source: NIS 2006; 2011; 2017



	EU	EFTA	Others	US	Others	Russian Federation	Asia	Africa	Oceania
	Europe			Americas					
2005	20251	416	5389	897	770	2690	4541	179	44
2007	36587	459	7219	689	744	3235	5212	266	117
2009	28472	450	3676	514	552	1502	4976	293	19
2011	40025	539	5496	620	929	2092	7004	325	12
2013	41916	572	5498	626	722	2358	5588	355	18
2015	48598	527	5924	679	604	1980	6052	518	42
2016	51951	460	6497	637	587	1981	6658	523	38

Figure 5.
Romania's CIF imports by countries and categories of countries, 2005–2016 (EUR billion)

Source: NIS 2006; 2011; 2017

Between 2005 and 2016, Romania's intra-EU trade increased strongly—almost 3 times in case of export and 2.5 times in case of import. Although their share increased from 67.6% in total export and 62.2% in total import in 2005 to 75.1% and 77.1% in 2016, the trade deficit with the EU stabilised to EUR –7–8 billion from a maximum of EUR –15.3 billion in 2007. In this period, Romania's top trading partners did not change radically, the first places being occupied by the strong economies of the EU: Italy increased from export of EUR 4.3 billion and import of EUR 5 billion in 2005 to EUR 6.7 billion export and EUR 6.9 billion import in 2016, Germany—from export of EUR 3.1 billion and import of EUR 4.5 billion in 2005 to EUR 12.3 billion export and EUR 13.8 billion import, France—from export of EUR 1.6 billion and import of EUR 2.2 billion in 2005 to EUR 4.1 billion export and EUR 3.7 billion import in 2016. The top three export destinations were followed by Hungary, the U.K. and Bulgaria, and import sources—the

U.K., Hungary and Austria, with the mention that trade with Hungary exceeded EUR 8 billion in 2016 (surpassing France). Major changes occurred in the structure of export by group of goods in 2016 compared to 2005, as follows: the share in total export of the "machinery and transport equipment" increased from 25.4% in 2005 to 46.9% in 2016 and "other goods" from 7.7% to 13.1%; the total contribution of "manufactured goods classified mainly by the raw material" decreased from 20.9% in 2005 to 16.1% in 2016, "miscellaneous manufactured articles"—from 29.6% to 15.9%, "chemicals and related products"—from 5.7% to 4.4%, "mineral fuels, lubricants and related materials"—from 10.7% to 3.6%. Import also experienced some changes, as follows: the share of total import of the "machinery and transport equipment" increased from 33.2% in 2005 to 38% in 2016, "chemicals and related products"—from 10.2% to 13.4%, "miscellaneous manufactured articles"—from 9.5% to 10.6% and "other goods" from 8.7% to 12.1%; the total contribution of "manufactured goods classified mainly by the raw material" decreased from 24.4% in 2005 to 20.2% in 2016 and "mineral fuels, lubricants and related materials"—from 14% to 5.7%. (NIS 2006; 2017)

As regards the euro area, Romania is among the EU Member States required to adopt the Euro, once all the nominal (the sustainable stability of the public finance, prices, exchange rates and long-term interest rates), legal and real (GDP per capita, labour productivity and other indicators should be near the euro area average) convergence criteria have been fulfilled. (BNR[15] s. a.) According to the latest Convergence Report of the European Central Bank, Romania fulfilled all the nominal convergence criteria and only a part of the legal convergence criteria. (ECB[16] 2016) Given the fact that about 2/3 of Romania's external trade is oriented towards the European market, especially the EU one, the adoption of the euro will bring real benefits. The new currency will stimulate the import and export activities of Romanian companies, as well as the investments, as it will be a stability factor that will reduce the losses of local trading agents caused by exchange rate differences (for example, the fluctuation of the USD against the currencies of the EU countries). As the monetary barriers within the EU will be eliminated, Romanian exporters will access the market of any member country easier. Thus, companies' revenue and profitability will increase as a result of direct exports without intermediaries. Another major advantage of switching to

[15] BNR: Banca Națională a României (en – National Bank of Romania).
[16] ECB: European Central Bank.

the single currency is transparency because the transition of all prices in euro will help Romanian companies to choose the suppliers with lowest costs and export to the countries where they can get the most revenue.

