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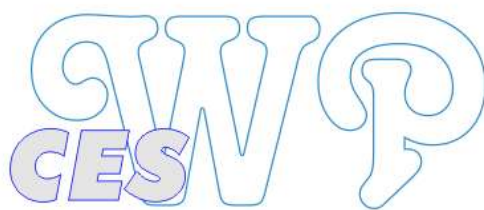
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# GLOBALIZATION & REGIONALIZATION IN INTERNATIONAL TRADE

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**Abstract:** *The concept of globalization refers to the growing interdependence of countries, resulting from the increasing integration of trade, finance, investments, labor markets and ideas in one global marketplace. The most important elements of this process are the international trade and the cross-border investment flows. Economic globalization has increased the specialization of workers, while the companies compete in global markets. Even globalization has recently become a common topic in academic discourse, many economists focused, from the 1980s and 1990s, in addition to globalization, on regionalization - the growth of networks of interdependence within multinational regions of the world. The recent decades are characterized by the fact that the world trade grew faster than world output, which implies that an increasing share of world GDP crosses international borders. The trend is explained, mostly, by the substantially declining of the trade barriers during the same period, as a result of successive trade negotiation rounds under the auspices of the GATT/WTO, unilateral trade liberalization and regional trade agreements. Even there are global connections between all the countries, the strongest political and economic integration is being created within a few specific regions of the world: Europe, North America and East Asia.*

**Keywords:** globalization, regionalization, international trade, trade agreement, trade liberalization, economic integration, global market

**JEL Classification:** F15, F16, F41, F02

## 1. OVERVIEW

Economic interdependences became more frequent in the postwar period, manifesting in a variety of forms that stimulate the adhesion process. In the second report of the Club of Rome, coordinated by the laureate of the Nobel prize for economy, Jan Tinbergen, a series of interdependences are highlighted and it is argued that they are generated by: the need for food,

energy and minerals, the possibilities of distortion of the ecologic balance, the hope to reduce the considerable differences between the rich and the poor countries. From a generic perspective, globalization expresses the process of expansion of social, economic and political activities across the borders (national, then regional) in such a way that events that occur or decisions that are made in a certain area of the world come to have an impact and influence the lives of people in the other corner of the world. In light of the diversity of views and the absence of agreement on a single definition of globalization, we define it here in a narrow sense to mean the process through which the world's national economies, markets, and businesses are witnessing increasing connectivity. To yet others globalization is seen as a process through which an international, multicultural, borderless, and even information society is being constructed (Nshimbi Christopher Changwe, 2006, p.2)

The globalization, seen as a distinct, unique and unrepeatable process, appeared after the second world war, when:

- ✓ were created the conditions for the polarization of the world in two major sides;
- ✓ appeared a new political world order through the creation of the Organization of the United Nations, which was supposed, via its institutions and agencies, to provide the legal and institutional frame for the preservation of peace and world security, the development of amicable relations between nations and the realization of international cooperation for the purposes of solving international problems with an economic, social, intellectual or humanitarian aspect;
- ✓ the process of decolonization led to the formation of new states in the regions of Sub-Saharan Africa, Northern Africa and Middle East, South-East Asia and the Pacific.

From our perspective, the end of the Cold War also meant the end of the first stage of contemporary globalization. *Firstly*, there is no political globalization of the world, based on some universally accepted democratic principles. In this period, the existence of totalitarian states was periodically threatened from the inside, as well as from the outside, the last decade of the Cold War being the ultimate witness of the successful attempts of abolishing dictatorial regimes. We must not forget the fact that there are still states under uni-personal, totalitarian regimes (Cuba, North Korea, the countries dominated by Islamic fundamentalism). *Secondly*, in the postwar period, we would rather talk (as far as we are concerned, as a continent) of sub-regional or zonal organizations (Council for Mutual Economic Assistance and European Economic Community) that were not the unique voice of the region – Europe, due to its totally opposite ideological principles regarding its formation. Post Cold War globalization registered a considerable level of institutionalization, replacing the rigid and bipolar division of the world with the multi-polarity that expressed itself as

regionalization. Therefore, we can assume that regionalization and globalization are not opposite, but rather complementary processes. Globalization implies action in very vast, but concretely delineated spaces, enabling common decisions at a regional level. *Thirdly*, the military globalization registered in that period represented a limited evolution of the system of alliances and a rather predictable structure of international security. The Cold War divided the world under several of its aspects (economic, social and cultural life), but it also reunited it under the form of global military order, called “the equilibrium of terror”.

Regionalisation, especially in its *de jure* forms involving greater or lesser degrees of formal policy integration among governments, emerges as a political response to the challenges of globalisation and at the same time helps to strengthen the microeconomic forces that drive globalisation by stimulating internal competition; significantly enlarging regional markets open to participants; weakening the power of special-interest groups which resist greater competition or attempt to turn regional agreements into bastions of protection; and reestablishing collectively, among participants, policy sovereignty vis-à-vis internal and global markets (Oman Charles, 1994, p.4).

Regionalization is the realization of some regional trade arrangements with various degrees of adhesion. Two values of regional integration can be identified for the postwar period: beginning with the 50s, there were numerous attempts to create some free trade areas or common markets in Europe, Africa, Latin America, the Caribbean Islands and Asia. Except for Europe, the attempts of regional integration of the first wave failed. The regionalism of the second wave is a phenomenon of the 90s. It is vaster than the first wave and it may have been provoked by the increasing international interdependence and the progress in the field of communications. The second wave consists in the attempts to create regional trade agreements, customs associations, customs unions and common markets.

## 2. GLOBALIZATION AND THE REGIONAL SUCCESS

Although regionalization (the division in regions) is widely spread in the territorial organization of European countries, it is impossible to define a common fundamental concept for all existing regions. In some countries like, for example, Italy, the regions immediately became functional, in other countries they serve as a means of actions of economic nature for the central government. This was the case of France and Great Britain. The reforms of the reform attempts (in Belgium, Spain, France and Portugal) in the period of the 70s transformed regionalization in the main topic of political debates. Many states do not recognize the region as a new level of the



government; other states differ from the standpoint of the nature and role of the region, having various elaborated concepts about the region. The regionalization of the new member states and of the states that will adhere in the future contributed to the diversification of the term *region*. This is why there is a tendency to hesitate between two fundamentally opposed and equally inappropriate concepts. The first concept is based on a purely descriptive definition: the region is the entity situated immediately under the level of central government, with a political power of representation, via the selected board. The second concept is based on the representation of the region via an association or institution created at a regional level by the immediately inferior authorities (as is defined in the statute of the Reunion of European Regions).

The newest initiative in the regional politic domain is represented by the Communication of the Commission from July 2003, reffering to the creation of a new instrument of promoting of the sustainable economic and social development. It is about the „Neighbourhood Instrument”, which appears as a consequence of the extending process of EU and reflects the interest for the Union border change. This new instrument is based on the existing experience in promoting the cross-border cooperation, acumulated by Phare, Tacis and Interreg programs, and will be centred on the assurance of the well functioning and a good management of the future borders in East, with the purpose of development of the border regions.

This instrument can also contribute to the promovation of stability and prosperity inside and outside the Union borders.

The objectives considered by this instrument are:

- Promoting of economic and social development in the border regions;
- The cooperation for treating the common needs, in fields like: environment protection, public health, fighting against the organised crime;
- The assurance of safe and efficient borders;
- The promoting of local actions - „man to man”.

The factors that are taken into consideration for the strengthening of a system of functional regions, of potential success, and those for the development of regions are: historical factors, related to tradition; cultural factors; the geographical factor (natural homogeneousness and the connection with the state borders); the adequate dimension for real and efficient socio-economic activities; a number of center of development/potential growth (city which are likely to develop with a bi-directional socio-economic dynamics in relation to the marginal area). Also, there are the market factors, cost factors, governamental factors and competitiveness factors.



**Table 1 - Determinants of globalization**

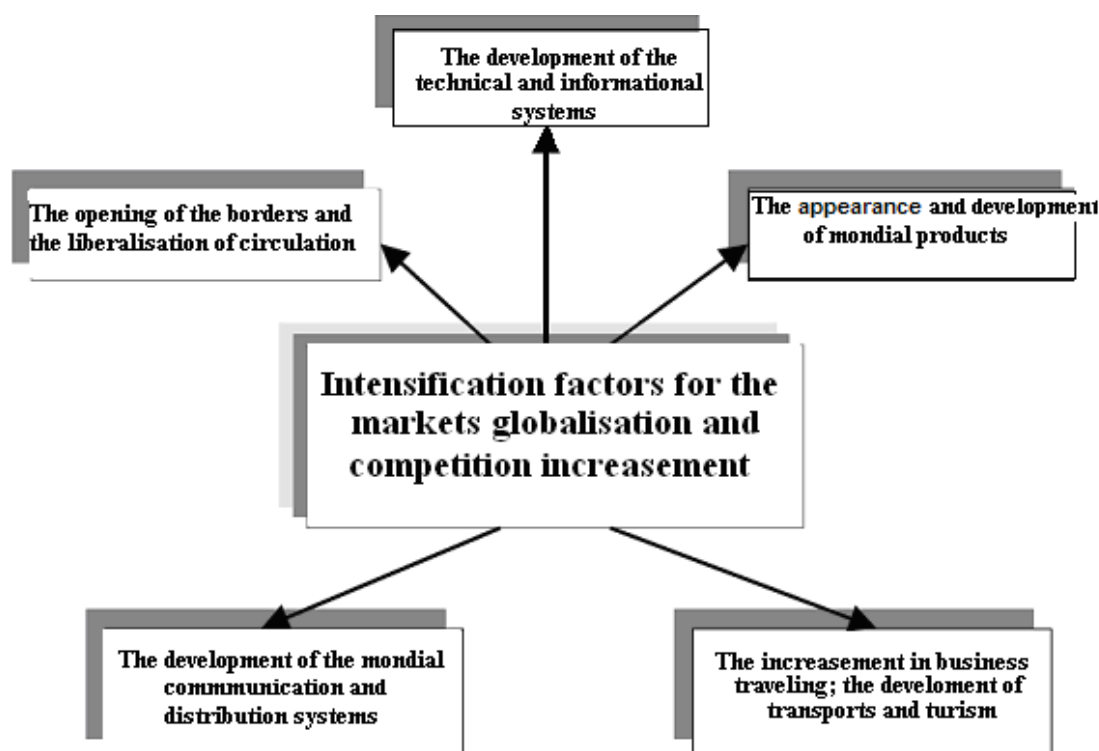
<b>Market factors</b>	<b>Cost factors</b>	<b>Governmental factors</b>
<ul style="list-style-type: none"> <li>▪ The convergence of revenue per capita in industrialized countries;</li> <li>▪ The convergence of life styles;</li> <li>▪ The increasing mobility – global consumers;</li> <li>▪ The development of marketing; and of distribution channels at global/regional level;</li> </ul>	<ul style="list-style-type: none"> <li>▪ Scale economies;</li> <li>▪ Technological innovation;</li> <li>▪ Progresses in transport systems;</li> <li>▪ The apparition of new economic forces;</li> <li>▪ The increasement of the development costs versus life duration;</li> </ul>	<ul style="list-style-type: none"> <li>▪ The reduction of the taxation barriers;</li> <li>▪ The reduction of the non-taxation barriers;</li> <li>▪ Commercial trusts;</li> <li>▪ The decline of the government role as producers/clients;</li> <li>▪ The privatization;</li> </ul>
<b>Competitiveness factors</b>		<b>Other factors</b>
<ul style="list-style-type: none"> <li>▪ The intensification of the mondial commerce;</li> <li>▪ The increasing number of strategic markets</li> <li>▪ The rise of imports;</li> <li>▪ The apparition of new actors decided to become global competitors;</li> <li>▪ The development of global networks which determine interdependence between states in certain industries;</li> <li>▪ The apparition of the global strategic alliances;</li> </ul>		<ul style="list-style-type: none"> <li>▪ IT revolution;</li> <li>▪ The globalization of the financial markets;</li> <li>▪ Increasing business traveling.</li> </ul>

Research performed by well-known experts (for example, Dunford and Hudson) show that the government decentralization in regions is not enough to guarantee economic success. They discovered that the prosperous EU regions:

- display a high level of social cohesion and participation ;
- achieve relations of cooperation in the field of industry, which are illustrative of their flexibility and security
- have cooperation at the level of the companies, including a network of cooperation
- “incorporate” internal investments, which have a considerable added value in the regional economy

- adopt strategies in order to augment innovations and the technological transfer
- have government institutions, which have “learned to learn”
- maximize the potential of trans-border synergies
- manifest a vibrant, state accepted civil society

Figure 1



Source: Brilman J., 1990, p.26

### 3. THE CONSEQUENCES OF REGIONALIZATION & GLOBALIZATION AT EUROPEAN LEVEL

In many of the European regions with economic success, **social cohesion** and participation appear as imperative conditions for economic success. The symbiotic relationship between cohesion and success manifests itself in multiple ways, and many of them can be resumed as culture of commitment, which gravitates around a variety of relations based on cooperation and trust. It is also true that in some successful regions of Western Europe, the character of social inclusion is obviously problematic – for example, many workers in the successful regions in Germany are international migrants, with no citizen rights. This suggests the fact that economic success can be, in some circumstances, dependent on the partial and selective opinions concerning cohesion. Many of

the successful European regions are characterized by particular forms of relations between companies, which highlight cooperation, trust and network communication. Often, these networks have the specific character of the place, as is the case of the industrial areas of interconnected small and medium enterprises. Many small enterprises are dynamic and rely on innovative design, order based production and quality, in order to be able to remain competitive. Network connection, based on mutual trust, enables these companies to successfully adopt competitive strategies. Cooperation networks facilitate training, innovation, the spreading of knowledge and the creation of specific territorial types of knowledge, essential for competitiveness. There are, however, significant differences between these regions, where “the horizontal” networks of SMEs are the main advantage of the corporate picture (as is the case with the North-East and center of Italy) and those dominated by major companies (such as Baden-Württemberg). The relations of cooperation between companies are centered on formal agreements, often complementary to the realization of some performance objectives and less to a non-formal relation of trust. Nevertheless, the network collaboration relations of large companies are at least partially transnational. Thus, this means that “old” industries that exist in poor economic regions of Europe can become a basis for future growth, if the appropriate organizational structures evolve. The globalization process and the marketing approach of investments launched a new modality of “investments in companies that are representative for a particular branch” in the marginal regions of the European Union, thus enabling an economic activity with a greater added value and a tighter connection with economy and the regional capacity. These schemes introduce, via the constitution of a “supply network”, a better diversification of market risks (by abandoning market segments). Such a “quality” of attracted investments can create an important number of new workplaces, and may have many other positive effects on regional economy, even if it is necessary to emphasize the fact that investments in companies belonging to this branch in the marginal regions of Europe will lead to the utilization of the unqualified workforce for mass production. No one can deny the fact that the success of a region depends on the government system and on the pro-active approach of local governments in the socio-economic field, authorizing and facilitating the appearance of institutions, forming partnerships with the civil society and the business community. These mechanisms enable the elimination of borders and support the formation and the development of local/regional economies. The governmental structures of the state should be aware of the fact that national economy is rooted in regional/local economy and the regional/local models of development are, usually, incorporated in successful national economies.

#### 4. THE DIFFERENCE BETWEEN GLOBALIZATION AND REGIONALIZATION

It consists in the fact that, in the case of regionalization, liberalization occurs on a smaller scale, geographically limited to the space of the states that participate in the grouping. Economic data highlight the fact that the volume of inter-regional trade increases as fast as that of intra-national trade, which proves that *regionalization is an integral part of globalization*. Poorly developed countries advocate the idea of regional integration, arguing that its practical realization represent the way towards industrialization, the liquidation of economic regress and the expansion of the connections between the countries in the integrated areas. In this respect, one of the deputies of the general manager of the International Monetary Fund, Alassane D. Quattara, states that *regional integration* constitutes an important step towards *global integration*: “*developing countries cannot escape globalization and should not try to avoid it*”. Trade played a significant part in the globalization process, since the expansion of manufacturing in industrialized countries was due to the accentuated interpenetration of national economies, to a large extent by means of intra-branch trade, in such a way that global markets evolved in relation to processed products, as well as in relation to their inputs. The increase of trade between developed and developing countries, in the 80s, also reflected a change in the nature of production. Thus, a new international labor division was formed. Markets tend to become global due to the fact that internal markets are no longer capable to bear the increasing costs of research and development and the shorter and shorter lifecycles of the products, from a technological perspective. In an increasingly accentuated modality, large corporations are expanding their scope outside their national borders, resorting to transnational management in the field of innovation, manufacturing and trade. A genuine network of „*strategic alliances*”, such as: company merger, creation of mixed societies, etc., enables corporations to share the inherent risk of developing products for international markets and the benefits resulted following the expansion of portfolio investments realized based on these products.

#### 5. IMPORT AND EXPORT ON THE GLOBAL MARKET

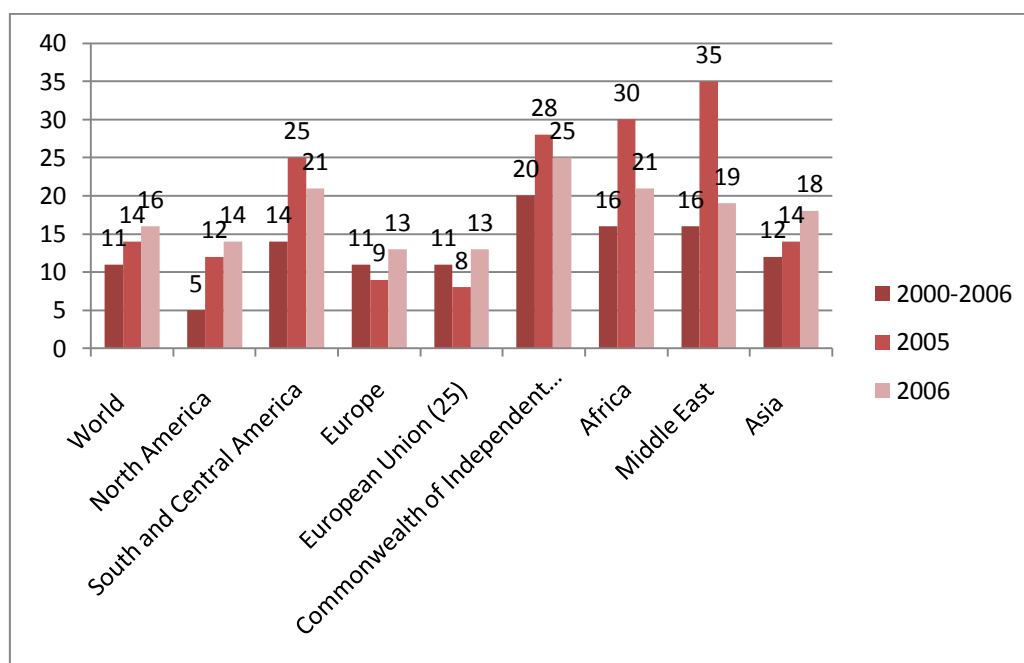
A *global market* requires the existence of some significant levels of regulated exchanges of goods and services at an interregional scale. Where the obstacles which prevent trade, be they transportation costs or protectionist measures, registered a considerable decrease, foreign producers from a certain region can compete with domestic producers from another region. The dynamics of international trade is very strong. It attracts the globalization of industry, under the influence of two

processes. On one hand, the enterprises seek to conquer new markets, and this makes them stay as close as possible to potential customers. This is the attitude of big international companies. On the other hand, many enterprises are compelled to delocalize part of its production in order to reduce the cost of the workforce. Thus, electronic produces most of its primary devices in South-East Asia. The revolution in the field of communications enabled many big international companies, known as transnational corporations, to decentralize their manufacturing process. They are now capable of to locate their research and development where most scientists are available. Truly new is the growth of global trade in the second half of the twentieth century. Many countries limited their restrictions imposed on international trade and trans-borders circulation of goods expanded considerably. Trade developed in a rhythm twice faster than that of global production. A vast opening of economies towards the exterior was initiated. Between 1955 and 1975, Europe especially and then the world economy, as a whole, registered the longest postwar boom, when the increase of the volume of trade was associated with the strengthening of the position of multinational corporations situated on the territory of Europe, the United States of America and, to a smaller extent, Japan.

