

General Economics

THE COSTS OF EUROPEAN INTEGRATION

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Abstract: *First and foremost, impact studies pointed out that the adhering of Romania to the European Union in 2007 is the most advantageous prospect to consider both financially and in terms of economic development, as the increase of the living standards and of modernizing processes in Romania is far more evident in this case than in a postponed adhering or in a seclusion scenario. Consequently, if we fail the European Union adhering in 2007, we would have to face higher costs.*

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The costs of integration are, in fact, Romanian modernizing costs, that are to be made either way, even without any Community support in case of having missed the integration. We may say that we invest in highways for the very need to get integrated, while we had better say we want better roads, that would contribute to the economic development and, implicitly, creating new jobs. Could we simply say that investments meant to reduce pollution or to improve the quality of drinking water have been made for the sake of the European Union?

I do think a proper statement would be that we are, ourselves, concerned in having better water and a cleaner environment, to the benefit of all of us. Furthermore, I think that we all want slaughter-houses and dairy shops to comply with all the rules of hygiene so as to ensure the safety of our food. Thus, most of the costs considered as adhesion-connected are actually meant to improve our living standards. Such costs should have been made under any events; now they are

supported by the Community Funds. For instance, environmental costs for the next 20 years were estimated to approximately EUR 29 billion. They are to be covered with money that comes from the central public budget and the local budgets, but also from company's budget.

Between 2005 and 2025, Romania will allot, yearly, approximately 1% of the G.D.P. to environmental and transport activities, while the European Union is to earmark 1.7% out of Romania's G.D.P., for the same needs. It is true that our co-financing has to be added to the European Union funds. This doesn't point out any contribution to the Community budget, but an investment in Romania's development projects. If such investments supposed to receive a 100% Romanian funding, this would not have been a bearable effort for the population.

Subsequently, Romania's contribution to the Community budget is about EUR 2.5 billion, between 2007 and 2009 (i.e. EUR 800 million in 2007 and about EUR 900 million, twice in 2008 and respectively in 2009) and not about EUR 5.6 billion as published in media. Co-financing does not stand for any contribution to the Community budget. The money does not leave the country, but are invested here in Romanian modernizing projects (roads, sewerages, farming developments, firms, jobs etc.). However, Romania is to receive EUR 11 billion from the Community budget in 2007-2009 out of which some EUR 6 billion payments, other remaining payments being scheduled all along the unfolding projects.

The only **costs that are likely to associate in their entirety with the integrating process** are those connected to setting up several specific institutions e.g. for administrating Community funds, for agricultural purposes and so on. However, the benefits brought by this management system of European financial inflows are exponentially higher as related to costs.¹

And it would also be something else: the monetary costs that are to be taken - as previously mentioned- for economic growth, development or modernizing ones are liable to have some extremely amplified medium and long-term effects for each Euro spent in this process. Nevertheless, the benefits of integration must also be assumed as against the background of non-monetary effects: the altering of economic behaviour now highly based on moral hazard; the increase of

¹ Ciupangea Constantin, *Theoretical and Methodological Approach of the Costs and Benefits related to the E.U. Integration of Romania, Economic Problems*, Weekly Economic Magazine, 116th issue, 2004

technological, economic and commercial competitiveness; the improvement of the business environment, as considered predictable and uncertain risk reducing the terms.

Maybe the most significant benefit is Romania's possibility to actively participate in working out the new *acquis communautaire* so that the interests of our country should best be served.

I think it is high time we got over the demagogical approach and **asses the adhering impact at a global scale**. The European Union does not impose arbitrary standards to cause the effecting of additional costs, but it establishes certain standards in order to increase the living standards of each individual and to shape up a dynamic and competitive economic environment. Obviously, there are costs to be used in modernizing Romania, costs that now relate to the European Union adhering process. However these costs have definitely existed in the last years and have been meant to increase the efficiency of the Romanian economy. Now we do benefit of the European Union support and we are to integrate into a *milieu* that ought to ensure a better living for each of us, other state's example is very specific in this respect.

I think that, instead of demagogically approaching this topic, we would rather inform companies and citizens on how they should better get ready for the status of the European Union members.

I do also think that consciousness, honesty and responsibility in making the assessment of the European Union adhering of Romania must stand for the indispensable intellectual ingredients.

The bill of integration will probably amount to at least EUR 17 billion in the next five years.

The four million wage-earners in Romania will bear an expenditure of EUR 4200 besides the present tax contributions. In the following five years, Romania will have to spend EUR 17 billion in order to reach European Union standards and most of this money is to be paid by Romanian citizens and firms.

The adhering costs, that Romanian population will bear, are of three kinds: public costs (having state budget support), private costs (made by companies) and

individual costs (that are to be paid by each Romanian citizen in order to: reshape the retirement system, help the professional redeployment, and increase the living standards). The first two types of costs are liable to be assessed, even if roughly, but individual costs can be, by no means, previously estimated.

Scientific studies emphasize the important aspects of the European Union adhering, which are: the degree of conformity of Romanian legislation with the Community legal framework; monetary strategies and exchange course issues; the consequences of adopting the *acquis communautaire* on the financial control; the European security and defence policy; emigration and immigration phenomena; structural funds - the candidate states' experience; the plan of action aiming at storing the industrial waste; the comparative analysis of member states insolvency and bankruptcy; financial management options and solutions in ensuring a real increase in the value of the retirement pays; the state aids in tender competition sectors; agricultural and rural development priorities; the costs and benefits of the adhering process.¹

¹ *The European Institute in Romania, Impact Studies, PAIS II*