The concern about attracting Foreign Direct Investment (FDI) as a source of financial resources, know-how and new technologies has emerged since the very first months of democracy in Romania. As the economic reform deepened (restructuring and privatisation of the most important state-owned enterprises) and the legislative and institutional framework was created, the attraction of FDI was constantly positive, especially after Romania's accession to the EU. In 1990, Decree-Law no. 96 was adopted on some measures to attract foreign capital investment in Romania, (CPUN[17] 1990) which provided certain facilities for commercial companies with foreign participation, such as: exemption from corporate tax for a period of two years from the achievement of taxable income; 50% reduction of corporate tax for the next three years with the approval of the Ministry of Finance; exemption from customs duties for the in-kind contribution of the foreign party to the share capital. Law No. 35 of 1991 on the foreign investment regime (PR 1991) clarified the regulatory framework by stipulating that foreign investments could not be nationalised, expropriated, requisitioned or subject to other similar measures with the exception of cases of public interest and with the granting of a proportionate compensation investment. As incentives, the Law provided that the foreign investor has the right to fully transfer abroad the annual profits, after paying the taxes, duties and other obligations; the exemption from customs duties of certain import goods required for the investment over a period of two years; exemption from corporate tax for certain periods according to the sector where the investment was made and other conditions. For the granting of certain facilities, for the first time some limits are imposed on the contribution of the foreign investor actually paid out, namely 20% of the share capital of the company, but not less than USD 10,000.

In 1997, the Government Emergency Ordinance (GEO) No. 31 on the foreign investment regime in Romania (GR[18] 1997a) stated that foreign investments benefited from the protection and guarantee provided by the Romanian Constitution and the bilateral and multilateral investment agreements where Romania was part, while maintaining that foreign investments

[17] CPUN: Consiliul Provizoriu de Uniune Națională (en – Provisional National Unity Council).

[18] GR: Guvernul României (en – Government of Romania).

could not be expropriated, requisitioned or subject to other similar measures. The limit for a corporate tax of only 15% for the first two years and certain customs duties exemptions increased to USD 350,000 or its equivalent. The foreign investor that contributed with cash paid of at least USD 5 million in share capital benefited from additional facilities.

In the same year GEO No. 92 was adopted on the stimulation of direct investment (GR 1997b) which provided some tax incentives, such as: exemption from customs duties and, eventually, VAT for the import of personal assets and technological equipment; the possibility of using the accelerated depreciation regime; deduction from taxable profit of advertising costs; recovering the tax loss from taxable profit over a period of 5 consecutive years. During 1991–2001, the level of FDI attracted in the Romanian economy was not very high (just over USD 8 billion), due to the frequent legislative changes, the low attractiveness of the economic environment and the poor condition of the infrastructure (Table 4).

Table 4.

Registrations of commercial companies with foreign participation in subscribed social capital between 1991 and 2001

Year	**Registrations of commercial companies with foreign participation**		**Subscribed social capital**	
	Number	**% of total**	**USD billion**	**% of total**
1991	5,499	6.6	1.058	13.0
1992	11,765	14.2	0.573	7.1
1993	10,584	12.7	0.418	5.1
1994	11,051	13.3	0.882	10.8
1995	3,400	4.1	0.238	2.9
1996	3,630	4.4	0.574	7.1
1997	5,249	6.3	0.310	3.8
1998	8,801	10.6	0.756	9.3
1999	7,385	8.9	0.946	11.6
2000	8,569	10.3	0.840	10.3
2001	7,176	8.6	1.541	19.0
Total	**83,109**	**100.0**	**8.136**	**100.0**

Source: Anghelache 2005, 382.

As a source of investment, about 71% came from Europe (58% from the EU), 10% from Asia, 8.8% from North America and the rest from other regions of the world (Figure 6), which brought the Romanian economy closer to the European one. (CCIRMB[19] 2001) We notice the major investment contributions from Cyprus and the Netherlands Antilles (known as *tax haven*), while investments are low from Turkey (3.3%), Greece (3.0%) and Spain (1.8%), and very low from China (0.6%) and Israel (0.4%).