In a globalised world, Europe's trade policy must become an integral part of its wider approach to economic reform and competitiveness. A stronger EU economy at home means Europe has to be more competitive abroad. We need to open markets and create new opportunities for trade and ensure European companies are able to compete fairly in those markets. EU trade policy aims to contribute to a more equitable integration of developing countries into the international trading system through coherent action on three levels: the multilateral (which remains the key area of EU trade policy), the bilateral and through autonomous measures.

In the following graphics we compare the exportation and importation in the period 2000-2006 in the main regions of the world.

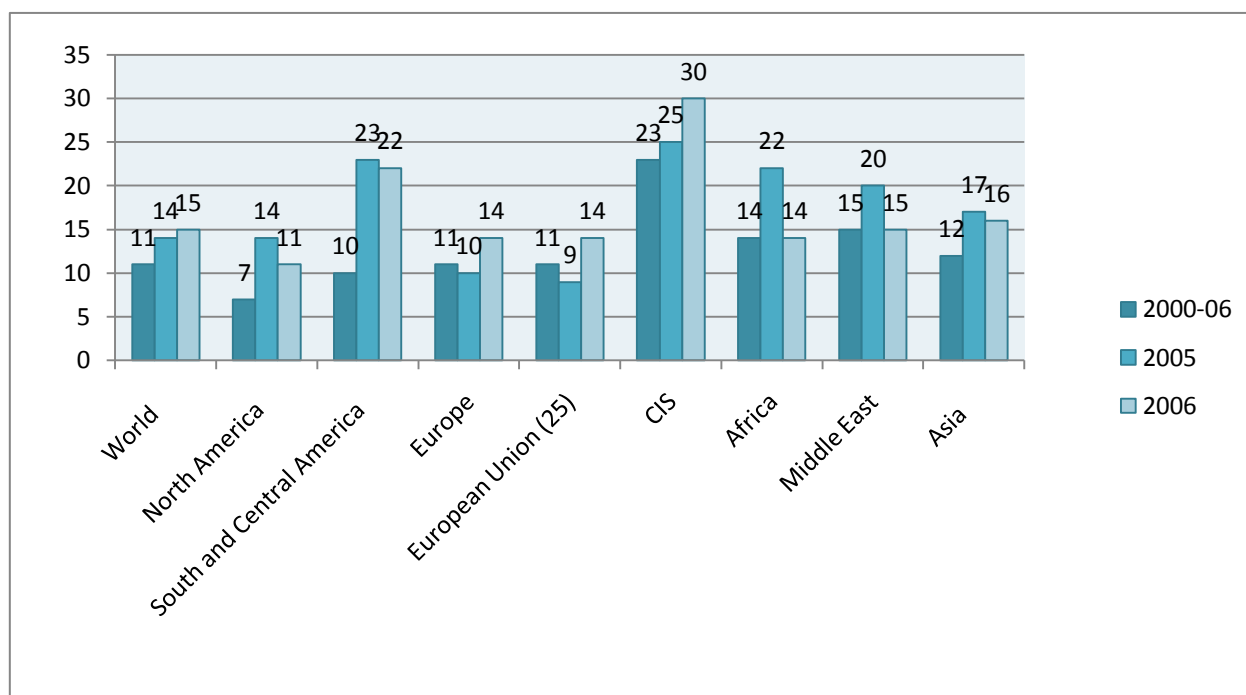
**Graphic 1 - Merchandise export**



Source: [www.wto.org](http://www.wto.org)

The global exportation of goods and services tripled in the period 1992-2006. În graphic 1 we considered the merchandise export of the main regions of the world in 2000-2006. At present, about 20% of the global production is traded and a much higher percentage constitutes, potentially, the object of international competition: commercial activities reached an unprecedented level as an absolute value, as well as in relation to global production. The structure of world trade in relation to various types of commodities differed considerably in the last decades. The main tendency was that of increase of the percentage of manufactured goods and services from the total of global exports. The percentage of primary products, offered especially to the poorest countries, registered a decrease.

**Graphic 2 - Merchandise import**



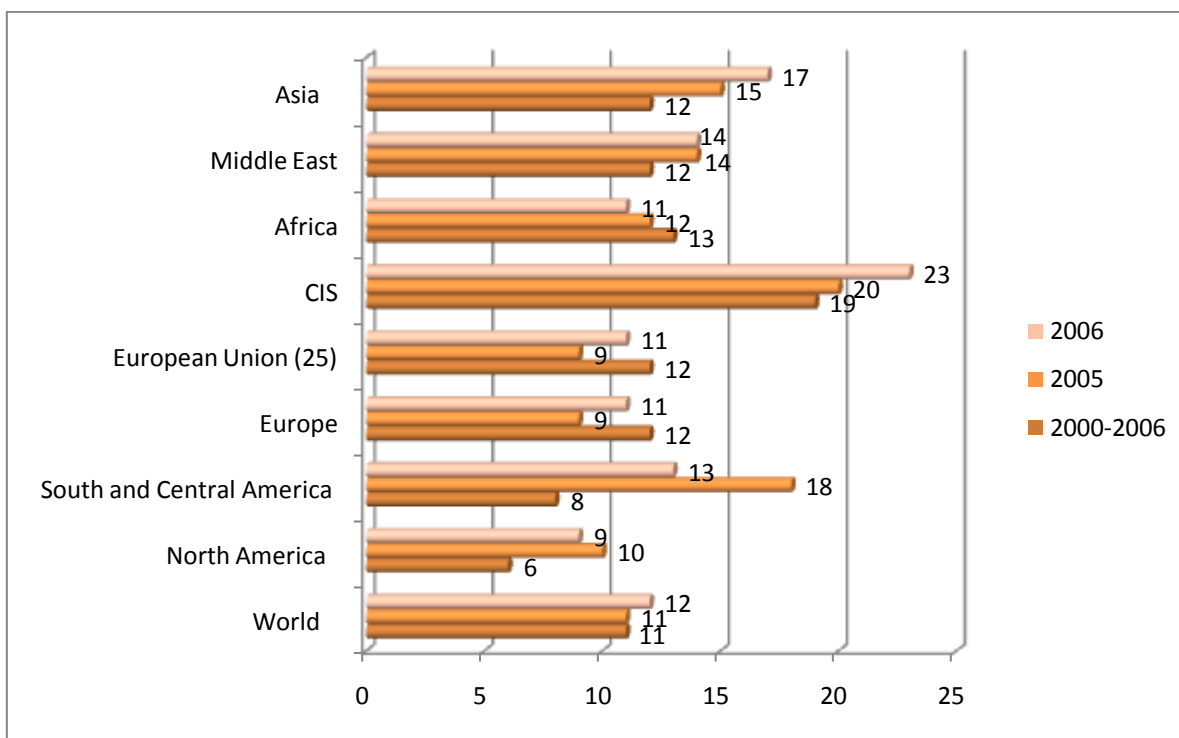
Source: [www.wto.org](http://www.wto.org)

The analysis of the geographical distribution of the importation and exportation of products confirms the existence of three global poles: North America, Western Europe and South-East Asia, which cover, taken together, two thirds of world trade. The great industrialized countries are at the same time the biggest importers and exporters in the world, the United States of America being the undisputed leader. A series of relatively small countries, especially from Asia, states considered developing countries, registered great economic transformations in the last three decades, due to their focus on exportation. In these cases, international trade functioned as a genuine vehicle or as the main promoter of economic development. The recently industrialized countries in Asia registered positive evolutions, whereas Africa, as a whole, had a declining trend.

In the section bellow we present the situation concerning the commercial services in exportation and importation.



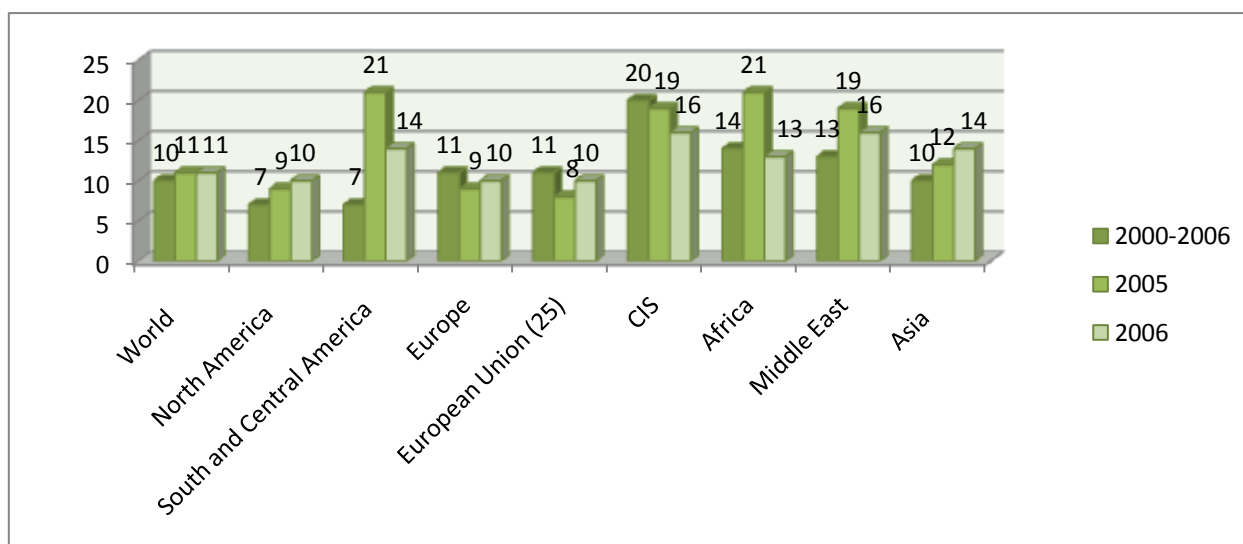
**Graphic 3 - Commercial services – exports**



Source: [www.wto.org](http://www.wto.org)

Merchandise trade expansion and quality improvement, intra-regional trade expansion, easier and cost-effective access to international capital, technology and professional manpower markets, expanding business opportunities overseas, enhanced international flows of people, information, knowledge and ideas, leading to the concept of a global village represent the positive impact of globalization (Hirono Ryokichi, 2006).

**Graphic 4 - Commercial services – imports**



Source: [www.wto.org](http://www.wto.org)

The World Bank estimated that a pro-poor outcome of the current Doha Development Agenda could increase global income by up to € 300 bn, with half accruing to developing countries. However, the world's poorest countries have not always been able to fully benefit from the trade opportunities offered by the multilateral trading system.

Briefly, The World Bank has characterized the activities of importation/exportations of EU in the following terms:

- EU imports from developing countries have continued to rise. They increased by 16% between 2005 and 2006 and by 14% if China is excluded. Imports from developing countries with which the EU has Free Trade Agreements have also shown a healthy rise between 2005 and 2006: from Mexico 15%, from South Africa 10% and from Chile 54%.
- Almost 70% of imports from developing countries entered the EU at a zero tariff rate in 2006. This was the case for almost 98% of imports from the African, Caribbean and Pacific countries (this figure will now increase because the signing of the Economic Partnership Agreements has further extended duty-free treatment for ACP countries). 88.5% of Least Developed Country imports to the EU entered at a zero tariff rate.
- Agricultural exports from developing countries to the EU grew by just under 12% from 2005-2006. Textiles imports grew by 12.3% for the same period.
- EU imports from the 50 Least Developed Countries (LDC) increased by just under 7% 2005-2006. The biggest increases in LDC exports to the EU were in textiles, which grew by 25%.

## 6. CONCLUDING REMARKS

The globalisation imposes to Europe different challenges: the demographic deficit, the reduction of the active population, the necessity of adaptation to the climatic change and the armonisation with the technological change etc. The main issue is to face the inequalities determined by the globalisation. The life long learning, the mobility, the social dialog, the anticipation of the new needs, the flexibility, but also the keeping of the social protection are some answers for the new challenges. The European Union has a financial mechanism which follows the equilibration of the negative effects of the globalization - sharper distinction between winners and losers at the international levels including greater disparities among both industrial and developing countries, a higher external dependence, global warming and environmental destruction, globalization of unsustainable patterns of production and consumption, reduction/loss of cultural diversity, and rise of ill-directed nationalism and patriotism, leading to international terrorism and the possibility of greater international conflicts - named The European Globalisation Adjustment Found.

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# INFORMATION AND COMMUNICATION TECHNOLOGIES – ONE ENGINE OF GLOBALIZATION

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**Abstract:** *Technological changes are “the main engine of capitalism and evolution” (A. Toffler), “the fundamental driving force in transformation of an economy” (C. Freeman). The paper proposes a theoretical investigation of information and communication technologies evolution and their impact on the globalization of economy. It defines terms like globalization - with special attention focused on its economical dimension, technological change, and information and communication technologies.*

**Keywords:** globalization, information technology, communications, internet, digitization

**JEL Classification:** F02, O33, M15

*“Nowadays there is no such thing as the First, Second or Third World. Everything that is left is a Fast World – like a wide field, without any frontiers – and a Slow World – of those who either fall on their way to this field, or choose to live faraway from it, in artificially built valleys surrounded by walls, because, for them, life in this new world is far too fast, too scary, too homogenizing and too demanding.” Thomas Friedman*

## 1. GLOBALIZATION – AN INEXORABLE PROCESS

Globalization is one of the fashionable terms nowadays, a term which, like all the concepts with a high degree of novelty, experience various definitions and often shadow the experiences they are trying to clarify (Bauman, 1998).

The concept of globalization is an abstract one. It does not refer to a concrete object, which can be highlighted starting from its normal dimensions that are easy to identify by means of the well known units of measurement. Therefore, *it has never been easy to define* (Postelnicu & Postelnicu, 2000, p. 59).

One possible way to draw a definition of globalization is to *identify its characteristics*. In the definitions they suggest, authors from various fields identify distinct characteristics of the studied phenomenon.

According to Axford Barrie, globalization *connects people and collectivities previously separated by time and space*.<sup>1</sup> The characteristic easily drawn from this definition is *(inter)connectivity*.

Jan Aart Scholte<sup>2</sup> sees globalization as a new term capable of describing the relationships among countries, relations characterised by the *increase in the international exchanges and interdependences*. Pragmatically speaking, it can be considered *a process of the economic integration at a lower cost*, resulting in the decrease of the autonomy of the nation-states (Morales-Gomez, 1999). To this progressive internationalization we can add a continuous *liberalization*. Globalization can be regarded as a way to cut the restrictions imposed by governments on the inter-state exchanges, in view of creating an open, worldwide economy, without any frontiers (Scholte).

Globalization represents the *multiplication of the connections and interconnections among the states and societies which are currently part of the worldwide system*. It describes the process by means of which events, decisions and activities that take place in a certain part of the world have significant consequences for individuals and communities which are at long distances away from one another. From the point of view of its *scope of action*, globalization defines a *set of processes which involve almost the entire globe or operate all over the world*. To the social space it adds a supraterritorial domain, without including any distances (Scholte).

From the point of view of its *depth*, globalization involves the *intensification of the levels of interaction, interconnection or interdependence among the states and societies that form the worldwide community* (Dunning in Postelnicu & Postelnicu, 2000, pp. 76-77).

Globalization is *a complex phenomenon, a combined effect of the liberalization of commerce, international flows of capital, and of foreign investments, of the integration of national markets, production internationalization, of the increase in the products and services mobility beyond national borders* (Hart in Meșniță, 2002, p. 14). Nevertheless, the phenomenon *cannot be limited to the interaction between the economic factors and agents*, and must be analysed from the point of view of the impact it has on the social and cultural systems, on the social politics and reforms.

Moreover, globalization has the *characteristics of an irreversible process*, which affects us all to the same extent and in the same manner, whether it makes us happy or sad. According to

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Zygmunt Bauman, it is only a euphemism used for the new world disorder, where world's problems will have an undefined, inorganizable and auto-propelled character, and a centre, a controlling unit, a decision-making council will be necessary, though absent (Bauman, 1998, p. 9).

According to Thomas Friedman, globalization is not just an economic caprice, or a transitory trend, it is *a system with its own pressures and stimuli, own unique and logical rules*. It is *a dominant international system*, which replaced the Cold War system after the fall of the Berlin Wall (Friedman, 1999, p. 7).

To conclude, we can define globalization as being *a complex phenomenon of concentric expansion of certain values and/or practices generated by a nucleus and spread by more and more individuals and/or nations, a phenomenon based on several factors with interdependent action and which is characterised by (inter)connectivity, liberalization, wide scope of action, intensity (depth), complexity, interference among various subjects, speed, mobility, risk, insecurity, flexibility and irreversibility*. As a result of the various natures of its values and practices – the object of the globalization, the phenomenon has multiple dimensions whose explanation is necessary in order to clarify it.

## 2. VARIOUS DIMENSIONS OF GLOBALIZATION

In the literature which deals with this phenomenon we can identify at least *five different points of view* to consider globalization (Chase-Dunn, 1999).

The first point of view we are going to analyse is that of **global issues**. The *common environmental constraints* are the global threats caused by the more and more fragile ecosystem. The effects of the environmental degradation became perceptible on a long term, affecting the social evolution of mankind, as well. But this environmental degradation started to operate widely no sooner than recently, determining the emergence of a set of systemic constraints which require a collective, coherent and convergent social action, at a worldwide level. Such actions are required by the *endemic poverty, management of limited resources, the management of critical situations*, the most terrifying of them being terrorism – „a self-destructive virus produced by globalization itself” (Baudrillard in Codiță, 2004, p. 7).

Secondly, phenomena such as:

1. *the proliferation of individualised values*, values expressed in national constitutions which acknowledge the human rights and the transnational and international rights in order to protect them, and



2. *the adoption of western institutional practices* (such as the bureaucratic organisation and the rationalisation, the observance of law, valuing of the economic efficiency and of the political democracy) determined the emergence of a tendency that characterises mainly the 20<sup>th</sup> century: **cultural globalization**. In earlier times, the cultural homogenization took place on a regional basis – for example, the romanization of Western Europe and of the Mediterranean world, the islamization of the Central Asia, Northern Africa and Middle East by arabs and, later on, by Ottomans, the propagation of the Christian faith, the russification of Central and Eastern Europe, as well as of certain sub-soviet regions of Eurasia. From a cultural point of view, globalization nowadays is likely to engage the propagation of the controversial *americanization*.

Another meaning of the phenomenon, related to the new era of information technologies, is the one referring to the **globalization of communication**. The rapid decrease of the communication costs improved the relations among states and is an important basis for the formation of a stronger global civil society. The global communication facilities have the power to move visible and invisible things from one part of the world to another, regardless of the nation-states' opinion about this. This applies not only to the economic exchanges, but also to the ideas – by means of more and more extensive communication networks we can create political groups and alignments. The supraterritorial domain, regardless of distances, that Scholte was mentioning, becomes possible by means of the communication globalization.

**Political globalization** refers mainly to the institutionalization of the international political structures. From the beginning of the 19<sup>th</sup> century, the European inter-state system developed both an international normative order with a consensual character, and a set of political structures that were regulating all types of interactions. This phenomenon was called by Craig Murphy “global government” (Murphy, 1994). He refers both to the international organizations having a general purpose, and to more specialised ones. Examples of organizations with a general purpose that developed are the League of Nations and the United Nations. In time, we can notice a weak, though persistent, concentration of the states' sovereignty in international institutions. If this continues, the result could be a global state by means of which the situations of belligerence would be effectively taken out of law. The problem of the relative balance of power between the global political organizations and nation-states makes the optimistic vision of a global peacefully-governed state not seem achievable, at least for the moment.

The **economic globalization** means the spreading of the economic relations worldwide. Its most important manifestations are the intercorrelation of the financial markets and of those of goods and services, as well as of the networks created by transnational corporations. Although the worldwide capitalist system has essentially been an international one for centuries, the dimensions

and the degree of spreading of global exchanges and of investments increased essentially no sooner than the latest decades.

According to Charles W. Hill (Hill, 2000, pp. 5-7), economic globalization has two fundamental components:

- The globalization of markets;
- The globalization of production.