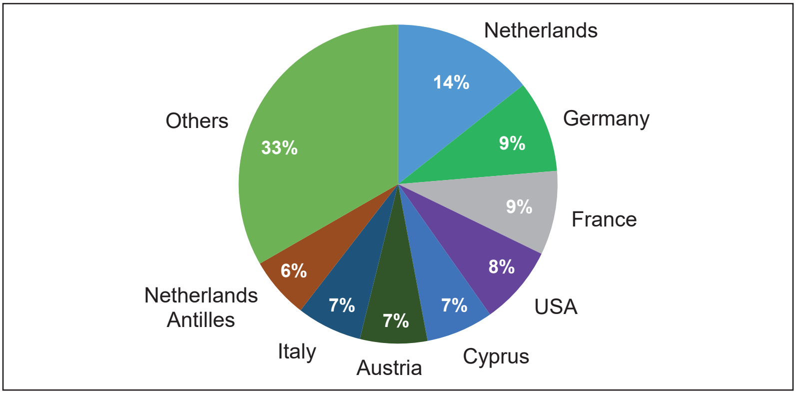


Figure 6.

The top of the investment resident countries in companies with foreign participation in subscribed social capital between 1991 and 2001

Source: CCIRMB 2001, 13.

Regarding the activity structure of the foreign companies with foreign participation registered during 1991–2001, we notice their concentration in the wholesale trade (39.3%), retail trade (19.4%), industry (19%) and professional services (8.7%). During this period, agriculture, tourism, transport and construction are less attractive areas for investors, with shares below 5%. (CCIRMB 2001) Among the most important investment projects, including privatisations, are: Romanian Development Bank (about USD 200 million), Banc Post (USD 92.8 million), Agricole Bank (USD 52 million), RomTelecom (USD 675 million), Automobile Dacia Piteşti (USD 269.7 million), Petromidia-Năvodari Petrochemicals Complex (USD 615 million), Rafo Oneşti

[19] CCIRMB: Camera de Comerț și Industrie a României și a Municipiului București (en – Chamber of Commerce and Industry of Romania and Bucharest.)

Refinery (USD 93.3 million), Sidex Galaţi (USD 500 million), Otelinox Târgovişte (USD 100 million), Phoenix Non-Ferrous Metal Processing Plant in Baia Mare (USD 37 million), Romcim SA Bucharest (USD 400 million), Arctic Găeşti (USD 25 million), etc. (Ghinea et al. 2005) Thus, the share of the private sector in GDP rises rapidly from 12.8% in 1989 and 16.4% in 1990 to 54.9% in 1996, mainly as a result of the transfer of ownership. In the pre-accession period to the EU, the private sector in the Romanian economy reached 71.6% in 2006, up by about 6% over 2000. (NIS 2007) Law No. 332 of 2001 on the promotion of direct investment with significant impact on the economy (PR[20] 2001) positively influenced the investment process, with FDI almost doubled over one year—from USD 840 million in 2000 to USD 1,540 million in 2001. The regulation mainly refers to new investments exceeding USD 1 million or its equivalent, which contributed to the development and modernisation of Romania's economic infrastructure. The facilities granted are referring to exemption from customs duties for imported machinery, plant, equipment, appliances and software products, necessary for the realisation of the investment; postponement of VAT payment for new goods until the investment is becoming operational; the use of accelerated depreciation regime; deduction of 20% of new investments value in the tax return; recovering the tax loss from taxable profit within 5 years. The guarantees granted remained only the prohibition of expropriation, the investor having the possibility to transfer its profits abroad after paying the taxes, duties and other obligations owed to the Romanian legislation.

In 2001, as a result of the facilities introduced by Law No. 332, the investment exceeded for the first time the USD 1 billion threshold. Then, on the basis of relaunching the privatisation program, the foreign capital contribution remained at over USD 3 billion annually between 2004 and 2007, reaching a peak of nearly USD 6 billion in 2008. In the years 2004–2005, the most important companies in the oil and natural gas distribution and power industries were privatised by selling the state-owned majority shareholding, as follows: The Petrom National Oil Company—taken over by the Austrian OMV group for around EUR 669 million; Distrigaz South—acquired by Gaz de France with EUR 128 million; Distrigaz North—taken over by the German company Ruhrgas for EUR 125 million; Electrica Dobrogea and Electrica Banat—bought by the Italian ENEL company for EUR 112 million; Electrica Moldova—taken over by the German group E.ON

[20] PR: Parlamentul României (en – The Parliament of Romania).

Energie with EUR 100 million; Electrica Oltenia—acquired by the Czech group CEZ for EUR 151 million. (Ghinea et al. 2005) Between 1991 and 2006, Europe remained first in the investment rankings with 66.2% of all commercial societies and over USD 16 billion of subscribed social capital, followed by Asia (26.4% and about USD 1 billion) and far away by the U.S. (3.7% and USD 0.87 billion). (ONRC[21] 2007) Romania joining the EU (1 January 2007) had positive effects on investment. There must be noted the establishment of over 15,700 companies in the first year as EU Member State and cumulated FDI of nearly USD 40 billion in 2007–2016. Then the economic and financial crisis that affected the national economy and the effects of the new investment regulations in 2008 halved the number of companies in the following period from 12,264 in 2008 to 6,801 in 2009 and at a minimum of 5,348 in 2016 (Table 5).

Table 5.
Registrations of commercial companies with foreign participation in subscribed social capital between 2002 and 2016

Year	Registrations of commercial companies with foreign participation		Subscribed social capital	
	Number	% of total	USD billion	% of total
2002	7,518	5.9	1.079	2.1
2003	6,609	5.2	1.289	2.5
2004	10,167	8.0	3.032	6.0
2005	11,719	9.3	3.150	6.2
2006	12,823	10.1	3.127	6.1
2007	15,720	12.5	3.314	6.5
2008	12,264	9.7	5.925	11.6
2009	6,801	5.4	4.817	9.5
2010	6,302	5.0	5.145	10.1
2011	6,377	5.0	4.660	9.1
2012	6,385	5.0	3.679	7.2
2013	6,624	5.2	3.150	6.2
2014	6,219	4.9	5.012	9.8
2015	5,831	4.6	1.429	2.8
2016	5,348	4.2	2.169	4.3
Total	**126,707**	**100.0**	**50.977**	**100.0**

Source: Anghelache 2017, 492.

[21] ONRC: Oficiul Național al Registrului Comerțului (en – National Trade Register Office).

After almost seven years, the regulatory framework was updated by the adoption of GEO No. 85 of 2008 on the stimulation of investments. (GR 2008) According to its provisions, facilities are granted to the investments that contribute to one of the following objectives: regional development and cohesion; protection and rehabilitation of the environment; increasing energy efficiency and/or producing and using energy from renewable resources; stimulate R&D and innovation; employment and training. Promoting and attracting FDI in the national economy sectors and activities is provided by the Romanian Investment Agency (subsequently the Department for Infrastructure Projects and Foreign Investment), (PR 2002), which also fulfils the role of intermediary between investors and central and local authorities. Among the advantages granted to economic agents investing in less-favoured areas, where GDP per capita is below the national average and the unemployment rate is high, are: non-refundable amounts for the acquisition of tangible and intangible assets; financial contributions from public budget for newly created jobs; interest-rate cuts when contracting credits.

According to the NBR, the FDI net inflow in 2016 was EUR 4.5 billion, mainly oriented primarily to manufacturing (EUR 2 billion), financial intermediation and insurance (EUR 0.8 billion) and trade (0.6 billion). Also, reinvested earnings reached EUR 0.67 billion in the trade sector, EUR 0.65 billion in manufacturing and EUR 0.55 billion in financial intermediation and insurance. (BNR 2017, 7–8.) The FDI stock at the end of 2016 was over EUR 70 billion, distributed as follows: 44.2% in industry, 14% in construction and real estate transactions, 12.8% in trade, 12.6% in financial intermediation and insurance, 5.6% in professional, scientific, technical and administrative activities and support services, 5.2% in information and communications technology, 2.6% in agriculture, forestry and fishing, 1.7% in transportation, 0.6% in hotels and restaurants, 0.7% in other activities. Within the industrial sector, the largest investments were made in "manufacturing"—EUR 22.4 billion, followed by "electricity, gas and water"—EUR 6.7 billion and "mining"—EUR 1.8 billion. Also, the most attractive economic activities in manufacturing were "transport equipment" (6.7%), "oil processing, chemical, rubber and plastic products" (6.4%), "metallurgy" (4.1%), "food, beverages and tobacco" (3.4%), "manufacture of computer, electronic, optical and electrical products" (2.5%) and "machinery and equipment" (2.3%). (BNR 2017, 8–9.) The largest investments came from the Netherlands with EUR 17 billion, Germany—EUR 9.3 billion, Austria—EUR 8.3 billion, France—EUR 4.8 billion, Cyprus—EUR 4.5 billion, and Italy—EUR 4.4 billion. The U.S. is only 13th (with EUR 1.35 billion) and the Russian Federation the 29th (with only EUR 0.14 billion). In the top 15 investors with FDI around EUR 1 billion and more, there are 14 countries in Europe, including 13 in the EU. (BNR 2017, 13.)