*The globalization of markets* refers to the convergence of the national markets, different from a historical point of view, towards a huge global market. The tastes and preferences of consumers belonging to different nations are starting to converge towards a global standard, thus contributing to the creation of a huge market. The acceptance all over the world of products such as the Citicorp credit cards, Coca Cola, the Levi Strauss blue jeans, Sony walkmans, Nintendo games and Mc Donald's hamburgers is mentioned quite often, the above-mentioned examples being typical for this trend. Nevertheless, there are still very important differences among national markets. We can include here the consumers' heterogeneous preferences, the different distribution channels, the cultural values systems. In the case of many products, these differences frequently require that the marketing strategies, the products' characteristics, or the practices themselves be customized, adapted, in order to better suit the conditions in a certain country. The most "global" markets nowadays are not the ones of the products for the consumers, where tastes and preferences are important enough so as to act as an impediment for globalization, but those markets for industrial goods and materials (such as aluminium, oil, wheat, microprocessors, DRAM, commercial planes, all types of software and a great deal of financial products), for which there is a universal need worldwide.

*The globalization of production* refers to the companies' tendency to produce goods and services in locations spread throughout the world, in order to benefit from the advantages of the national differences regarding the quality and cost of the production factors (such as work, energy, land, capital, but also knowledge). Through these, companies hope to lower the total costs and/or to increase the functionality and quality of the product offer, thus "impressing" their competitors. A rather shocking example of externalization at a global level of the production is the one given by the Boeing Company, which produces one of its airplanes out of 132,500 components made by 545 partners worldwide (8 of them in Japan, one in Singapore, 3 of them in Italy, etc.).

### 3. TECHNOLOGICAL CHANGE – A DECISIVE FACTOR IN ECONOMIC GLOBALIZATION

The two major categories of factors (Hill, 2000, p. 9) that seem to have accentuated the economic globalization during the last century are:

1. *the decline of the barriers to the free flow of goods, services and capital*, starting with the end of the World War II;
2. *technological change*, that is, the dramatic development of communications during the latest years, the processing of the information and the transportation technologies.

#### 3.1 The decline of barriers to free flow of goods, services and capital

During the 20's and the 30's, many nation-states of the world imposed restrictions on the international commerce and foreign direct investments. Regarding commerce, they applied high tariffs especially for the import of manufactured goods. The purpose of such tariffs was to protect the domestic industries against the foreign competition. One of the consequences was the “beggar thy neighbour” policy, by means of which countries progressively installed barriers for one another. Finally, this resulted in the decrease of the global demand, a fact which led to the Great Depression in 1930.

Learning from this experience, after World War II, the Western industrially developed nations – lead by the United States of America – raised the barriers to the free exchange of goods, services and capital among nations. This is the way GATT (General Agreement on Tariffs and Trade) emerged. Eight rounds of negotiations among the member states (today, 130 members) took place under its leadership, negotiations meant to reduce the above-mentioned barriers.

More than the reduction of the exchange barriers, many countries also reduced progressively the restrictions on the foreign direct investments.

Regarding the free flow of capital – or the *democratization of finance*, according to Thomas Friedman – it was based, first of all, on the development of the market of “commercial papers” (liabilities which, starting with 1960, corporations and even nations issue directly to the public, introducing a dose of pluralism in the world of finance and reducing the monopoly of banks). The democratization of investments intensified at an international level, as well, when the system of the fixed rates of exchange and strict control of the flow of capital, which appeared at Bretton Woods after World War II, disappeared in the early 70's. The moment when this system turned into a more

flexible one, the developed countries democratized their capital markets, opening them to foreign participants, and the developing countries followed the same example themselves.

These evolutions facilitate the globalization of both markets and production. The decrease of barriers to international exchanges allows companies to see the whole world as a market. The decrease of barriers to international exchanges and to investments allows companies to place their factories in optimal locations for their production, supplying the markets in that specific area. Thus, a company can make a product's components in a certain country and can assemble the product in a different country, exporting it all over the world.

Another phenomenon which contributed to the economic globalization is the *democratization of the countries subject to a restrictive regime, economically and politically speaking, as well as, at the same time, the increase in the mobility of the work force at an international level* (Dunham).

In spite of all the aspects mentioned above, the decline of the commercial barriers cannot be taken for granted neither is it for good. The requests for "protection" against foreign competitors can often be heard from countries all over the world, including from the United States of America. Although going back to the restrictive exchange policies of the 20's or 30's is unlikely to happen, it is not yet certain that the political majority of the industrialized countries will continue to favour the decrease of the exchange barriers.

### **3.2 Technological change – the engine of globalization**

*Technological change transforms globalization into a tangible reality.* Without these, the complex economic global system nowadays would simply not have existed. The substantial improvements in the communication technology, such as the real-time electronic networks, connecting places from all over the world, direct international phone access, together with the global high-speed and high-capacity transportation networks, determined some authors to state even that *geography is over* (Clark & O'Connor, 1997).

#### *3.2.1 About technological change in general*

Technological change is the "main engine of capitalism", "the great engine of evolution" (Alvin Toffler), "the fundamental force in the creation of models for transforming an economy" (Christopher Freeman). Although technologies, in the shape of inventions and innovations, arise in

specific places, do not keep being related to those places for a long time. Given the current conditions, innovations spread rapidly.

Technology is, undoubtedly, *one of the most important factors that contribute to the internationalization and globalization of the economic activity*. From this perspective, globalization can be defined as an ascending trend of economic and political changes, on a long term, which is affected by cyclic movements determined mostly by the evolution of technologies (Chase-Dunn, 1999).

Through its impact on the production and information flow, technological change influences the industry structure at a national level. This phenomenon is nowadays obvious at a global level, as well. The long-term technological trends, as well as the recent progress, reconfigure the location, property and management of various types of productive activity at a national and regional level. The increasing ease with which technical and marketing knowledge, capital, or managerial control can be extended throughout the Globe, made possible the integration of the economic activities in several locations at considerable distances.

A great part of the technological changes are not even noticed – these are the minor changes, inevitable and progressive, of products and processes. Freeman calls these changes *incremental innovations*. More obvious are the *radical innovations*: discontinuous events, with a high degree of novelty, which can dramatically change the existent processes and products. Nevertheless, one single innovation of this kind does not have a very widespread economic impact.

The most significant are the changes at the level of *technological systems* – that not only affect different parts of economy, but also often generate completely new industries. According to Freeman, the following five generic technologies created such new technological systems:

- information technologies;
- biotechnologies;
- technology of materials;
- energetic technologies;
- spatial technologies.

The fourth category of technological changes identified by Freeman is represented by the *changes in the techno-economic paradigm*. These are long-term and wide-range revolutionary changes. They have persuasive effects on economies, meaning that they change the production and management style within a system. The introductions of electric power or of the electronic calculator are examples of such wide-range changes.

The idea according to which the global economic growth takes place in a series of long (extensive) waves, that can last approximately 50 years, is generally associated with the work of the

Russian economist N. D. Kondratiev. Each wave has four phases, namely: prosperity, recession, depression and recovery.

The element that lies at the basis of the beginning of such a wave is an important technological change. The fifth cycle of Kondratiev, that seems to have started during 1980 and 1990, is mainly associated with the first of the generic technologies mentioned above: *the information technology*. It has a proper geography, in which Japan is the dominant, next to the United States of America, Germany, Sweden and a part of the countries from the Eastern and South-Eastern Asia.

### *3.2.2 Information technology – an essential premise of globalization*

Owing to the evolutions in the computation and communication technology, more and more companies became global. They attacked the international markets, externalized a part of their operations through partnerships with producers and suppliers “across the seas” and opened subsidiaries all over the world. Electronic business, which highly enjoys the support of such technologies, promises to “narrow” the world even more, allowing people from everywhere to sell and buy products on electronic commerce websites, managing the international supply chains by use of collaborative solutions and increasing productivity by means of e-learning and e-collaboration applications.

*The information technologies* is the most widely used term for the telecommunication-computer integration, defined as a merge of telecommunications (telephones, circuits, cables, satellites, relays), on the one hand, and computers, on the other hand. Nevertheless, Hall and Preston say that the information technology has nothing new since, “for thousands of years, from the first drawings in caves and the invention of writing, people have used instruments and techniques for collecting, generating and recording data” (Hall & Preston, 1988). They launch another term, *convergent information technologies*, in order to refer to the latest accomplishments (in the 70’s and the 80’s) – when computers and telecommunications are integrated in one system for processing and exchange of information. In France and Germany they use the term *telematics* – understood as the technical and economic phenomenon emerged at the progressive intersection of communication and computer science industries. Bell calls the interface between telecommunications and computers *communications*. *Intercommunications* is a term with a wider connotation, that includes several fields.

In C. Freeman’s opinion, information technology represents the *new techno-economic paradigm around which the new wave of technological and economic changes will set*. Chase-Dunn

says that the *information technology created a context in which the global market, much to the detriment of separated national markets, becomes the relevant arena for the economic competition* (Chase-Dunn, 1999). Hall and Preston mention that *this convergence of two technologies that have been initially separated is very important for the development of the current and future global economy*. Computers guarantee the processing of the information, whereas telecommunications guarantee its transmission. They can exist independently, but when used together they are more and more regarded as the central nervous system of the 21<sup>st</sup> century worldwide economy, not so much as companions of the future growth and welfare, but rather as a condition for them (Hall & Preston, 1988).

The characteristics (Wilfong, & Seger, 1997, pp. 54-55) of the current revolution brought by the information and communication technologies are the following:

- *Convergence*: computers, telephones and television are starting to support the accomplishment of the same functions. The pre-existent telecommunication systems are starting to converge towards a unique network of global dimensions. Wireless products are starting to bring voice, data, faxes and video transmissions in more and more areas around the world.
- *Omnipresence*: data transmission is possible anywhere and anytime.
- *Specific access*: communications are not intended for a certain location, but for a certain individual – who can be anywhere around the world, by using of the e-mail or mobile phones.
- *Interactivity*: individuals are starting to interact with machines that have been passive up to now.

Many authors consider that the only truly important innovation in this field was the **creation of microprocessors**, which allowed the huge increase in the number of cheap and powerful computers – and, at the same time, the increase in the quantity of information that can be processed by individuals and companies. The microprocessor is also the basis for many recent progresses in the communication technologies. During the past 30 years, global communication was radically modified by the development of the satellites, optical fiber, wireless technologies, and nowadays it is strongly influenced by the Internet and WWW. These technologies use microprocessors for the codification, transmission and decodification of huge quantities of information that run along the information highways. The cost of microprocessors is decreasing continuously, whereas their power is increasing (a phenomenon known as “Moore’s Law”, which says that the power of technologies based on microprocessors doubles, whereas their cost halves, every 18 months). The cost of computer science processing of data decreased more rapidly than the cost of any other network



technology in the history. Between 1951 and 1984, the cost of computer processing decreased with 19.8% up to 28.2% yearly. In 1975, a miniframe computer that achieved 10 MIPS (million instructions per second) cost almost 10 million dollars. Nowadays, PC's operate at 100 times the speed, for 0.01% of the cost. This decrease of 99.9 percent radically changed and will continue to change life, society and (electronic) commerce. The cost reduction for the global communications also reduces the costs for the management and control of global organizations.

**The Internet** and the **World Wide Web** promise to become, from an informational point of view, the spinal column of the future economy. Globally speaking, the Web acts as a huge "equalizer". It eliminates the constraints regarding the location and local time, allowing businesses, either big or small, to expand their global presence at the lowest price ever.

A very important role in the unprecedented development of communication is played by *satellites*. Their use in telecommunications dates back in 1965, when Early Bird (Intelsat I) was launched. It was the first geostationary satellite, located above the Atlantic Ocean and capable to support up to 240 phone conversations or 2 TV channels simultaneously. Since then, this capacity grew exponentially. The effect of satellites on costs was amazing – nowadays, satellite communication is the cheapest, the cost being independent on the location of information and the distance it covers.

If, several years ago, the presence of satellites in the aerean space was associated only with the military or scientific research domain, during the recent years, by the multitude of commercial satellites – often constituted in networks with a well-defined objective, their range of use expanded. Basically, there is no socio-human activity not to have major advantages by using satellites. Of different types, placed at variable hights, with multiple objectives, satellites are present even in the Internet services.

The visible advantages (Oprea, 2001, pp. 198-199) of satellites as compared to landlines are the following:

1. the data amount transmitted/received is much higher;
2. transmissions have a considerable speed, without needing physical connections between the satellite and the receiver station – there are only limits generated by the satellite's capacity to manage a huge amount of data;
3. the coverage area is an enormous advantage, the connection to the internet not being conditioned by the presence of a wired communications system, the reception being the same as the TV signal.

Moreover, the proliferation of electronic environments that send all types of messages (television, radio) creates the *global state* (according to McLuhan), within which the participation in

the events that take place all over the Globe is immediate (the event can be even a sale transaction between partners at a long distance from one another).

Besides microchips, Internet and satellites, the compression, digitization and miniaturization technologies were also famous, especially during the 80's.

By means of ***compression technologies***, the amount of data that can be stored on a square inch of the disk surface has increased with 60% yearly, starting with 1991. Meanwhile, the cost of this storage capacity decreased from 5 dollars to 5 cents per megabyte, making the computer power more and more accessible every day.

***Digitization*** is the process by means of which voices, movies, sounds, television signals, music, images, colours, words, documents, numbers, computing languages and any other imaginable form of data, are changed into bits, and then transferred all over the world by means of phone lines, satellites and optical fibre cables.

Bits are the basic units in computing and nothing more than combinations of 0 and 1. Digitization involves the reduction of any sound, image, numbers or words to various codes of 0 and 1, their transmission by means of telecommunications to another point, where these 0's and 1's are decoded by a receiver and re-built into something very close to the original. The tendency towards the digitization of information is not a new one – it goes back to more than one decade ago and keeps growing as personal computers become standard business equipments in more and more organizations. Nevertheless, it takes part, together with *computerised business practices* and the *Internet* in a *significant synergy*, which makes possible the *electronic commerce*.

***Innovations in the field of miniaturization*** reduced the size and weight of computers, telephones and pagers substantially. Nowadays, they can be taken to more and more places and people with lower and lower income can afford them – miniaturization changes average people into potential beneficiaries of the electronic and mobile commerce, enhancing the wide availability of these types of virtual interactions between the consumer and the vendor.

### *3.2.3 Transportation technologies*

Besides the communication technologies, an essential role for overcoming the spatial and time constraints is played by the *transportation technologies*. Their role on the way to globalization is distinct, though complementary. Transportation systems are those by means of which materials, products and other tangible entities (including people) are transferred from one place to another. The communication systems allow the transmission of information (as ideas, orders, images, etc.) from one location to another. The development of both technologies changed the world we live in,

determining an unprecedented mobility of materials, products, as well as the globalization of markets (Dicken, 1992).

In economic terms, the most important events related to these technologies are probably the *development of the commercial planes industry* and *the introduction of containerization*, which much simplifies the passage from one means of transport to another. To these we can add the *development of transport by means of large capacity maritime ships*.

#### 4. CONCLUSIONS AND PERSONAL OPINIONS

Technological changes globalize the economy. The emergence of the microprocessor, digitalization, miniaturization, the development of satellite systems, compression technologies, Web technologies, wireless technologies are incremental or radical innovations which, together, determined changes at the level of technological systems, starting a new cycle of the economic activity.

Globalization nowadays does not only refer to the fact that less developed countries send raw material to the developed countries, which they process, obtaining final products which they send back. On the contrary, owing to the democratization of technologies, all countries have the opportunity to assemble their technical knowledge, raw material and funds, in order to be producers or subcontractors of highly finished goods and services, and this specific process becomes another subtle factor that connects people more and more tightly.

Globalization brings a series of **benefits** and **challenges** for the economic organizations. Some of the potential *advantages* are listed below:

- participation in new markets, as a result of the decrease of access costs, of legal barriers, of the fall of totalitarian regimes;
- access to a wider area of resources (capital, knowledge, work), currently available worldwide;
- participation in global networks of production, more and more frequent nowadays in various industries (automobiles, textile, toys, etc.)

Among the *elements* of globalization that *could have a negative impact* on companies, we can mention the intensification of competition, starting from two directions: foreign competitors are present on local markets, and local competitors reduce costs and make their activity more efficient by a worldwide externalization.

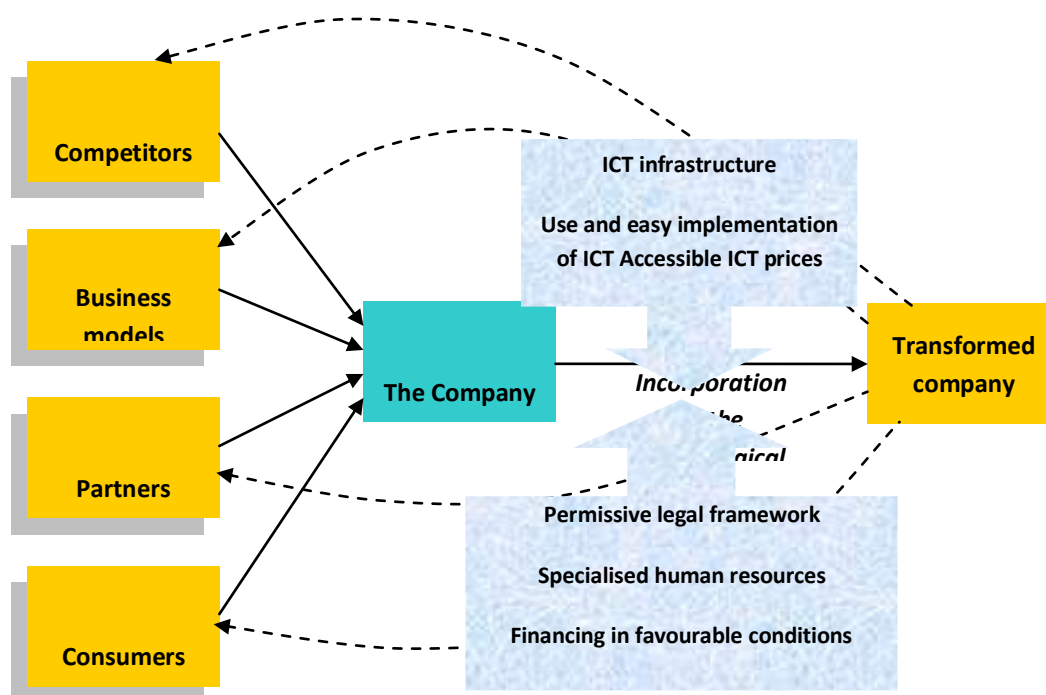
Globalization, with all its advantages and challenges, forces companies to restructure their activity in order to expand their production and sales in other countries, as well. In our opinion, the **factors that determine a company to consider the improvement of its activity** are the following:

- *competitors*: it is a harsh competition both on the local and international markets, as a result of globalization; national markets can reach saturation, forcing the company to move to new growing markets;
- *business models*: companies notice the necessity to reduce costs, seeing the profitability of other actors in the economic environment (through easier access to information, in the context of globalization);
- *business partners*: foreign companies cooperating with an organization can force it to adopt various technologies and business practices;
- *consumers*, that can require products or services offered by the company on other markets except for the traditional market.

One way to penetrate the new markets, to manage and coordinate the activities at a transnational level is the *exploitation of the technological changes' advantages*. Among the technologies with an impact on the companies' activities, the information and communication technologies are the most important – being, as it was shown above, cheap and easily enough implement.

As a result of the incorporation of the evolutions of computation and communication technologies in their activity, more and more companies become global. They attack the international markets, externalize a part of their operations through partnerships with producers and suppliers “across the seas” and open subsidiaries all over the world.

**Figure 1 The impact of globalization on economic organizations**



According to what has been ascertained above, we can notice that the dependences between globalization and economic organizations, and the information and communication technologies have the shape of a **cycle** (as seen in Figure 1), with the following phases:

1. *various external* (competitors, partners) and *internal factors* (the necessity of an efficient and profitable activity), whose action is strongly intensified by globalization, force companies to adopt ICT;

2. *technologies are incorporated in the activity of the companies in various ways, according to time and technological process* (the increase in the number of computers, their connectivity to the network, implementation of EDI, the transfer of the company's activities to the Internet, the adoption of ERP solutions, of wireless communications, etc.);

3. more and more companies that improved their performances by means of the incorporation of ICT are becoming global, turning into competitors, partners or models. They act as factors and attract more and more companies in the process of globalization. Their offer trains consumers as well, modifying their preferences and turning them into factors that influence other companies.