Starting with 2001, when FDI began to boost in Romania, there was also a phenomenon of repatriation of the profits made by foreign companies on the national territory. Over the last 16 years (2001–2016), about EUR 33 billion left the country in the form of income from FDI. (Pâslaru 2018) 2013 was the first year when Romania became a net exporter of capital—profits transferred abroad were with EUR 0.2 billion higher than FDI inflow. In 2015 and 2016, the capital deficit increased to EUR 0.7 billion and EUR 2.1 billion. According to an analysis carried out by "Ziarul Financiar" (a financial newspaper) and the Romanian Employers' Ownership in 2016, the companies with foreign capital held about 97% of the manufacture of coke and refined petroleum products and the manufacture of motor vehicles. (Ziarul Financiar–Patronatul Investitorilor Autohtoni 2018) Significant shares of foreign companies are recorded in the telecommunications and manufacture of electrical equipment (84%), metallurgy (82%), beverages production (81%) and manufacture of machinery and equipment (80%). Also, other major sectors of the national economy are controlled by over 70% of foreign capital, such as: extraction of crude petroleum and natural gas; manufacture of computer, electronic and optical products; rubber and plastics products production; manufacture of textiles. Neither the chemical industry production nor supply of electricity, gas, steam and air conditioning, the wood and pharmaceutical industries are any longer dominated by companies with Romanian private capital. The national companies still maintain their supremacy in sectors, such as: specialised constructions and agriculture (over 80%), human health services (74%), land transport and transport via pipelines, forestry and logging, manufacture of food products (over 60%), wholesale, retail and manufacture of furniture (55–58%).

Since 1989, the EU's non-reimbursable financial assistance has been concentrated in three instruments—PHARE, ISPA, SAPARD—designed to support the Central and Eastern European (CEE) Candidate Countries for the European Community. Thus, in September 1990, the European Council adopted the Regulation (CEC 1990) by which the PHARE Program for economic aid is extended to Romania. Since 1997, when Romania officially became an EU Candidate Country, the program has also been geared towards supporting the accession process, in particular: minorities, public administration reform, justice, public finances, agriculture and development, environmental protection, management borders, economic and social cohesion, cross-border cooperation and a neighbourhood program. Between 1991 and 2006, Romania was granted about EUR 3.5 billion through the PHARE program and about EUR 700 million through bilateral assistance agreements with EU Member Countries. (Chioveanu 2008) Also, ISPA was oriented towards financing major transport and environment infrastructure projects and SAPARD towards financing structural reform in the field of rural development and in support of agriculture. Between 2000 and 2006, the funds allocated to Romania amounted to EUR 1,840 billion through ISPA and EUR 1,143 billion through SAPARD. (Chioveanu 2008)

In the 2007–2013 programming period, Romania received more than EUR 5 billion from EU Structural and Cohesion Funds, with a maximum of EUR 2.88 billion in 2013. Moreover, the amounts requested to the EC for reimbursement exceed EUR 3.56 billion compared to only EUR 1.65 billion in 2012 or EUR 0.75 billion in 2011. The absorption rate increased rapidly in 2013 due to the measures implemented by the Romanian Government, reaching 33.47% of the total structural and cohesion funds at the end of the year allocated to the country during the period of 2007–2013. At the end of April 2012, the absorption rate was only 8.53%. (MFE[22] 2013) According to the data from the Romanian Ministry of European Funds, Romania received in 2007–2013 more than EUR 37 billion from Brussels, of which EUR 2.7 billion were from the pre-accession funds and EUR 34.3 billion came from the money that were allocated post-accession. Within these post-accession funds, the most significant ones were those for: rural development and fisheries (including rural road networks; irrigation equipment; agriculture, aquaculture and fisheries projects, etc.)—EUR 7.73 billion with an absorption rate of over 90%; direct payments/hectare—over EUR 7.65 billion; structural and cohesion funds (including roads, railways, landfills, sewerage, social projects, private sector investments, research projects, institution development, etc.)—EUR 17.25 billion with an absorption rate including advances from the EC of 89.13%. (Zamfir 2017) These high rates of absorption of European funds are a sign of the stability of the economic and financial environment and have given a positive signal to foreign companies and investors.