In our opinion, the adoption of technologies capable to turn the company into a global organization is influenced by a series of **factors**:

- *access to infrastructure* (telecommunications network, Internet) – where a proper infrastructure is missing, the transformation of the company is impossible to achieve;

- *accessibility of the technologies' prices* – the moment of transformation of a company depends on the relation between its available finances and the cost of the technologies it needs;
- *the ease of the implementation and use of technologies* – too complex technologies will be difficultly adopted by the company;
- *permissive legal framework for the ICT* – many activities in the information and communication area need support from Governments (the support for the activity of software experts, actions for the elimination of monopolies, etc.) in order to have an accessible price for more and more companies;
- *availability of the human resources* accustomed with the technologies in the company's field of production;
- *availability of the financing resources* at prices which allow investments, etc.

The globalization cycle suggested by us reduces the duration once technologies are evolving. Currently, more and more organizations expand their activity beyond their current markets. The more the companies transformed into global companies, the more the organizations likely to be “recruited”.

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# REASONS AND EFFECTS OF THE ROMANIAN LABOUR FORCE MIGRATION IN EUROPEAN UNION COUNTRIES

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**Abstract:** *In the European Union countries and neighboring regions, the expansion will produce a redistribution of the labour force between industries and countries. After the Romania's adhesion to the European Union, the need for an increased productivity, the lack of capital, the competition on the EU market and the low wages have concurred to the intensification of the migration process of the labour force, especially to the West European countries. As example, from over two millions of Romanians working abroad (almost 10 % from total population), 40% have chosen to work in Italy, 18% in Spain, 5% in Germany.*

*In this context, the questions that appear refer to the following issues: Does a real possibility exist for the emigrants to join the active population of the destination country and being employed according to their competences? How many Romanians citizens continue to stay in a foreign country if their job is not proper with their professional skills? Which countries in European Union apply discriminations on its labour market? Do European Countries usually admit Romanian employees temporarily and expect them to leave in short time if they can't find a proper job? Which are the socio-economic effects of labour mobility on the Common Market of EU? Which are the forecasts concerning the labour mobility in the next years?*

*In our paper, we try to answer these questions and we also intend to make a comparative analysis concerning - what we consider - some of the most important challenges occurred in Romania's economy in the context of the mentioned migration process: the adoption of an economic growth model based on the increase of the employed population, the diminution of the discrepancies between our country labour market and the EU target established through Lisbon Strategy, the creation of a new structure of occupation with support in productivity growth and labour price.*

**Keywords:** Romanian emigrants, labour market, European Union, migration effects

**JEL Classification:** F22, F24, F15

## 1. GENERAL ASPECTS

European countries vary widely in the institutional structure of their education and training systems and labour markets in that different resources are provided to school-leavers entering into working life in many countries and these new job-seekers face varying institutional and economic contexts in labour markets. Institutional differences in both education and training systems and labour markets play a major role in explaining cross-national differences in the experiences of young people entering the labour market in European countries, even after accounting for the effects of variation in economic conditions and other unmeasured heterogeneity between countries and types of qualifications (*Gangl, M., 2006*). We should not forget that education is the main resource for obtaining employment for young people entering the labour market.

High economic growth and a vast labour exodus to Western Europe have created a labour shortage in many sectors of Romania's economy. As a result, growing wage pressures could have a negative impact on foreign direct investment, slowing the country's economic growth. Businesses in some sectors have difficulties in finding skilled workers, while facing rising labour costs. However, mounting wages and remittances from abroad has led to rising consumer demand (*Drew, 2007*).

Concerning our country, after the fall of the communist block in 1989, migration started to shape as a deflation phenomenon, a lot of people living the country in the first two years after the revolution. But it was not only until the mid 90's that abroad tourism and labour migration started to shape as a reality of Romania.

Nowadays, the mobility of people represents a normal and greatly mediated topic for the Romanian society. More and more people are choosing to spend their holidays abroad and a significant number of young people fulfil their desire to get in touch with other cultures by travelling, working or studying abroad. But the most important phenomenon for Romanian migration is represented by labour migration and it's implications for the society at large. Millions of Romanians have adopted this practice as a life strategy, and are hoping that the EU enlargement will help them in getting the status of legal workers in the Western countries of destination (as Italy, Spain, Great Britain, etc.). The implication that this mobility has on the Romanian political, social and economical system is of huge importance as less and less people are suffering from the closing of public industries (such as mines and industrial platforms for example – where entire cities and surrounding areas were employed) and they withdraw themselves from the system of social security of the state.

## 2. OVERVIEW OF THE ROMANIAN LABOUR MARKET

In the latest years the labour market in Romania has suffered deep changes. There are two distinct stages to be found regarding the evolutions on the labour market in Romania after 1989. The first stage, which includes the period 1990–2003, is defined as a period of deep reorganization of the Romanian economy. It is characterized as a period of relatively high unemployment and the undertaken actions were directed mainly at limiting the unemployment and its harmful effects on the society. We consider that after 2005 the employment evolution heads towards a new crisis on the labour market, but its cause is not a high unemployment, but rather an offer dropping on the labour market. (Cindrea, 2007, pp. 25-28). The labour market is one of the important factors, especially for longer distance moves. Economic theory provides a characteristic for the migration decision that emphasizes the way that labour market considerations can influence migration decisions. In the simplest version of such a model, each person chooses to locate in the area where they will be most well-off.

Zaman (2004) analyses the dynamics of restructuring on the labour market by *The Index of Employment Restructuring*, *The Rate of Unemployment Absorption* and *The Net Rate of Private Sector Expansion*. He notes that the capacity of Romanian economy to absorb the unemployment is very modest because the private activities are insufficiently developed due to a major delay in market reforms aimed to effectively stimulate the private initiative. Romania has conducted its employment policies rather inconsistently and therefore the capacity of the economy to absorb the unemployment is very modest; moreover, the economy has destroyed more jobs than it created. This is the consequence of insufficient reforms aimed to stimulate growth: in 2003, the real GDP is still below its level recorded in 1990. The speed of private sector development is low compared to the rhythm at which the public sector is shrinking. As a result, the private sector loses continuously its efficiency because the privatization of public enterprises induced the phenomenon of sharing the inefficiency: the speed of restructuring the privatized firms is lower than the speed of privatization. Each year the public firms gain productivity by reducing the employment, but they lose efficiency over time, since the output produced by the remaining labour force is below its potential. In parallel, the private sector loses efficiency because of privatization, which brings excessive employment with the newly privatized firms. Over time, the output produced by an employee in the private sector is higher than the one produced by a state employee, which leads to an improvement of efficiency in case of private companies (Zaman, 2004, p.8)

According to J.P. Garson, although Europe is considered today more as an area of immigration and of acceptance of refugees, it also contributed in the past to migration flows,

notably during the 19th century and up to the end of the 1960s (*Garson, 2004, p.17*). Recent trends show the ageing of European populations, which has rekindled the debate on migration as a way of increasing the working population at the beginning of the 21st century. Several recent studies have shown, however, that immigration alone will not be sufficient to modify the demographic structures of those European countries most affected by population decline.

### 3. MIGRATION PHENOMENON IN ROMANIA

Migration is one of the most important factors affecting economic development in the 21<sup>st</sup> century. (*Hatton, 2001; Shields and Wheatley, 1998; Wheatley, 2001*) By population (about 22 million inhabitants at the beginning of the millennium), Romania ranks the ninth in Europe. Like many other countries *Romania is facing a population diminution, but its labour potential is still high and under-used*. The gap in the demographic transition of over one decade between Romania and the European countries makes of Romania an (still) attractive source of younger, high-skilled and relatively cheaper labour force.

Romania faced, especially after 2005, a gradual decrease in the national labour resources, showing major imbalances by age group, which may equally cause demographic, economic and social problems. A society having less and less young people and more and more old people and being unable to ensure self-generation and necessary wealth becomes a pressure factor in the region with quite unpredictable consequences.

If we refer to the labour market and migration in Romania, we have to focus on the evolution of legislation in Romania. Romania's main objective in the post-communist period was the integration in the European Union, in other words the conformation to the *acquis communautaire*.

There has been progress in legislation after 2000 regarding:

- the aliens' regime in Romania;
- the statute and the regime of refugees in Romania;
- preventing and combating the trafficking in human beings;
- work permits.

Lower progress took place in the following legislation:

- the mutual recognition of degrees and qualifications;
- discrimination of EU citizens as compared the Romanians in getting a job Romania by giving priority to the Romanian citizens.

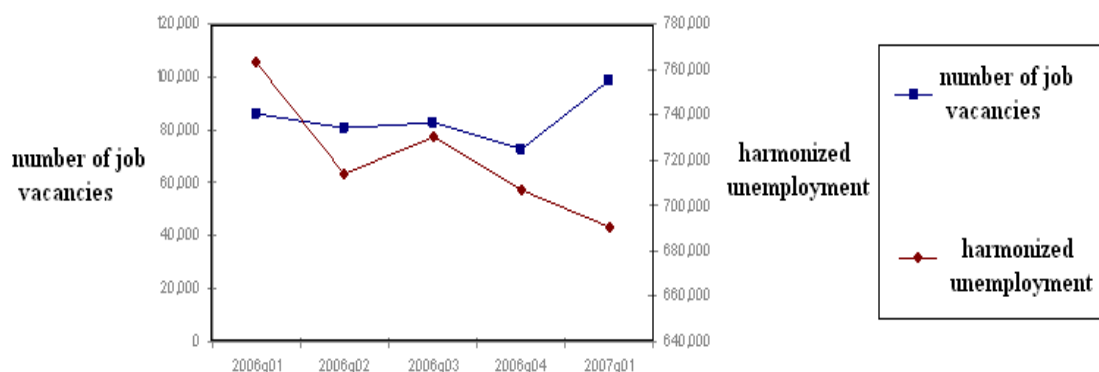
Legislation regarding stay and work seems to be more a problem of contradictory regulations rather than strict enforcement. Legal status not only affects the relative migration costs and expected benefits but it also changes the underlying economic incentives. High economic growth and a vast labour exodus to Western Europe have created a labour shortage in many sectors of Romania's economy. As a result, growing wage pressures could have a negative impact on foreign direct investment, slowing the country's economic growth. Businesses in some sectors have difficulties in finding skilled workers, while facing rising labour costs. However, mounting wages and remittances from abroad has led to rising consumer demand.

Romanians are mostly going to work abroad in Italy and Spain, although those two countries imposed restrictions on Romanian workers, and another 10 European states opened their labour markets for Romanians and Bulgarians following the accession of the two countries to the European Union from January 1, 2007. Cyprus, the Czech Republic, Estonia, Finland, Latvia, Lithuania, Poland, Slovakia, Slovenia and Sweden decided to forego labour market restrictions. However, some 31 percent of Romanians who have emigrated went to work in Italy, and a further 17 percent to Spain. Other destinations for Romanian migrant workers are Germany (8 percent), the US (5 percent), and France (4 percent). Migration to those countries began 8-10 years ago and people have those destinations in mind. Some 2.5 million Romanians are currently working abroad, while about 11 percent of Romanians aged 18 to 59 are considering emigration - according to a study by EU-based NGO European Citizen Action Service (ECAS).

Most EU countries have introduced sector specific quotas for Romanian workers. The UK, for example, has allowed unlimited numbers of highly skilled workers and an annual quota of 19,750 blue collar workers for specific sectors. In order to tackle the labour crisis, the Romanian government is encouraging repatriation, while attracting workers from outside the EU to fill gaps in the labour market. Businesses are facing lower profits due to production losses and higher wages. Romania's current labour shortage results from the combined effects of the country's economic boom and mass exodus of labour migrants.

Romania has seen unprecedented economic growth, driven by FDI inflows, with an average growth of 6.0% between 2001 and 2006. Consequently, the number of job openings has increased amounting to 98,627 in the first quarter of 2007;

**Graph 1 - Number of job vacancies vs. harmonized unemployment in Romania**



Source: Eurostat

Many Romanians opted to leave the country in order to work in Western Europe or the USA, where wages and the standard of living are higher. While the minimum wage in Romania amounted to €114 in the first quarter of 2007, minimum wages in the UK and the USA were €1,361 and €676 respectively. Since 1989 Romania has lost between 2.0 and 2.5 million of its workforce. Considering Romania's population of 21.6 million in 2006, this is about 10% of the country's population.

The total value of money sent home by the Romanians who work abroad offers a good image about the amplitude of the migration phenomenon. Romania occupies the tenth place in the world, in a position of remittances drawn up by the World Bank and on the second place in the EU.

We can summarize the situation in this domain in the following terms:

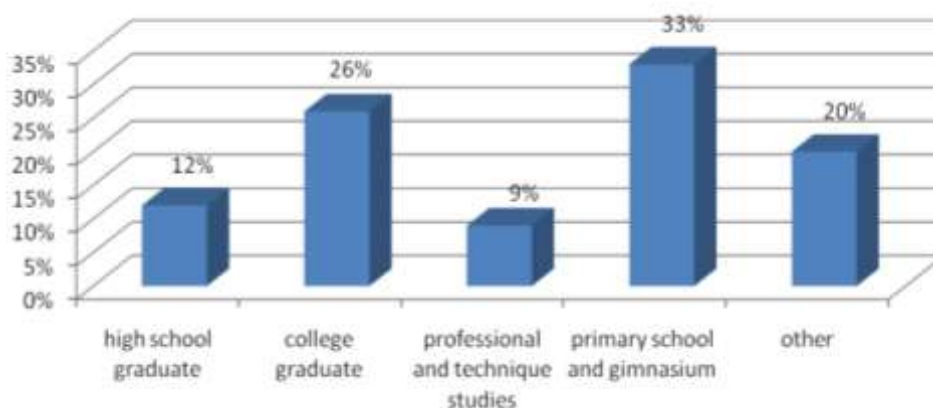
- currently, over two million Romanians are working abroad;
- Romania's population decreased with 1.6 million of inhabitants between 1992 and 2006;
- the main countries in which the Romanians are working are Italy, Spain, Israel, Germany, Great Britain;
- the Romanians who work abroad will send this year 6.5 billion euros, a bigger sum compared to the previous year when it reached 5.5 billion euros;
- Romanians' remittances represent 5.7% of the Gross Domestic Product.

### **The profile of the Romanian emigrant**

In general, the Romanians who go abroad represent a competitive working force, well trained. The graduates from the higher education represent about 10-12 % of the total of persons who had legally emigrated, and over a quarter of these are graduates from the high-school and post-

high school education, according to the *Demographical Decline Study of the Romanian Academy*, of 2007. The emigrants with vocational and technical studies represent approximately 9%, while the persons who have graduated only from the primary or secondary school, represent less than a third of the total of emigrants.

**Graph 2 – The education of Romanian emigrants**

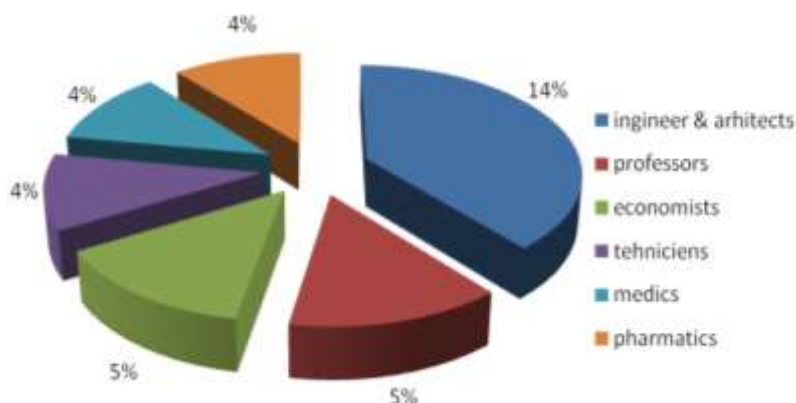


Source: Romanian Academy, [http://www.standard.ro/articol\\_22973/special\\_](http://www.standard.ro/articol_22973/special_)

The Romanians' going abroad has manifested, in the '90s, as a phenomenon of intelligence exodus, as it was the migration of a highly qualified working force. In the first wave, the engineers, the architects, computer scientists, economists and teachers followed. In the last years, we have witnessed the massive migration of the unqualified working force or with medium qualifications, which made the employers talk more and more about an acute crisis of the working force regarding this segment. Currently, those who emigrate are the Romanians with positions for which there are very high salary discrepancies. The differences appear in constructions, agriculture and health. All these successive exportation waves have put an indirect pressure on the salaries, the Romanians winning more also because of the fact that the unemployment rate is extremely low (only 4% at the national level), in the absence of an important segment of population.



**Graph 3 – The profession of Romanian emigrants**

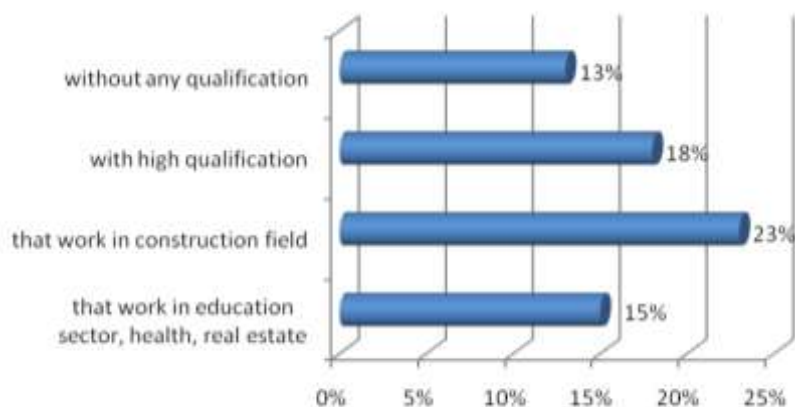


Source: Romanian Academy

Those involved in the legal emigrational movement mainly belong to three categories of working force. The first segment is represented by the highly qualified working force, from the age category of 25-40 years old, with competences in top fields of the science and technology and in some fields such as education and health. Then, there is the working force with a medium level of training, with specializations which cover the fields: constructions (Germany, Israel), health (Italy, USA, Switzerland), hotels, public alimentation (especially the Western market). Then there is the unqualified and semi-qualified working force – in activities from agriculture, salubrity, constructions (Spain, Portugal, Greece). According to the study mentioned, the migration is selective- in general, the youngsters and a valuable working force segment leave. The opening of the working market in Europe will continue to reduce the number of active persons, who remain to work in Romania. They especially emigrated from mono-industrial areas, in which there were many dismissals, and those included in such programs did not have the alternative of employment. They completed jobs beneath their level of training.



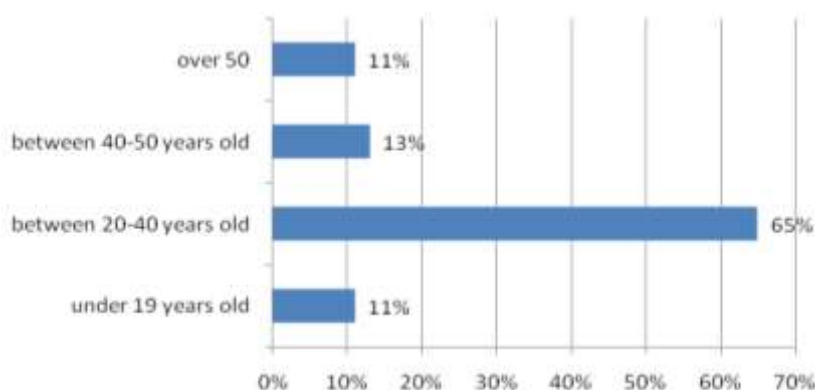
**Graph 4 – Romanian emigrants**



Source: National Institute of Statistics, Romania, 2007

There are fears related to the “young minds” – this flexible and dynamic working force – but it is recognized that the favorite destination countries are determined through the geographical accessibility and/or the presence of existent migratory networks. For example, many countries with which the Office for the Working Force Migration in Romania has signed bilateral agreements, are preferred as destinations by the Romanian. 40% express their preference to migrate to Italy and Germany (20% each), followed by Spain, France and Austria and Great Britain is not – and with little probability to become- an important country of destination, although this also depends on the transitory arrangements of other countries and their evolutions and consequences.