[22] MFE: Ministerul Fondurilor Europene (en – Ministry of European Funds).

For the 2014–2020 programming period, Romania was granted with EUR 43 billion, distributed as follows: Cohesion Policy—about EUR 22.7 billion; Common Agricultural Policy and Fisheries—EUR 7.8 billion; European Agricultural Guarantee Fund—EUR 10.4 billion and the performance reserve—EUR 1.9 billion. By 2016, Romania had accessed EUR 3.5 billion, of which EUR 1.35 billion of structural and cohesion funds, EUR 0.6 billion of funding for rural development and fisheries and EUR 1.18 billion of direct payments/hectare. Also, according to the most recent statistics from the Romanian Ministry of Public Finance, between January 2007 and December 2016, the country received EU non-reimbursable funds of over EUR 40.87 billion while the national contribution to the EU budget was about EUR 13.78 billion euros, which means a net surplus of almost EUR 27.1 billion. (MFP[23] 2017)

The Socioeconomic Effects of Integration

Since 1990, the migration of skilled and, especially, unskilled labour force has seen some milestones: the regulation of the right to freely travel abroad from 1990–1991, (CFSN 1990a) the abolition of Schengen visas in 2001, the accession of Romania to the EU at 1 January 2007 and the strong growth of the national economy from 2006 to 2008. As we can see, the crude rate of net migration registered a sharp increase in the number of exits exactly at the moments described above (–17.6% in 1991, –25.2% in 2001, –21.9% in 2007), which demonstrates that the removal of some restrictions or the periods of economic expansion will increase the volume of migration (Figure 7). The effects of the 2008 economic and financial crisis on the European continent over the next five years led to a gradual decline in Romanian migrant flows from a rate of –8% in 2008 to just –3% in 2016.

[23] MFP: Ministerul Finanțelor Publice (en – Ministry of Public Finance).

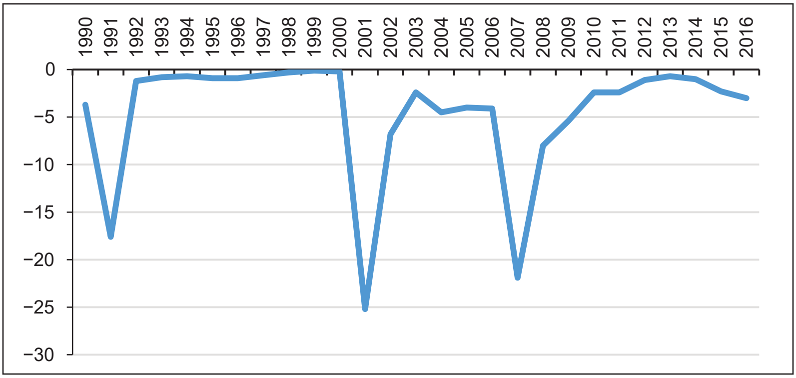


Figure 7.

The evolution of the crude rate of net migration in Romania between 1990 and 2016

Source: Eurostat s. a.c

Immediately after 1989 there was a massive emigration flow of the unskilled labour force and some of the experts from the vital areas of the Romanian society and economy (professors, engineers, doctors, researchers, IT experts, etc.), which affected almost all domains of life and society and prolonged the transition process. For example, between 1990 and 2015, about 21,000 doctors chose to work abroad (14,100 after 2007), especially in Germany, France and the U.K. (Moraru 2016) According to the latest UN estimates, between 3.5 and 4 million Romanian citizens are settled abroad, of which 2.8 million live and work in other EU Member States, especially Italy—about 1.15 million and Spain—0.9 million. (MRP[24] 2017) We highlight the fact that emigration represents not only a potential security challenge for Romania, but also a source of financial benefits in terms of remittances and, in some cases, increasing the standard of living of the emigrants' families and communities. Between 1994 and 2016, the remittances sent by Romanian citizens working abroad amounted to USD 26.2 billion, with a maximum of USD 4.7 billion in 2005. (WB 2017a) Starting in 2013, remittances have consistently reached USD 3–3.5 billion a year, which means a contribution of 1.70–1.85% in GDP.