**Graph 5 – The age of Romanian emigrants**



Source: Romanian Academy

We mention that only about 3 - 4 % of the Romanians intend to emigrate abroad for an indefinite period of time, while a higher proportion of the population intends to migrate for a short term, less than a year.

#### 4. REASONS FOR MIGRATION

According to *World Bank Report*, some of the trends and motivations for migration in the Europe region are similar to those found elsewhere in the world. When addressing issues linked to international migration one has to take into consideration some of the characteristics of this process. First, it is important to be aware of the fact that no country of the world is excluded from the international migration flows. Second, we are now facing new migration attitudes, labour migration and an e-work increase. The third aspect refers to the free movement of persons and labour force – a component of building up the domestic EU labour market (file package that Romania is negotiating with EU). Finally, there is an increasing need for a better labour force circulation, which can be seen as a de-tensioning mechanism of the local labour markets (in candidate countries) and to diminish the labour market supply deficit (in EU countries or in other developed countries).

The intention *to migrate for temporary work abroad* occurs much more frequently than the intention to move within the country. This is a clear sign that the propensity for temporary emigration is higher than the propensity for internal migration.

**Table 1 - The structure of the migration intentions by residence (%)**

reasons for migrating....	Residence		Total
	rural	urban	
for work abroad and within the country	2.4	2.4	2.4
only for work abroad	8.0	11.2	9.7
only within the country	3.7	5.8	4.9
no	86.0	80.6	83.0
Total	100.0	100.0	100.0

Source: *Public Opinion Barometer*, Open Society Foundation, 2004

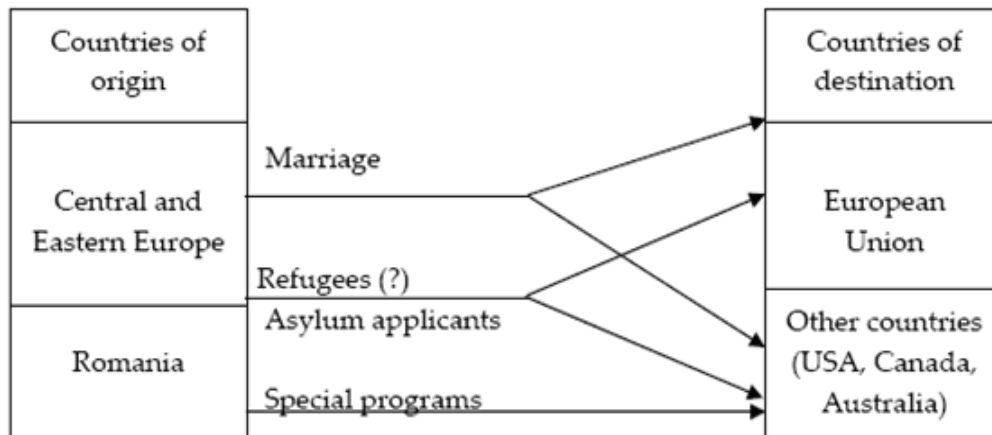
The two contrasting types of migration – for work abroad and within the country –have common and specific determinants. The younger generation from households with international migration experience is more inclined to migrate within or outside the country. Temporary emigration for work is higher amongst men than women. It is also higher for vocational educated people, for those that travelled abroad and live in rather large localities with high unemployment.

There are different motivations and explanatory factors in the light of major theories of international migration. A lot of studies on migrants stress the importance of economic aspects in building a sustainable motivation for emigration – as cost-benefit or win-win theories (*Afoloyan*,

2001, p. 21) with assumption that migration occurs from labour abundant to labour scarce countries (as the supply and demand of labour market related to wage differences).

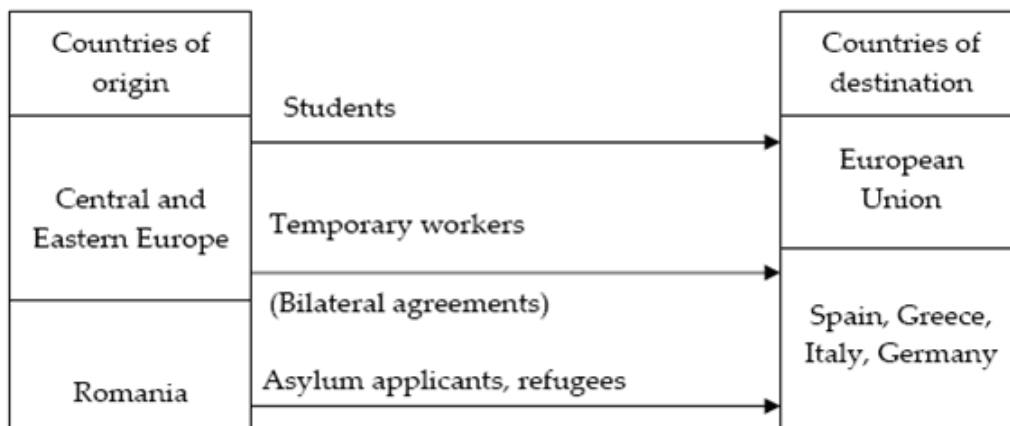
In the following figures, we can observe the mechanism of the permanent versus temporary migration process and its resorts:

**Figure 1 - Permanent migration mechanism**



Source: *The Romanian Journal of European Studies*, nr.4/2005

**Figure 2 - The mechanism of legal temporary migration in Europe**



Source: *The Romanian Journal of European Studies*, nr.4/2005

Mungiu-Pippidi (2005) has realized a study concerning the migration phenomenon and the results are presented in the *table 2*:

**Table 2 – The migration phenomenon**

<b>SURVEY ITEM</b>	<b>ROMANIA</b>
<b>Temporary migration intention</b> ( <i>Do you plan to leave the country temporarily to seek work abroad?</i> )	12%
<b>Permanent migration intention</b> ( <i>Do you plan to emigrate abroad and to live there?</i> )	3%
<b>Personal migration experience</b> ( <i>Have you worked abroad during the last 10 years?</i> )	6%
<b>Family migration experience/past</b> ( <i>Did any member of your household work abroad for a while?</i> )	14%
<b>Family migration experience/present</b> ( <i>Is anybody from your household currently working abroad?</i> )	10%
<b>Favoured destination countries</b>	Italy Spain Ireland

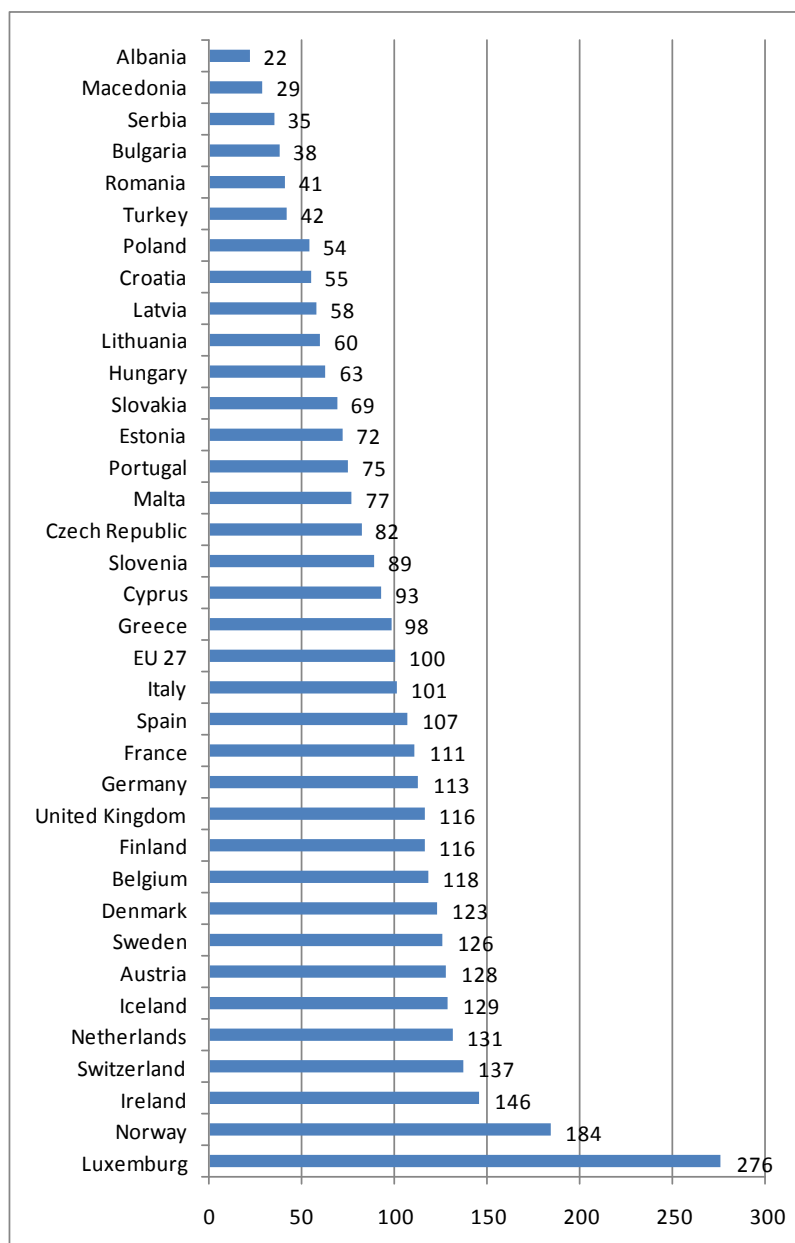
Source: Mungiu-Pippidi, A., 2005

Critics of migration argue that the brain drain and slower labour force growth can retard economic growth in countries of origin. Most migrants do not have jobs in their countries of origin, or have subsistence jobs. Most temporary migrants are actually low skilled workers, and the low skilled jobs they take in countries of destination might otherwise not be filled by local workers.

Certainly, a significant portion of Southeast Europe's economic migrants in the EU work illegally, and some fall victim to trafficking and other forms of exploitation. However, these problems reflect the illiberal visa and work permit regimes pursued by EU countries. These policies unnecessarily damage the interests of migrant workers, reduce the economic benefits of migration, and support the criminal trafficking industry.

One of the most important cause for emigrating is the level of revenues. For having a look concerning the GDP/inhabitant in EU 27, we present the following graphic:

**Graph 6 - GDP/inhabitant in PPS, 2007, EU27=100<sup>3</sup>**



Source: Eurostat, The Statistical Office of the European Communities, 2008

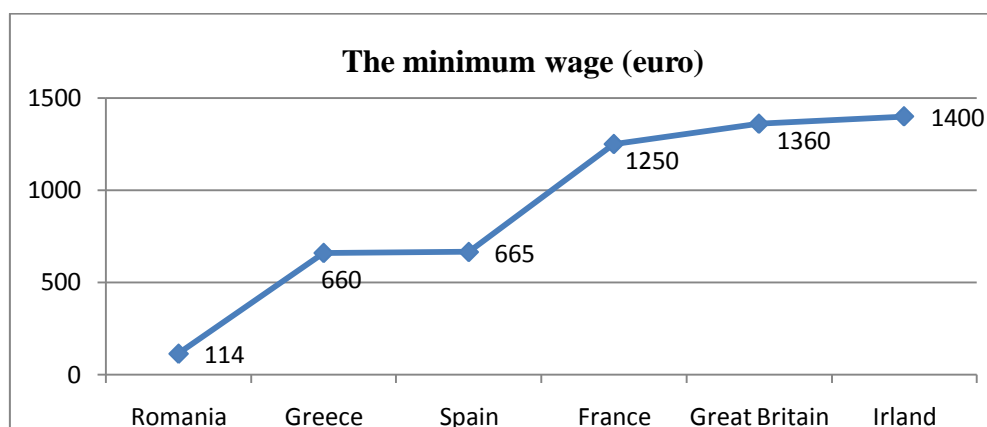
<sup>3</sup> Note: Figure covers the 27 EU Member States, the three candidate countries, three EFTA countries and two Western Balkan countries.

Based on first preliminary estimates for 2007, Gross Domestic Product (GDP) per inhabitant expressed in Purchasing Power Standards (PPS) varied from 38% to 276% of the average across the EU27 Member States. The Purchasing Power Standard (PPS) is an artificial reference currency unit that eliminates price level differences between countries. Thus one PPS buys the same volume of goods and services in all countries. This unit allows meaningful volume comparisons of economic indicators across countries. Aggregates expressed in PPS are derived by dividing aggregates in current prices and national currency by the respective Purchasing Power Parity (PPP). The level of uncertainty associated with the basic price and national accounts data, and the methods used for compiling PPPs imply that differences between countries that have indexes within a close range should not be over-interpreted.

GDP per inhabitant was around the EU27 average in 2007 in Spain, Italy, Greece and Cyprus. Austria, Sweden, Denmark, Belgium, Finland, the United Kingdom, Germany and France were between 10% and 30% above the average, while the highest levels of GDP per inhabitant in the EU were registered in Luxembourg, Ireland and the Netherlands. The high level of GDP per inhabitant in Luxembourg is partly due to the large share of cross-border workers in total employment. While contributing to GDP, they are not taken into consideration as part of the resident population which is used to calculate GDP per inhabitant. Slovenia, the Czech Republic, Malta, Portugal and Estonia were between 10% and 30% lower than the EU27 average. Slovakia, Hungary, Lithuania, Latvia and Poland were between 30% and 50% lower, while both Romania and Bulgaria were about 60 percent below the EU27 average.

The discrepancies in the wages level represent another major factor of emigration.

**Graph 7 The minimum wage (euro)**



## What is happening with Romanians workers?

Individuals will migrate if the expected utility of moving to an alternative location is greater than the expected utility of remaining in their current location (net of transaction costs). Specifically, holding everything else constant, individuals will migrate to the location which yields them the highest expected earnings (*Dostie, L., 2006*).

According to *The Irish Congress of Trade Unions* (2007) predicting the scale of migration from Romania and Bulgaria is not possible. However it is known that there are strong push-up factors at work, Romanian and Bulgarian living standards are lower than any of the 10 countries that joined the European Union in 2004. A simple comparison shows that the monthly minimum wage of April 2005 in Ireland was €1,064 while in Romania it was €219 and in Bulgaria €232. It is also known that there is a strong relation between the number of workers with established contact in Ireland and the number that can be expected to migrate. The increases recorded for Polish and Lithuanian nationals after May 2004 suggests that Romanians and Bulgarians can also be expected to migrate to Ireland. UK government reviewed restrictions imposed on Romanian and Bulgarian workers. The migrants from these countries are allowed into UK if they fall into one of these categories:

- highly-skilled workers;
- students;
- those with specialist skills which cannot be met by resident labour;
- the self-employed;
- a quota of 20,000 low-skilled workers for the food processing and agriculture sectors.

Romania started the transition process by adopting a gradualist strategy for implementing its economic reforms, most of which being carried out independently and not through a concrete and cohesive policy package, as argued by Staehr (2003). In many respects the stabilization of inflation and budgetary deficit has been used for promoting an illusionary growth that proved to be a huge burden for the population. In the real sector, the government priority consisted of restructuring state-owned enterprises prior to their privatization, instead of closing down the unprofitable companies. Direct and indirect subsidies, generously provided in various forms to public firms, slowed down the process of privatization and discouraged the private incentive. A significant proportion of prices have been kept administratively controlled until 1997, in the detriment of competition.

Bulgarians and Romanians are also free to travel anywhere in the EU. But restricting labour-market access to EU citizens who can move freely could promote irregular migration. In EU-15

countries that have placed restrictions, there have been suggestions, from the European Commission among others, of A-8 nationals being subcontracted to get around the restrictions as well as working illegally, either in the informal economy or as supposed "self-employed" workers. Irregular migration from Bulgaria and Romania could lead to the undercutting of local wages, tax avoidance, and exploitation of irregular workers (*Drew and Sriskandarajah, 2007*)

Substantial efforts have been made to restructure the enterprises but the effective results are still poor, since these efforts have been wrongly directed towards companies without economic perspective. At the same time, the restructuring has been often regarded as a process of improving the technological endowment of enterprises and less attention has been paid to institutional changes and policy measures aimed to adjust the labour market to the new conditions required by a market oriented economy.

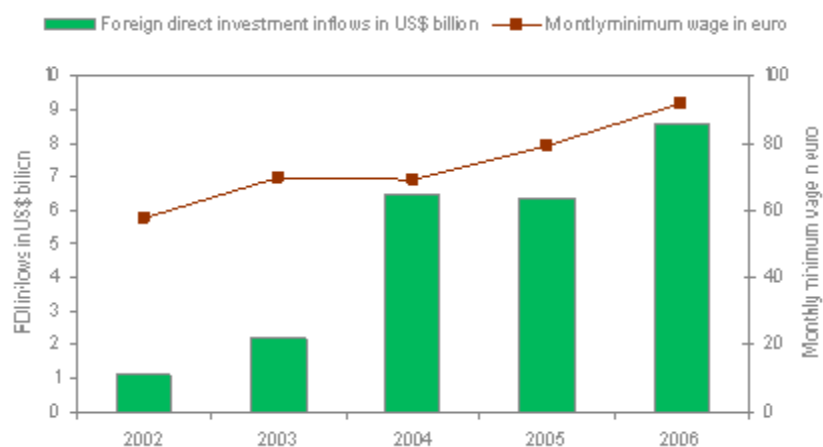
## **5. EFFECTS OF MIGRATION**

While migration keeps unemployment low and remittances high, shortages in the labour market cause economic losses and create wage pressures for businesses:

- The country's unemployment rate was 6.9% in June 2007. Although joblessness is growing in certain fields, labour migration is exporting unemployment;
- Remittances from migrant workers represent an important source of Romania's income amounting to US\$4.7 billion in 2005;
- Remittances help improve the standard of living of many Romanian consumers as they increase their purchasing power and stimulate consumer demand for goods and services;
- The gap in the labour market is generating economic losses for businesses as it causes wage pressures and cuts in production volume, especially in the manufacturing and construction sectors. A clothing factory in Romania's textile centre Bacau, for example, hired 670 Chinese workers in April 2007 after failing to attract local staff despite offering double the average minimum wage;
- FDI inflows have been a main driver for Romania's economic growth. Between 2001 and 2006, the country received US\$26.0 billion in FDI inflows. Foreign businesses were attracted by Romania's skilled labour force and low wages. The labour shortages could now deter them;



**Graphic 8 - Romania FDI inflows and minimum wages 2002-2006**



Source: Euromonitor from UNCTAD and Eurostat

- The migration of Romania's labour force concerns mainly skilled white and blue collar workers. The country's labour market is lacking staff in the healthcare, agricultural and construction sector;
- In light of Romania's labour emigration and rising wage pressures, the country will become less attractive to foreign investors, causing the economy to grow at a slower pace. However, increased remittances from abroad will help to raise consumer purchasing power.

We summarize the main effects of migration in the following table:

**Table 4**

<b>The economic effects</b>	<b>Effects in the plan of the citizen's public security</b>
<ul style="list-style-type: none"> <li>▪ Big waves of extra-community migrants in transit to the countries which especially belong to the EU 15;</li> <li>▪ Excess of working force and possibilities of increase based on the very cheap working force of extra-community migrants;</li> <li>▪ The access of Bulgarian citizens from the proximity of Romania for trans-border jobs- as long as the difference of salaries between the two counties will be maintained;</li> <li>▪ The access of EU25 citizens at the level of experts, followed by a stagnation of the access of qualified Romanian youngsters on the work market of Romania or a minor increase in this segment at the very most;</li> <li>▪ Great probability of returning to the work market of Romania of the former Romanian citizens, possibly ethnical emigrant Hungarians, Jewish and Germans , for the over-qualification positions;</li> <li>▪ The emphasis of the “working force hunger” at the basic level of the occupational pyramid, with migrants;</li> <li>▪ Covering the crisis professionals in the difficult professions, with migrants, from the middle for the occupational pyramid, as for example those related to the health care generated by the massive departure of</li> </ul>	<ul style="list-style-type: none"> <li>▪ Problems generated by the integration into the society and the working place;</li> <li>▪ The increase of exposal to terrorist attacks, frequent in countries of EU 15;</li> <li>▪ The increase of risks to host transborder criminality networks;</li> <li>▪ The increase of citizens' exposal to the pressures generated by the social and economic inequities and inequalities;</li> <li>▪ The considerable increase of national and local expenses with the public security (police);</li> <li>▪ The probability of appearance and concentration of criminal networks favored by the absence of control and evidence of migrants;</li> <li>▪ The ideal politics for investing the money transfer is the initiation of businesses by the migrant workers who have returned, using their plus of experience and professional training acquired during the migration period;</li> </ul>

medical nurses first of all, but also of teachers and medical doctors;	
<b>Social and political effects</b>	<b>Effects in the educational plan</b>
<ul style="list-style-type: none"> <li>▪ Triggering the pressures of syndicates for politics of blocking the access of the newly-comers on the working market and the political echo of such actions in the Left and the Nationalistic Left ;</li> <li>▪ The appearance of pressures from the internal patronage for liberalization;</li> <li>▪ The possibility of xenophobia and intolerance development;</li> <li>▪ The transformation of the migration theme into a major political theme</li> </ul>	<ul style="list-style-type: none"> <li>▪ The decrease of performance in the educational system, starting from the peripheries to the center, in successive waves;</li> <li>▪ The severe decrease of the interest for education, its replacement with the interest for a Degree;</li> <li>▪ The decrease of the interest and consideration for the higher education, followed by its disqualification and degradation.</li> <li>▪ The decrease of the interest for the native education and the migration towards the external education, beginning with more and more early stages of the educational process.</li> </ul>

## 6. FORECASTING THE EMIGRATION PROCESS

For the following years, it is estimated that the main destination countries of emigration will be those in the west and south of the EU. The fluxes to Spain or Italy will stagnate, and the Romanians will focus more towards Germany, Ireland or France. The National Agency for the Working Force Occupation in Romania has signed bilateral agreements in the field of the working force exchange, with the following states: Spain, Germany, France, Switzerland, Portugal, Luxembourg, and Hungary. The operational agreements are those signed with Spain, Germany, France and Switzerland. In Italy, Romanians occupy the first place within the legal emigrants, with 555,997 persons, representing 15.1%, being followed by the Moroccans and Albanese, with 387,031, respectively 381,011 persons. For Great Britain, at the beginning of 2007, 1500 working

permits were awarded, and approximately 8700 persons were registered as independent workers. In Hungary, the percentage of Romanian citizens who are working is of 42%, of a total of foreign citizens of 62000.

According to the *National Office of Labour Force Migration from Romania*, reaching a net medium salary of 490 euros, in 2010, would certainly not be sufficient in order to stop the emigration process. If the salaries of Romania reached 40% of the salary average in the EU, which would suppose to be doubled in three years, the Romanians would no longer be tempted to leave the country. "In the case that the salaries from the country increased satisfactorily in the following years, over 70% of the Romanians from Italy would return home." According to the same, the Romanians working abroad are currently earning five-ten time more than in the country- between 900 and 1800 euros in constructions and approximately 800 - 900 euros in agriculture. The decision of emigrants to return home depends on numerous factors, among which: the desire to be together with the family, the socio-cultural integration, the language knowledge. Those who left for the money will probably return. However the persons with studies and potential will remain, since they left for the system from that country and for the recognition that they can obtain. In the same time, it estimate that 11% of the Romanians aged between 18 and 59 years old, would like to leave abroad for work, which means almost 1.5 million persons. In addition, 80% of the youngsters up to 25 years old declare that they intend to work abroad, in the future. The following destinations of predilection for Romanians will be Ireland, Belgium and Sweden.

The great majority of analysts consider that the Romanians will continue to go to work abroad, in a lower rhythm than the current one, but during the period 2007-2010, the number of people gone will reach the top.

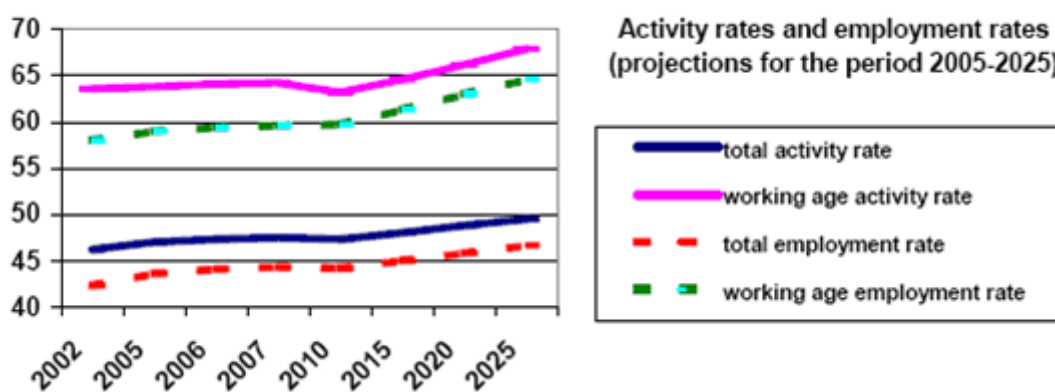
By 2014, all restrictions on the free movement of people within the EU will have been removed, thus, contributing to another wave of labour migration from Romania. Between 2006 and 2020, Romania's population is expected to decrease by 5.7% from 21.6 million to 20.4 million:

Although Romanian wages are rising, they will remain lower than those in Western European countries, so that migration incentives will remain high for Romanians. Romania's labour exodus is likely to result in the country becoming an attractive destination for migrants from non-EU countries. While businesses will compete for skilled Romanian workers, they will also have the option to employ foreign workers at lower wages. Consumers will rely even more on foreign remittances as wages of unskilled workers will compete with those of foreign migrants.

The analysis of the probable evolution of the activity and employment rate as a whole and by the working age population groups reveals (*Vasile, V, 2004*):

- ✓ The estimated trend is positive and the proposed pace of economic growth requires major labour resources;
- ✓ The variations over the period 2015-2020 are mainly caused by the activity inflows and outflows and the working age group incoming and outgoing of the after-1990 generations;
- ✓ The estimates are quite prudent and with estimated levels under the limits proposed by the EU member countries (70 percent employment rate in 2010, for example). Working age employment rate is estimated to be almost 60 percent in 2010 and 65 percent in 2025;
- ✓ There is consensus concerning the size of the external labour flows, but at present the size and impact of the East-to-West migration is underestimated. It is quite obvious that such flows will worsen the supply in the national labour market and will be a factor of preconsolidation of the labour market since Romania's role as a country of transit towards the developed countries in Western Europe will be more significant (especially after the integration, when it becomes the eastern border of the EU).

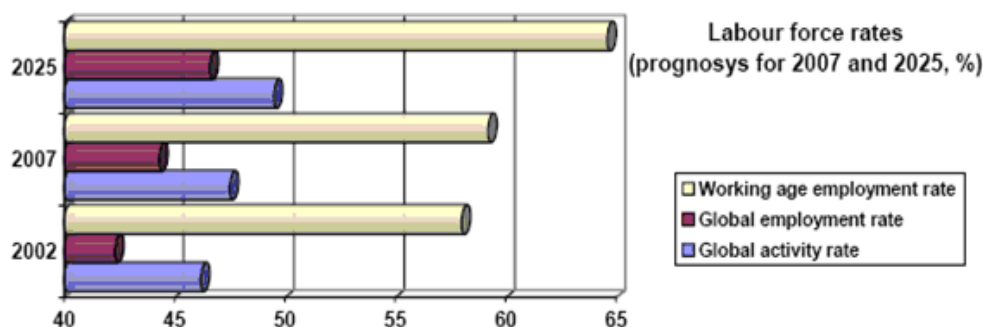
**Graph 9**



Source: NCF data

Thus, the long-term forecast indicates a higher relative number of employed population that is a higher employment rate. The 2025 estimate employment rate of about 47 percent is lower than the EU objectives. Similarly, the employment rate of the working age population will not exceed 65 percent.

**Graph 10**



Source: NCF data

The NCF forecast concerning Romania's work potential reveals the possible evolution and, in comparison with the objectives set by *The Lisbon Treaty*, the size of the gaps on medium term (just before integration) and long term.

**Table 5 - The evolution of the labour market potential indicators in Romania**  
(as against 2002=100 percent)

	2007/2002	2025/2002
1. Working age population (15-64 years)	99.7	84.3
2. Inactive population of 15-64 years	99.2	76.4
3. Available labour resources (row 1 - row 2)	99.9	88.8
4. Total active population	100.9	96.8
5. Total employed population	102.8	99.4
6. ILO unemployment	80.5	68.6
7. Labour shortage (row 3 - row 4)	117.2	232.7

Source: NCF data

While the total active population grows slightly up to 2007, in 2025 we will face contingents of all population categories under the 2002 level. Even if the estimates show a diminution in the inactive population by one quarter and in the unemployment rate to 5-6 percent, the available labour resources will be 12 percent smaller in 2025 and the labour shortage will worsen substantially (by 17 percent in 2007 and over 2.3 times in 2025). While the labour shortage is calculated by correlating the expected economic growth with the potential labour productivity, then it will be even worse. The shortage covering by labour force from outside the working age group, especially

pensioners may cope with the additional needs. The domestic human resources will not be enough to cope with the proposed high rate of development.

### **What can we do?**

Romania's government has undertaken a number of initiatives in order to tackle the labour crisis and encourage Romanians to stay or return to the country:

- In November 2006, an inter-agency working group was set up to devise a strategy for informing Romanians abroad of improved wage conditions;
- For 2007, the healthcare and education sectors have been granted an increase in wages of 20%–24% from the state budget.

Also, the Romanian government plans to spend EU structural funds on rural development. According to its *National Action Plan for Employment* from July 2006, it intends to create 140,000 jobs and undertake professional training of 15,000 people in rural areas, which will help regional development.

As this is possible gradually and to a small extent on the short term, the priorities should be:

- a) The politics for elaborating and applying some fiscal facilities schemes meant to encourage, according to the allotted capital, productive investments, generating new jobs (Currently, about two thirds of these capital fluxes go the consume)
- b) Public-private partnership politics fiscally simulative, with the investor local administrators, for the common achievement of local investments, which could bring profit, with the management ensured by workers with community experience.
- c) Stimulating politics for medium and long-term placements as efficiently as possible, in impact fields; systematic information, assistance and counseling of migrants in knowing and evaluating the possibilities of investment.

Politics for creating the necessary instruments for the use of the banking system, under the conditions of accessible commissions, for the transfer of remittances, in the detriment of informal transfers (which reach 40% of the sums sent to the country). Greece and Portugal, countries that have massively exported working force in the past, have taken measures in this regard. The national banks have opened branches in the destination countries where the majority of their co-nationals were working. The services included costs guaranteed by the governments, with an attractive interest rate and facilities for stimulating the investments in the countries of origin.

## 7. CONCLUDING REMARKS

Romania, one of the poorest nations in Europe, faces critical challenges in its efforts to implement labour market and social programmes similar to those found in more developed countries. Poverty is widespread and the economy requires major restructuring while a substantial number of households still depend on subsistence farming and other informal economic activities for survival. Increasing expenditures on social insurance is not a viable option as Romania already charges some of the highest payroll contribution rates in the world.

The present social challenges are closely intertwined with a highly distorted economy. Romania will receive through the *European Social Fund* co-financing worth 3.68 billion euro in order to create new jobs and to improve the existing ones. The programs involved in the project refer to improving personal skills, improving public services and creating a more efficient and effective public administration in the country. The European Social Fund recognises the importance of enabling workers and businesses to adapt to a changing economy and will be helping people gain the skills they need to become employed or stay in work.

Clearly, the top priority must be the modernisation of the economy with the provision of a comprehensive social safety net in the face of potentially higher unemployment.

It is time to think of the Romanian labour force as a valuable resource and to treat it accordingly – from the point of view of remuneration, of working conditions, of rights and liberties, of investment in the development of human resources and of vocational and educational training, in accordance with the requirements of the labour market. All of these in the context in which human migration affects population patterns and characteristics, social and cultural patterns and physical environments as people move, their cultural traits and ideas with them, creating and modifying cultural landscapes. Romania must no longer use cheap human capital as a means of becoming more competitive.

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# THE EUROPEAN COMMUNITY PRIORITY - THE SOCIAL POLICY

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**Abstract:** *At the level of European Union, starting from the necessity of insurance economic growth, social community law gradually developed, benefitting by sinuous construction, extremely complex, being continuously transformed. Familiarization with the model of social community law prescribed by European Union represents not only a forward step in the process of harmonization with community law, but also an alignment in settlement of European Union, which finally establishes the modernization of the whole domestic law system.*

**Keywords:** social policy, social contract, European community, fundamental freedoms, European Union

**JEL Classification:** E61, H41, K00, A13

## 1. GENERAL CONSIDERATIONS

In 1993, Romania signed the European Agreement establishing an association between Romania, on one hand, the European Communities and their Member States, on the other hand, ratified by Law no. 20 / 1993, and currently it constitutes the legal basis for relations with the European Union, representing a crucial step in achieving integration of Romania into the European Union.

By ratifying this treaty, Romania has engaged in a complex process, manifested in the political, economic and legal area which has as an final aim “*to respect the state law rules of and human rights, including minority rights, to practice a multiparty system based on free elections and democracy and ensure economic liberalization in order to establish a market economy*” (Vrânceanu, 2003).

Achieving these goals requires radical changes in the Romanian legal system in such a manner as to become compatible with Community law and implicitly with the regulations of the Member States. The obligation of the legislation harmonization with Community law is laid down verbatim in article 69 - 70 of Chapter III ("The harmonization of laws"), and it is an important condition for Romania's economic integration into the Community and there are set initially key

areas, areas which, in the negotiated procedures, started in February 2000 with the European Commission, were detailed and developed, Romania assuming the obligation to take over the *acquis communautaire* into force on January 1, 2000, and for some areas, on January 1, 2001 (Marcu, 2001).

## **2. COMMON REGULATORY DOMAINS**

In March 2002, in the document prepared by the Secretary-General of the Council of Europe, entitled "Council of Europe contribution to EU enlargement process", were listed the main legal areas addressed by the Council of Europe, harmonized with the *acquis communautaire*, as present in legal documents, in resolutions and recommendations, and programs established jointly by the Council of Europe and European Commission.

The important convergent point between Community law and the legislation of the Council of Europe is in human rights domain, included in the Community law, especially in Title I of the Maastricht Treaty and the Council of Europe conventions, notably the Convention on Human Rights and fundamental Freedoms, signed in Rome in 1950, plus additional protocols. This still represents the most important document prepared by the Council of Europe, and it is a reference point in any legal system and it constitutes the cornerstone for all other legal arrangement of this organization (Vrânceanu, 2003).

The text of the Convention reaffirms the essential rights enshrined in the Universal Declaration of Human Rights in 1948 and established a new international mechanism, a very democratic and original protection, meaning that any individual from the Member States may address directly to the Strasbourg Court (Protocol No. 11 - Vienna 1993).

In line with the Convention, since 1990, the European Council urged all States applying for membership, to organize their institutions in accordance with basic principles of the democratic state, attached to political pluralism, fundamental freedoms and minorities respect.

The most important rights protected by the reports elaborated by the Council of Europe and, of the European Union are: the right to life, to integrity and dignity, minority rights, social rights.

## **3. SOCIAL POLICY (EUROPEAN SOCIAL AREA)**

Similarly to fundamental rights and freedoms, the Community social policy is characterized by the identity of fundamental principles such as: right to employment, equal opportunities and prohibition of discrimination, employment protection and social protection; areas where there is a

high Convergence between the regulations developed by the two European structures. (To note that in this field are also operating the regulations developed by the International Labor Organization, which develops, in principle, the same objectives).

The social domain exceeds the issues related to labor law, expanding on social policies and correlative domains.

European social space issue has been considered mainly in France, after taking office, as president of this country, by F. Mitterrand.

In the constituent treaties of the Communities the social policy concerned only the intervention of the European Social Fund (created in 1960) in two directions: *according financial aid* for countries that needed it for retraining, assistance for unemployed people to re-classify and *according some competences* to the Communities to ensure social progress, which in fact limited to raising Communities to take steps in this area, without being able to compel them in any way. Communities had regulatory jurisdiction only in health and social security of migrant workers

Given this situation, the Council adopted on January 21, 1972 (following the principles established by the Meeting in Paris in 1972) the first program of social action. He had the following objectives: reducing unemployment in whole or at a low rate, increased participation of social partners in EEC decisions and business management, improving living and working conditions.

Adoption of the Single European Act, of the Community Charter of Fundamental Social Rights of Workers (December 1989) and the Maastricht Treaty were the successive steps that have developed in the field of social regulation and allowed the development of European social space.

At the adopting of the Maastricht Treaty some opposite trends occurred regarding extending Community competence in the social field, among which France wanted this and Britain opposed this trend. The annex protocol for this field is signed by only 11 states. They should be applied by way of directives, minimum requirements that must be applied gradually in domestic social policy. Britain does not take part in the meetings discussing these issues (Mazilu, 2001).

At EU level, based on the need for economic development, Community social law developed gradually, benefiting from a more complex and sinuous design, which was growing.

Aware that any economic development is not possible without providing a proper legal system, EU states have passed in the treaties drafted after 1990, the principles of social justice at least as complex as the law of the Council of Europe, to which it makes initial reference, so that that the Community social law to set up a separate legal matter (Popescu, 2004).

The legal basis for the definition and implementation of Community social policy is reflected in the disposition of the Treaty establishing the European Community, on the free

movement of persons (Articles 39-42) and right of establishment (Article 43 - 48) in the single market context.

Social reform benchmarks prescribed by EU regulations intended (Popescu, 2004):

- a. social welfare reform by passing from the program with universal eligibility to programs targeted to specific population groups;
- b. pension reform, taking into account:
  - Restore equity between generations;
  - Restore the financial balance of the public pension system;
  - Expanding the current system PAYG reformed with types of capitalized pension funds, for the integrated system to be sustainable in financial terms; the system to preserve the real value of contributions and the level of contracted income replacement; pension funds to help improve capital to support growth;
- c. employment policy and unemployment protection by shifting emphasis from passive measures to active ones;
- d. harmonization of labor legislation with EU rules on labor relations and labor protection rules;
- e. Combating poverty, the main instrument used being the social welfare;
- f. Continue the reform of child protection institutions by allocating adequate financial and human resources for the functioning of public institutions in the field and support partnerships with NGOs, with emphasis on strengthening family support for family reintegration activities, placement specific assistance centers, facilitate adoptions or foster care.

Currently it is considered that the EU already has a structured social policy, contained in a number of objectives and regulations concerning labor and social security.

In the development of EU's social policy a key role is held, today, by the Social Development Agenda adopted by the Lisbon European Council, this launched very precise objectives in the social plan, the most important being the achieving of an average employment occupancy index of 70% by 2010, which includes a target of 60% of jobs occupied by women, abundant and competitive bid of jobs and the achievement of a high level of social cohesion.

Lisbon Agenda states, once again, the indissoluble link created between the European Union's economic progress and social progress, achieving a rebalancing of the two essential components - economic policy and social policy that is unthinkable without the further development of the European Union (Popescu, 2004).

After the European Council of March 2004 EU's social policy has followed new development lines, as:

- Support the urgent need to accelerate economic growth and creating more jobs and better quality;
- Improving labor productivity as a significant indicator in the assessment of stable economic growth;
- Continuous improvement of labor quality by focusing the concerns and economic resources in the directions of ensuring workplace safety, training and personnel qualification.

From this perspective, we have to point out EU's desire to continue the effort of investment in human capital, to ensure a better implementation and implication of cutting-edge technologies, particularly in services, to stimulate research and development infrastructure.

In relation with the evolutions registered in the conception of the European Union, regarding the social policy, in theory has circulated the idea of a Community social contract that essentially would be a strong commitment for a maximum use of labor, high social protection as a factor of stability and social solidarity, an adequate protection of workers' rights, inclusive by ensuring full gender equality and by eliminating social discrimination and by promoting an active and constant dialogue between social partners at all levels, from business level to EU decision-making bodies.