[24] MRP: Ministerul pentru Românii de Pretutindeni (en – Ministry for Romanians Abroad).

Following the EU membership, there has been a massive increase in the number of Romanian migrants looking abroad for better life and working conditions,[25] which has unbalanced the labour market generating large deficits in some economic sectors. If the period until 2007 was predominated by the departure of those with a low and average qualification who worked mainly in agriculture, after 2007 there was an increase in the high skilled labour force (brain drain). Thus, by the end of 2016, we know about the record of the highest number of vacancies (59,800) since 2008, of which 9,700 in public administration, 8,500 in the health and social care and 2,500 in education. (INS 2017c) The main causes of skilled labour migration are the less attractive salary package in these areas and the existence of much more tempting alternatives in the domestic private sector or abroad. Another important effect of this labour-intensive migration has been the sustainability of the social protection system of the labour market in Romania and the EU 27, conditioned by active integration and effective participation through contributions to these systems for Romanian citizens working on the territory of other EU Member States. (GR 2014)

Conclusion and Outlook: Drawing the Balance of the Results of Integration

Romania had a rough start on the path of integration into the European and Euro-Atlantic structures. It has lost about a decade of development and the 1990–1991 performance of the national economy was reached only in the 2000s. In all of these years, Romania's political and economic uncertainty and geostrategic transition status has fuelled foreign investors' reluctance to assume long-term commitments and projects. As soon as the strategic direction of joining NATO and the EU was agreed both by decision makers and population, foreign capital in Romania began to increase and economic growth began to recover. Romania became a member of NATO in 2004 and the EU in 2007, demonstrating that Romania is a safe and predictable European country in an area characterised by multiple challenges and uncertainties. In the ten years period since joining the EU, the national economy has steadily developed due the implementation of

25 In 2014, the U.K. was the last EU Member State to lift restrictions on Romanian and Bulgarian workers.

measures and actions to strengthen European integration and to assimilate and promote the principles and values on which it is based. Thus, we can see that FDI and the number of European companies operating on national territory have increased, trade with EU Member States has raised strongly, absorption of European funds has improved visibly, and skilled labour has unrestricted access to the EU labour market. All these positive results show that the integration process was a successful one, so 10 years after accession, the Romanian population's confidence in the EU continues to be above the European average (52% vs. 36%). (EC 2016)

Looking ahead, it is intended to increase and strengthen the profile and role of Romania within the EU, under the conditions created by the entry into force of the Treaty of Lisbon. Taking into account that Romania will hold the presidency of the Council of the European Union in the early 2019, further economic integration and rebalancing interdependence will be a priority. In order to enhance the role of Romania as EU Member State and to move to real integration, according to the Government, Romania must take several important actions. One of them is active participation in the debate on the future of the European project and EU decision-making process, with the consistent promotion of the strategic objectives and interests of Romania and its citizens, with emphasis on stimulating economic growth and employment, economic and social cohesion. Another important step is the contribution to enhanced cooperation in the EU, including the more efficient use of Eastern Partnership, EU Strategy for Danube Region, Black Sea Synergy instruments. Regarding the convergence instrument, Romania must focus on Cohesion Policy and the Common Agricultural Policy, starting from the premise of the added value of these policies for the whole European Single Market. Also, there must be a strong support at European level regarding the policies that respond to the competitiveness model chosen for Romania, focused on industry and services. Another important action in the economic area is the avoidance of increasing gaps between euro and non-euro countries in the context of deepening economic governance of the euro area.

In addition to the economic issues, there is another important area that marked Romania's European integration, namely the security one. In this respect, it is very important that Romania maintains the commitment to join the Schengen Area in order to contribute to strengthening the security of the EU's external borders since it is one of the states at the Eastern border. Also, this country has an important role regarding the energy security of Europe and that is why it must promote its interests in achieving energy security, including by funding the projects of the Southern Corridor (Nabucco-West pipeline, Azerbaijan–Georgia–Romania Interconnector, etc.).

Therefore, Romania did not simply remove the Communist regime and entered a period of continued economic growth, but rather had good and bad times, striving to achieve political stability, to develop the living conditions for its population, to increase the GDP value, etc. During the 1980–2016 period of time, the purpose of Romanian leaders was not only to fulfil all of the criteria for European integration, but also to consolidate its strategic credibility, meaning predictability, and building security, consolidated democracy and the rule of law.

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