Effectiveness of such a work variant will be revealed in time by checking the degree of involvement of social partners in implementing the strong terms of the so-called Community social contract.

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# THE IMPORTANCE OF CAPITAL MARKET IN ECONOMY

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**Abstract:** *All participants in capital markets are asking how to finance investments or to invest money available. The answer to these questions depends on the situation you have: deficit or surplus capital. This article addresses issues concerning the place and role of capital market within the financial markets and in financing investments, trying to highlight the growing importance of this subsystem, shown both to economic agents and to all categories of investors.*

**Keywords:** capital market, stock exchange, investment, economic development

**JEL Classification:** O42, E44, G11, G14, E22

## 1. INTRODUCTION

It is very difficult today to imagine ourselves the times when there were no banks, stock markets, money markets, public debts, times when the fortune of a person was only measured by the surface of land owned, by the number of animals one possessed as well as by the number of work hands one could use in the working the field. Economies presented themselves in the form of gold or silver goblets or jewels, and usury – the practice consisting of the charging of interest on money – was prohibited both by law and by the Church.

The capital market today is a reality met in any modern economy. It is a market the necessity of which is unchallengeable, an extremely dynamic and innovative structure, permanently adapting to the economic environment and at the same time an influential factor of it, generating opportunities and to the same extent risk for all categories of participants to the economic activity, being a replica of a national economy to a small scale, but nevertheless especially representative.

Tributary to the conditions in which it was formed and developed, the capital market brings together under this syntagma different conceptions. The continental-European conception attributes to this market a more comprising structure, containing the monetary market, the mortgage market and the financial market. In the Anglo-Saxon conception, which the economic practice has also adopted in our country, the capital market is a component of the financial market together with the monetary market and the insurance market.

## 2. CAPITAL MARKETS COMPONENTS AND FUNCTION

The specificity of this market derives from numerous aspects, but defining and at the same time delimitative in relation to other components of the financial market are the following traits:

- ✓ It is a market specialized in transactions with medium and long term financial assets, unlike the monetary market which offers solutions for refinancing through short and medium term capitals;
- ✓ It is a public, open and transparent market, in the sense that anyone can be a participant on this market, without there being notable entry or exit barriers, the transactions having a public character;
- ✓ The dissemination of information on this market, through its volume or, quickness and with the possibility of equal reception by all participants, is probably the best one from the ones existing in the structures of a market economy;
- ✓ The capital circulation vehicle is represented by securities, characterized through negotiability of the price and immediate transferability with very low transaction costs;
- ✓ The transaction is made through intermediaries, who have an essential role in connecting the owners or issuers of securities with the owners of capitals;
- ✓ It entails risks both for the issuer and for the investor, specific for each financial instrument in question, but at the same time it also offers complex solutions for minimizing and dispersing it, both the financial and the operational one;
- ✓ It is an organized market, in the sense that the transactions are performed according to certain principles, norms and rules known and accepted by participants. This does not mean the administration of the market, but its regulation with the purpose of creating or preserving the conditions for the unfolding of free competition, so a system for guaranteeing the free and open character of all transactions.

In a market economy, the role of the capital market is of first rate. The well functioning of the capital market is vital in the contemporary economy in order to be able to perform an efficient transfer of money resources from those who save towards those who need capital and those who succeed to offer it a higher capitalization; the capital market can significantly influence the quality of the investment decisions.

Depending on the moment when the transaction is performed, the capital market is divided into two temporal dependant segments: primary and secondary.

*The primary market* has the role of placing the issuing of securities, to attract the available financial capitals on medium and long term, both on the internal capital markets, and on the international one appealing to the public economies.

*The secondary market* – once the securities are set into circulation, through the issuance on the primary market, they are the object of transactions on the secondary market. The existence of this type of market offers to the owners of shares and bonds the possibility to capitalize them before they bring a profit (dividends or interests). The secondary market represents, at the same time, the way to concentrate in the same place private or institutional investors who can sell or buy securities, having the guarantee that they are valuable and can be reinserted into the circuit at any time.

The secondary market is also the almost perfect expression of the free adjustment between the offer and demand of securities, being a barometer, in the first place for the need for capital, but also for the economic, social and political state of a country. From this point of view, the secondary capital market can be considered a perfect market, where the law of demand and offer finds the perfect terrain for its unfenced action. Ensuring the mobility of capitals, of liquidities on long and medium term, of the negotiability of any security that passes the primary market, the secondary market attracts, at the same time, professional investors, but also amateur investors, in the hope of a maximum profit in record time.

*The stock exchange* is an important institution of the capital market, specific to the market economy, which concentrates in the same geographical and economic space the demand and offer of securities, openly, freely and permanently negotiated, based on known regulations. The stock exchanges always represent an extremely sensitive and accurate barometer of the status quo in the economic, geo-political and foreign currency field. The price a security is negotiated for accurately reflects the economic-financial state of the company that issued it, in a positive or negative sense. Most times, because of the interdependencies in a national economy, but also at world level, the modification of the rate of a certain security can attract with it chain modifications, with repercussions on other securities. It is true that, sometimes, the stock exchange can register false signals (incidental or directed), disturbing the real situation. The psychological and emotional factors have always had and will continue to have a notable role.

A question the enterprisers and the smaller or larger companies always ask themselves is: Which is the optimum way for financing investments? The answers are not many and along time they were the same: either using the own fortune, either requesting a subsidy from the state or from another institution or from anywhere else, or obtaining a bank loan or turning to the stock market. The first option is only possible for those who own the necessary capital. The second option is determined by exceptional situations. In regard to the bank loan, although it is a more realistic

option than the other two, it is maybe not the most wanted one, first because it is expensive (the interests are, in general, quite high) and, second, the banks set a series of hard and strict conditions, often difficult to meet by the applicant.

A possibility, for an enterpriser or for a company, to obtain money (capital), avoiding the problems raised by the options above, is represented by the public sale of shares or bonds with the help of the stock exchange. The stock exchange ensures the shortest and most efficient circuit between the economies or temporary surplus of capital of those who want to invest on medium or long term (be it companies, funds, banks, insurance companies or plain private individuals) and the needs for financing of the enterprisers or of the commercial companies. The stock exchange becomes thus a strong competitor for the banks, representing a serious alternative to the bank loan, often times more expensive and difficult to obtain.

From the above it is clearly noted that the main role of the stock markets is that of financing the economy (especially the economic agents), by mobilizing capitals on medium and long term. Also, another important role of the stock exchange is that it facilitates the circulation of capitals, the securities being easily transformed into liquidities or exchanged into other securities, by selling or re-selling them on this market.

The most important function of the stock exchange is that the transactions with the securities issued and initially placed on the primary capital market are performed here. After the securities have been issued and placed with the investors, they can be freely transacted on the stock exchange because of their negotiable character, thus guaranteeing the investor that he can recuperate the placed money funds, of course for the value they have on that date on the market.

Also, the stock exchange is the place and instrument for some important sector reorganizing and restructurings. On the stock markets a redistributing of the financings within the economy takes place: the financial funds are oriented towards more lucrative or perspective fields, because an investor can very easily sell here the securities he no longer considers to be a very good placement and invest in a sector he considers more attractive.

Another interesting aspect is that of the acquiring of companies and of mergers on the stock market, which are increasingly frequent. The stock exchange facilitates these operations and the main instrument through which the tender offer is performed. The tender offer is the operation performed through a intermediation company through which an investor announces that he is willing to buy partially or all the shares on the market of a commercial company he is interested on, for a firm price and within a well defined period of time. This is how most takeovers, transfers and mergers take place on the stock market.

On the stock exchange the sell-buy price for the quoted securities is permanently established and displayed. The stock market offers systematic information concerning the rate of the quoted securities and, implicitly, information on the listed companies and even on the respective economy on the whole. In this sense an important indicator is the stock exchange capitalization of a listed company, which shows the market value of that company: it is calculated by multiplying the total number of shares of that company with their market rate. In order to evaluate the dimensions of a stock market the total stock exchange capitalization can also be calculated by adding all the stock exchange values (stock exchange capitalizations) of the companies listed on those markets.

Finally, the stock exchange reflects especially accurately the overall situation of an economy, as well as its trends and perspectives. Especially useful for this purpose is the studying of the stock exchange indexes, calculated as an average of the evolutions and of the volume of transactions for a representative sample of shares or for their totality, on each stock exchange in part.

The collection of the temporary available capitals in the economy, the reallocation of those insufficient of inefficiently capitalized at a certain point and even the favoring of some sector restructurings, are meant to outline the place presently occupied by the capital market in the economy of many countries, not only the most developed ones.

The observation that in the developing countries the same attention must be granted to the starting and developing of an efficient financial market is well-founded, just as much as the preoccupations for developing the infrastructure of telecommunications. This is more important in the transition countries, considering the necessity to reorient resources from the inefficient sectors towards to efficient ones, thus ensuring the increase of efficiency in economy, supporting the economic reform process and even the privatization actions.

### **3. CONCLUSIONS**

The importance of the financial market is given by the significant role it plays in the finances (financing) of the enterprises and of the state, by the percentage the direct financing has among the methods for financing. Beyond what is apparently important - the high volume of transactions on the stock market - what really counts is the place the (primary) market holds in the development first of the stock companies (direct financing), and this is sometimes forgotten, or appears secondary. The well functioning of the financial market is a strong fundament for ensuring a lasting growth, on the long term, of the national economy; the financial market and firstly the

capital market represent in many countries – and could also represent in Romania – the engine for economic development.

If to a certain extent they can be replaced as financing sources, it must not be understood that financing through the banking system and financing through the capital market are perfectly replaceable, but rather complementary. In most cases, the issuing of shares or bonds tend to sooner supplement, than replace the bank loans, especially when the allocation of some important resources is wanted for sustaining some large investment plans, when a farther horizon for the maturity of the loan is sought, or even obtaining non-refundable funds for the price of dilution of capital and future dividends.

More and more issuers turn to financing instruments which not until long ago seemed too sophisticated, and the “theoretical” advantages of the listing on the stock exchange start to be the put into practice. The ability of the capital market to mobilize important financial resources now is no longer doubted and any company listed on the stock exchange will also consider from now on the issuing of bonds or shares among its financing options.

The Romanian capital market is ready both for the financing of companies and for the use of some sophisticated methods for forming the subscription price, and through the behavior of investors recently, it seems keen for new securities. This does not mean it can absorb the entire necessary of financing of the Romanian economy or that it can handle *debt/equity* financing ratios such as those from the developed capital markets, but nor can it be said that it does not offer sufficient liquidity or that the risk of the volatility of prices in the case of some public offers is alarming. Moreover, the current moment is an especially favorable one for the unfolding of this financing process for businesses, process also propelled by an overall economic conjuncture favorable for investments, through a stock market found under the sign of the bull, through a penetration in Romania of important foreign capital funds that seek placements as profitable as possible.

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# THE MINORITIES' STATUS IN THE EUROPEAN UNION

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**Abstract:** *The problem of the minorities' status in the European Union represents a research topic still less analyzed in Romanian historiography. Usefulness lies in deepening the clarification of concepts like "minority", "national minority", "linguistic minority", etc. and the establishment of certain criteria and scientific methodological approach to minority issues.*

*Our contribution in this article consists in presenting the evolution of historical, sociological and legal concerns regarding the fate of the people belongs to national minorities, summarizing the achievements, but also the failures of this development in European area.*

**Keywords:** minority status, rights, European Union, EU legislation

**JEL Classification:** J15, J78, J71, A13

Discussions on the status of minorities, their relations with the state, with the majority, other minorities are increasingly present in Romanian historiography space. This aspect can only enjoy the historian trying to move, in a certain extent, from the political speeches, which are often marked by populism and demagoguery and to look not so much or not only on the current state of the problem, but to try to explain this by appealing to past historical developments. The minority "theme" is a generous one which invites to research not only through the fact that similar debates are taking place in Western Europe or the European Union, but because it often raises, acute problems, which are still looking for response. Although in the West it was written extensively on the subject, many questions remained unanswered, raising methodological dilemmas which are still causing disputes, the remained problems expect their solutions, both from a legal perspective but also from a sociological and historical perspective.

One of the themes of debate is undoubtedly that of defining the term "minority." Most international texts do not give a general definition of the concept, able to identify groups likely to benefit from rights attached to this status (Vandycke, 1992, p. 98). Legal difficulties are actually caused by the multiplicity of angles from which a community can be analyzed and characterized and the need to include in one category - the minority - ethnical "diversities" such as language, religion, etc. The last three hundred years of evolution marked the transition from the stage of a community maintained by multiple alliances of natural and spontaneous order (culture, family, neighborhood), at the society based on associative connections and contract ones (legal and



institutional bodies). Obtaining sovereignty and state organization were the ultimate objectives of these developments, affirming features being the first act of determination and the "first otherness" (Yacoub, 1998, p. 67).

Throughout this development communities have become aware of themselves and of their specificity and were grouped according to common criteria and spiritual values. Past, language and religion were and are major forms of identity. Faith and ritual practices were evidence of formation and differentiation of human communities, a challenge for recognition and power and thus a socio-political factor.

Religion has joined, has clotted feelings and contributed to awareness of identity and even led to the creation of independent states, if we consider only the example of Pakistan. Ernest Renan argued that: "There are no masses to believe in a uniform manner. Each thought and practice faith in his manner. There is no state religion. Religion is a personal matter pertaining to the individual conscience." (Yacoub, 1998, p. 74). Yet experience shows the opposite and shows that religions are cultural forms that, consciously or not, visible or not, are influencing political institutions, shaping attitudes, inducing social and political behavior of individuals and groups. In turn, languages are the vectors of social cohesion, determining, to a certain extent, how the thought, perception and cultural universes outlines specific people. Robert Mallet wrote about the role of language: "Language is for the individual, both a mean to identify and give thought to its most intimate resonance to others" (Yacoub, 1998, p. 80). Languages distinguish, separate, but at the same time, unite people. They are used as means of enhancing citizen's relationship with the state. Any action taken to achieve national unity is accompanied by a policy of linguistic unification and uniformity and for that the state uses a variety of means, based on the imposition of a single official language and by the politicization of the education system. These aspects regarding the characteristics of minorities, their evolution, and their constant metamorphosis are undoubtedly more complex and they are subject to special research of sciences as *minoritology* and *minoritografy* (Yacoub, 1998, p. 68). Analysis of data collected from historical and sociological research have, in this case, a practical purpose, because attempts to define the concept of minority, establishing specific features, allowing classification into categories was one of the stakes in law international disputes. To grant rights to the minorities, to bring legislation to clarify their status in society, to regulate the relationship with the State, for the majority was necessary to define the concept, to know exactly which segment of the population to be addressed in that law. The complexity of the problem, the multiplicity of perspectives from which could be considered the potential features of a minority group led, on several occasions, to failures in attempting to include in a legislative act and to define the term minority. At European level consideration of this issue was excluded from discussions of the

Conference of experts in minority in Geneva in 1991, and the "Framework Convention for the Protection of National Minorities, adopted by the Council of Ministers of November 10, 1994, has also circumvented the problem (Benoit-Rohmer, p. 55).

Internationally, the act which regulated the long minorities was "International Covenant on Civil and Political Rights", drafted in 1966 by the UN. Article 27 was credited with having established some benchmarks on the rights of persons belonging to minorities, but it also left enough room for interpretation. From the analyze of the article we might infer that membership rights of this category are not universal, because minority groups do not "exist" necessarily in all states, and it doesn't state that community members actually enjoy these rights, but rather that they may be deprived of them and does not provide any action or mobilization of resources from the states in their favor (Miall, 1997, p. 35). The text also referees to the right people, not the group, which limits the collective communitarian dimension. In general, recognized rights of minorities are non-discrimination, freedom to participate in public life of the country (cultural, religious, social, economic, political) freedom to establish contacts within and outside the country, freedom of association and to maintain and develop their identity. Collective rights are recognized to a group which, in turn, may impose certain obligations of its members and elects representatives in addition to central authorities. The minority collectivity is the holder of the rights and it enjoys, in this case, some autonomy and has the means necessary to implement such a right. Group right concerns local cultural collectivities and seeks to maintain and develop their particular identity, is focused on satisfying the demands of its members in terms of promoting equality and social, economic and political interests. Collective rights are rights and development of the identity of cultural groups, right to protection against any activities which could threaten their existence and identity, the right to participate in state issues and decisions concerning areas in which they live. In international law there is, from this perspective, a double trend: on the one hand, to put less emphasis on individual rights than that of the group and secondly, to guarantee minority rights, rather than give them a simple protection (Vandycke, 1992, p. 84).

In Europe, interest in the fate of national minorities started once with the first years of the Council of Europe. On September 5, 1949, the first report of the Legal and administrative commission of the Consultative Assembly, through the "Teitgen Report" recognized "the importance of the problem of a closer protection of minority rights." On November 4, 1950 "European Convention for human rights and fundamental freedoms" was adopted, which provided in Article 14 that "the rights and freedoms recognized in this Convention shall be secured without discrimination based mostly on gender, race, color, language, religion, political or other opinion, national or racial origin, membership of a national minority, birth or other status "(Yacoub, p. 211).

There followed a series of European documents which have gradually enlarged the area of rights and freedoms granted to minorities and have created new minority categories. Thus, on March 20, 1952, the "Additional Protocol No. 1 to the European Convention for human rights and fundamental freedoms, adopted in Paris, stipulated in Article 2, in education and training that "No person shall be denied the right to education. State, in exercise of duties which it assumed in education and education will respect the right of parents to ensure such education and teaching as their religious and philosophical convictions "(Yacoub, p. 212), and on October 18, 1961 was adopted the "European Social Charter of Turin", which contains Article 19, especially for immigrant workers.

A new problem has appeared with the discussions on ratification of the "Paper of the European regional and minority languages". On March 16, 1988, the permanent Conference of local and regional powers in Europe (organ of the Council of Europe) adopted Resolution 192 on regional and minority languages. In May 1989 the Committee of Ministers decided to create an ad hoc committee of experts which was entrusted a mandate to prepare a draft on European Charter on Regional or Minority Languages. In 1992, on June 20, the Committee of Ministers adopted the Charter as a convention, but some countries: Turkey, Greece, France opposed its adoption, proposing instead a mere recommendation. Roland Dumas, French Foreign Minister, reasoned his decision stating that "it contained incompatible provisions with our principles such as equality before the law" (Yacoub, 1998, p. 128). In the French concept of state and nation citizenship and nationality coincide. One state, one nation, one language, the same law system - here's the details of the French nation-state, that vision is eloquently illustrated by Article 2 of the constitution: "France is an indivisible republic, secular, democratic and social. It provides all citizens equality before the law without distinction of origin, race or religion. It respects all beliefs." The Convention stated at Article 1 that regional and minority languages are "spoken traditionally in a State, the people who form a group numerically inferior to the rest of the state population and are different from official state language, dialects are not included here (Miall, 1997, p. 40). Attempts to define the concept of national language as the one of national minority are marked by obvious theoretical difficulties, because not only linguistic criteria should be considered.

First, it is necessary to distinguish rigorously between dialects and minority languages. The term dialect refers to a vernacular language and has a socio-political significance, because it induces the idea of subordination. A dialect becomes a minority language when its speakers claim autonomy and begin to impose rules of grammar and vocabulary. For the existence of such a minority, the community members should be aware of their particularity, to identify themselves rather than to be characterized as such from the outside (Giordana, 1992, p. 52).

In 1990, the Legislative Assembly adopted Recommendation 1134, relative to the rights of minorities. It recommended the Council of Ministers to draw up a Charter or a special protocol to the "European Convention on Human Rights." Following this approach, the European Commission for Democracy through Law (Council of Europe advisory body) adopted in 1991 a "European Convention for the protection of minorities." The text contains 37 articles and states the guaranteeing minority rights, guarantee which should not, however, authorize any activity contrary to the sovereignty, territorial integrity and political independence of the States. The Convention tried, at Article 2, a definition of minority, which constituted, according to the text "a group numerically inferior to the rest of the population of a state whose members, having the nationality of that State, have distinctive ethnic, religious, language other than the rest of the population and are animated by the desire to preserve culture, traditions, religion and language." (Miall, 1997, p. 40). To ensure the rights set out in the document, it was established the European Committee for the Protection of Minorities, which Member States had to send reports on the measures taken under the Convention.

Continuing the concern series for the fate of minorities, the Parliamentary Assembly adopted in 1993 Recommendation 1201 relative to Additional Protocol to the European Convention on Human Rights. The recommendation contains one of the most suggestive and valuable definitions of the term minority. It would be "a group of people from one state, living in its territory which are its citizens, maintain old, solid and durable contacts, with that country, shows ethnic, cultural, religious or linguistic characteristics and are sufficiently representative while being less numerous than the general population of that country or a region of that state and are animated by the desire to keep together what form their common identity, particularly culture, traditions, religion or language" (Miall, 1997 p. 41). Also in 1993 the Council of Ministers adopted a mandate to commission an ad hoc committee to start work on drafting a convention on minorities, the works were completed in 1994 when the Council of Europe adopted the "Framework Convention for the Protection of National Minorities. This document, which has as object to transpose in legal obligations the political commitments taken at the CSCE level, reviews the rights and freedoms enjoyed by national minorities and specify both their obligations and those of the states on whose territory they are. Through the complexity and quasi completeness of provisions, the text is considered the main legal instrument devoted to the protection of minorities (Yacoub, p. 230). It provides free use of minority languages in public and private space, free education, right to use the full name of the maternal language, the right to their official recognition, the right to use traditional local names, the right to learn their mother tongue, the freedom of Association. The states are bound by signing this agreement to protect the existence of national minorities, to prevent the disappearance or

assimilation of a minority by force of authority or other minorities, to protect persons belonging to different groups of acts of discrimination, hostility, violence, and attempts to defend them of any purge, extermination or deportation tentative. States were forbidden to use assimilation policy and undertook to keep particularities by creating conditions for conservation and development of culture, religion and language minorities. Authorities could not take action to change the proportion of population in a geographical area and promised to ensure "as far as possible" conditions to allow use of minority languages in dealings with government and "if necessary" to take action in education and research to promote knowledge of the culture, history, language and minorities religion. Doing so, the states create conditions to ensure effective participation of minorities in cultural, social, economic and public affairs which interests them in particularly. On the other side, minorities hired not to carry out activities contrary to the principles of international law and especially to encroach on the territorial integrity and political independence of States (Benoit-Rohmer, p. 120). The convention has, however, aspects of criticism or vulnerability. It does not provide a definition of national minority, while the clarification of terminology is fundamental to legal acts. It does not recognize for the minorities collective rights jointly exercised by the community group and individual recognition is made in an indirect manner, as obligations undertaken by states. For example, national minorities do not have a direct indication of religious freedom, but countries engage to recognize any person the right to manifest religion or belief. The paper also sometimes subordinates the obligations of Member states to the exigencies of a certain number share of minorities, using formulas such as "if possible" or "if necessary" to avoid an excessive burden in relation to the size of that group. Obligations of member states concern not only the recognition of rights and freedoms, but require action involving "positive action", namely providing funding to ensure these rights effectively.

Minority rights issues were and are in the attention of the Organization for Security and Cooperation in Europe (OSCE), which today reevaluates a number of older concerns and contributions, of the OSCE, in this field. Since 1975, principle number 7 of the first part of the Helsinki Final Act states: "Respect for human rights and fundamental freedoms, understanding freedom of thought, conscience, religion or belief. Participating States, acknowledging the contribution that national minorities or regional cultures can bring to their cooperation in various fields of culture aims to facilitate such contributions." At the Madrid meeting from November 1980-September 1983 the discussion were again on minorities and the conclusion of the meeting was the need for concrete action to be sure that these groups actually benefit from their rights. Following this conclusion, the Final Act of the Vienna Conference stated, in Articles 18 to 19, that

participating States will take all necessary measures to protect traditional rights and freedoms of persons belonging to national minorities.

Conference in Copenhagen (5 to 29 June 1990) marks, in turn, a milestone in the series of European concerns for minority issues. Final Act of the conference devotes a whole chapter to the national minorities' rights and states clearly not only the freedoms enjoyed by these people, but also the obligations of states to adopt measures to ensure their full equality with other citizens (Benoit-Rohmer , p.112). According to the text persons belonging to national minorities have the right to freely use their language in public and private space, to create and maintain their own educational, cultural, religious institutions, associations or organizations, to profess and practice their religion freely, to maintain connections with citizens of other states that share ethnicity, cultural heritage or religious beliefs, to disseminate and exchange information in their native language to access information and participate in activities of international nongovernmental organizations (Benoit-Rohmer , p.119). Following the Helsinki conference of 1992 the post of high commissioner for minorities was created, a true body of mediation, which was intended to trigger a swift action where tensions arising from minority issues, threatening to escalate into conflicts in the CSCE area. The meeting in Budapest in 1994, which transformed the CSCE into OSCE, has meant in the same time the reiteration of the participating States commitments to minorities (Yacoub, p. 252).

Thus, when creating the European Union in 1995, there already were a number of concerns and European regulations concerning the protection of national minorities, there was a legacy that the new Union had only to take. We can not therefore speak of minorities in "new Europe", without making any reference to "old Europe", the one until 1995, because the legal framework of the EU today is based on previous contributions in this field. The founding Act of the EU, the Maastricht Treaty, can, under these conditions, only reaffirm the concern for the fate of minorities in the wording of two articles: 126 and 128. The first stated that: "Community action target to develop the European dimension in education, particularly through the teaching and dissemination of the Member States languages" and in the second: "The Community shall contribute to the culture development of Member States in respect for the national and regional, highlighting the common cultural heritage "(Yacoub, p. 231). In the same spirit of concern for the fate of minorities, at 20 to 21 March 1995 the foundations bases were made for Europe Stability Pact, which aims to assume among its objectives the prevention of tensions and potential conflicts and establishment of a good neighborhood and cooperation on the continent. The text stated that to have a united Europe there must be prevented manifestations of intolerance, aggressive nationalism, racism, chauvinism, xenophobia, anti-Semitism (Benoit-Rohmer, p. 162). The pact constitutes a declaration and a list of



bilateral and multilateral agreements concluded on the initiative of interested states to contribute to the objectives set out in the document.

The most recent EU document which refers to the protection of persons belonging to national minorities and undoubtedly the most important is the draft constitution, the text adopted on 29 October 2004 in Rome and in the process of ratification by EU member states. We do not think that the significance of this document can stir debate as the European Constitution is the birth of "new Europe". From the content of this document could not miss the provisions on the protection of national minorities. It is true that there are direct and explicit references to these people, only at Article II 81, but taken as a whole, Part II of the Constitution entitled "Charter of Fundamental Rights" makes general references to human rights and freedoms, in which are circumscribed obviously, and those of minorities. The Constitution stipulates that the Union joining the *European Convention for the protection of human rights and fundamental freedoms*, and those fundamental rights resulting from constitutional traditions common to the Member States are part of EU law, with the status of general principles. The preamble to Part II provided the Union to "contribute to the preservation and development of these common values while respecting cultural diversity and traditions of the peoples of Europe, and national identity of Member States and their public power organization at national, regional and local level". Among the rights and freedoms set forth in the Charter we find: the right to freedom of thought, conscience, religion, the right to change religion and beliefs, to manifest his religion or individual or collective beliefs in public or privately, right to freedom of expression, freedom of opinion, freedom to receive or impart information and ideas without the emergence of public authorities, media freedom and media pluralism, freedom of peaceful assembly, association at all levels, right to education and access to training and freedom to create educational institutions respecting democratic principles (Article II, 70, 71, 72, 74, 80). The Constitution explicitly states in Article II 81 that "it is prohibited any discrimination based especially on gender, race, color, ethnicity, social, genetic features, language, religion, belief, political or other opinion, membership of a national minority, wealth, birth, disability, age or sexual orientation".

Concluding on our historical, sociological and legal "deviation" we notice that over the past 50 years there have been debates in all three views regarding minorities. Discussions often resulted in failure, but, taken together, they have helped clarify terminology on specific topics, to establish scientific and methodological criteria of approaching the problems and the formation of a legal "body", governing the international situation of minority groups.

There have remained, however, several key problems whose solutions are related to the ability to adapt, to change state institutional systems, cultural heritage of each nation and not least,

individual mentality. One of these problems is the classification into categories of persons belonging to national minorities. The theme provides two perspectives of approach that complement each other, but can be considered separately: a sociological and political perspective. Under the first category we can establish categories on the basis of religion, language, culture, ethnicity, nation, territory, and from the political perspective, we can distinguish several categories: autonomist minorities, the trend towards independence, pre national minorities, minorities in training and formed minorities. A second problem that raises discussion is the one of acceptance and definition of the term national minority. The attribute "national" is more generous in terms of semantic coverage, but that's why it is more difficult to define and conceptualize it. Difficulties related to the different understandings of the meaning of "national" cultural heritage, nation-specific models according to which they judge the issue. Thus, if the French model supports the theory of civic nation – from the nation belong all citizens of the state - the German model supports the idea of cultural and linguistic affiliation of a person in the nation. Because of these differences in perspective there was controversy over how to address community problems, options being integration or multiculturalism. On one hand there are countries - as is the case of France - who did not want to destroy the homogeneity proclaimed through the nation (one state, one nation, one language, one culture). Moreover, there were countries that accepted the challenge of multiculturalism and argued in favor of granting rights of persons belonging to national minorities. Another difficulty came in the moment when the allocation of rights to collective or individual was questioned. Most international instruments refer to individual rights, using the words 'national minorities' collective dimension appearing as a supplement in the form of "rights and freedoms can be enjoyed individually or collectively ..." Finally, involving the states in minority issues was another problem which had to be regulated and triggered various reactions. To ensure the preservation and development of national minorities is not only necessary to recognize the rights and freedoms, but the allocation of funds, direct participation and active states. However, in international texts, at the chapter obligations there are frequently used formulas such as "if necessary", "if possible", which limited the responsibilities and involvement of central authorities. These problems can only invite to debate on the conceptual and legal clarifications to the permanent improvement of European legislation. They remain important issues on the agenda of experts, of theorists, but also to policy makers interested in managing minority issues at the continental level.



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# THE PRINCIPLES OF THE EUROPEAN PUBLIC SERVICES' LAW

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**Abstract:** *European civil service law has emerged as an independent law branch relatively recently. At the EU level there were three categories of rules that regulate the public employees' activity, according to the treaty type that established one of the top three communities (ECSC, EEC, EURATOM). Following legislative changes that occurred in 1968, it was made a unification of these provisions, resulting in a common law text for all the officials, known as The Status.*

*Statutory provisions within the field recognize the law principles common to the entire Community law, such as the principle of subsidiarity, but also a number of new principles, based on this area of research, such as officials business efficiency principle, function stability principle, etc.. Romanian legislation, although relatively new comparing the laws of other states, has taken over many of these principles, being aligned with union provisions in this field.*

**Keywords:** community law, public service, regulation, legal framework, democracy, law principle

**JEL Classification:** E02, H11, E61

The Principles of the European Public Services' Law are the guiding lines that rule the whole activity of the European public servants and which must be taken into consideration when someone try to understand any legal document, drawn by an institution or an European organism.

These principles are, on one hand, the same for all the parts of the European Law (such as the subsidiarity, the equality and the non-discrimination principle). On the other hand, there are some particular principles that are applied only to the European public services (such as the public evaluation principle and the territorial spreading).

Although the legislation for the public servants activity appeared in every country in its own particular conditions, the rules regarding the public services convert to mutual values, starting with the second half of the past century. In this manner the European public services' law was born as a new legal discipline of study and also new domain of legislation for the European institution.

Before The fusion treaty, there were three different systems of rules for the European public services, one for each of the European communities. These systems were different as hierarchy, salary level, rights and liabilities also. Article 24 from the treaty of fusion for the communitarian executives (1967) imposed the consolidation of the public services legislation, adopting in this respect a unique regulation for the communitarian institutions' personal

The unification took place once the Reglement CEE CECA and CEEA no. 259 from the 29<sup>th</sup> of February 1968 was adopted. This regulation suffered much modification, the most important being done through the Reglement CE and EURATOM no. 723 from the 22<sup>nd</sup> of March 2004. This reglement, together with the internal rules for the European institutions, is known under the title STATUS – “Reglement's and rules applied for the public servants and agents of the European Communities.”(Călinoiu și Vedinaș, 1999, p. 12)

In European democracy, the public servants recruitment is one of the major priorities for the institutions. The process of selection is realized taken into consideration the fallowing principles:

## **1. THE EQUAL ACCESS PRINCIPLE**

This is a general principle for all contemporary legal frameworks, all the juridical disciplines being preoccupied to respect the equality between persons, as we all are equal and we have equal rights.

The equal access principles is stated in the Declaration of man's and citizens' rights from 1789 and it is restated in article 21 from The Universal Declaration of Human's rights, in the fallowing text: “all the persons have the right to accede, in equal conditions, to public services in their country”. In this manner, it is forbidden to establish discrimination criteria, based on sex, religion, race or opinion. The only possible limitations are referring to nationality, morality, age and physic abilities.

All the constitutions from the European Union establish the principle of equality in front of the law, excepting Denmark's and Republic of Ireland's constitution. In these two cases the principle is present in other very important internal laws, which complete the constitutional rules.

The equality in acceding to a public service must be understand as the same treatment for all the individuals who want a public job or mission, each state being obliged to draw special condition to accede to a public service, without affecting the general principle.

The constitution of Spain has one of the most successful manners of establishing the principle of free and equal access to a public service. The specialists consider that Spain has one of

the most competitive constitutions of the moment, because it had as a mother the France Constitution from 1958 and as grandmother the German Constitution from 1949.<sup>4</sup>

The same condition for access into a public service must be understood, on juridical level, as a perfect identity of demands and chance for all the persons who applied for the job. Only the persons who respect all the conditions may enter into the public evaluation procedures, and the best of them shall win.

In Romania, this principle is considered as a derivation from the principle of equality in rights for all the citizens, and it is expressly stated in the law of the Public servants' status.

## **2. PUBLIC EVALUATION PRINCIPLE**

The principle of free access to the public function and the principle of public evaluation are at the same time complementary and contradictory. All the constitutions of the member states of the European Union state the principle of equality in front of the law and a large majority of them state the principle of equal access to public functions (excepting Denmark and Republic of Ireland, who state this principle in a special law). Furthermore, all the national legislation in European Union establish the principle of occupying the public function after a public evaluation, and also a minimum level of conditions to respect even before the start of the competition. The equality of access is more a politic and moral demand than a condition imposed through technical and juridical methods.

France and Spain are countries that chose to recruitment after a public evaluation for all the jobs in the public sector, excepting the functions that demand a political nominalization. In France there is the well-known school that prepares specialists in the public sector (Ecole National d'Administration), school that insures the selection of top- public servants and the continuous forming for them, in order to occupy the key position in the public sector. The admission to this school and the further procedures of selection for important jobs in the higher administrative sector are very severe.

The procedure of public evaluation responds to the following major tasks:

- correct evaluation of the candidates' abilities;
- It stands for the independence and the objectivity of the ones that do the selection.

Italy also respects this principle, but it is applied in a less number of situations, such as diplomacy and ministration sectors. In the Great Britain and Belgium the evaluation of candidates'

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<sup>4</sup> It is considered that Spain has one of the most welldone constitution in the world, see for that opinion Antonie Iorgovan, „Tratat de drept administrativ”, vol. I, Editura Allbeck, București, 2002., p. 574

abilities is done by the independent organisms. In Germany, the candidates must attend an educational program of continuously forming. Germany and France consider the public function as an independent force that insures the continuity of the state power and authority. He/she actions as a mediator between state and society and stands for respect of public interest.

In Romania, the recruitment and the promoting of public servants is reglemented in the Status of public servant; the article 4 of this law establish both the principle of free access to the public service and the principle of occupying the public function only on competence condition. The Govern decision no. 1098 from 2001 establishes the procedures of organising the public evaluation, consisting in a written exam and an interview. The final mark must be minimum 7 out of 10.

A good mark in public evaluation is not a guarantee for occupying the job, but the scores are in a data-base and they are available to selection procedures for many years, if the others conditions are respected by the candidate. (Jacgue, 2004, p. 184)

In France, there are four conditions to respect if a public evaluation is organized:

- first, there must be a vacant job or position;
- second, an independent jury is required, and the independence must be shown both towards political power and towards the chiefs of the services where the vacant job appeared;
- an hierarchy of the candidates, according to the scored obtained during the public evaluation procedures;
- Obligation for the authority to respect the hierarchy established by the jury.(Iorgovan, 2002, p. 588)

In Germany, the exam that verifies the theoretical knowledge is followed by stages of activity in the job sector, but in Great Britain and the Republic of Ireland the public evaluation generated no legal conflicts at all. Spain, Luxembourg and Belgium use the public evaluation consisting in theoretical tests only, while in Italy and in Portugal the practical abilities prevail.

### **3. THE PRINCIPLE OF INDEPENDENCE**

This principle is regulated in the motivation for Reglement of the Council CEE, EURATOM and CECA no. 259/1968 and it is restated in many of the internal rules of the communitarian institutions.

The principle of independence considers that a public servant of any communitarian institutions is not a servant of the state whose citizenship he or she first beholds, but he or she must

act only with the purpose of the communitarian goals, as a European citizen. So, for example, the members of the Governors Council in the European Central Bank must act independently and not as a representative of his/ hers own country, in all the monetary decision for the euro zone.

This principle should be respected despite the fact that 12 out of the 18 members of the Council are the representative of the central banks and, normally, they might be tempted to act according to their state goals.

The independence of the public servant does not mean the denial of the authority extended on him or her by the institution he or she works for.

#### **4. THE PRINCIPLE OF COMPETENCE**

The principle of competence may be analyzed in a double perspective:

- first, the competence may be regarded as an internal element of the public service, that is the legitimate right of the public servant to do a certain job and to has at his disposal a certain authority;
- Second, the principle of competence refers to the liability of the public servant to prove higher professional and moral qualities, according to the job profile and the mission he is responsible for.

We consider that the principle of competence is applied in the European law in its both meaning detailed above, the activity of the public servants in the community taking place in the limits described by the legal framework and the moral and professional abilities.

#### **5. THE PRINCIPLE OF RENTABILITY**

For the public servants' activity, this principle has a powerful practical meaning, expressed in periodical evaluation that is applied for the public servant activities. The particular mission the public servant has to accomplish supposes a professional career, in sense of the obligation to do things better each day, to respond to the job demands properly and to realize the quality parameters required by the public service.

If the job tasks are realized in a positive manner, the public servant career will develop starting with his/her promotion to a higher level of responsibility and of rights.

## **6. THE PRINCIPLE OF INTEGRITY**

The public servant integrity is in connection with his/her level of morality, reflected in the way that the public servant respects the good behaviour rules, the ethics and the good intention in the relationship at work. The public servant abilities must reflect the way that the person occupying the job respects the public authority invested in him/her, but also the obligation to respect the person for whom he is working.

The integrity of the public servant is regarded first of all as a general obligation not to do anything against ethics and moral values, but also as a particular obligation not to do facts considered by the penal law as corruption crimes.

In order to express better the obligation of integrity, the European Commission adopted a Good Behaviour Code, which is present in the Romanian legislation too (see in that respect the Law no. 7 from 2004).

## **7. THE PRINCIPLE OF TERRITORIAL SPREADING**

The principle of territorial spreading of the public servants has the meaning of occupying the jobs in the European administration, as well as possible, taking into consideration the criterion of proportional representation for all the geographic area, according to the number of citizen that are in that area. At the European institutional level, the member states should be as well as possible represented. This demands the rule that the employees to have roots from all the geographic area.

This principle was the motive for opening the selection procedure to hire Romanian citizens in the European administration, as Romanian population is up to 22.7 million habitants. This amount justifies a large number of public servants in the communitarian institution from our country.

## **8. THE PRINCIPLE OF OFFERING TO THE PUBLIC SERVANT ALL THE MEANS AND METHODS REQUIRED IN ORDER TO ACCOMPLISH IN GOOD CONDITION HIS JOB GOALS**

This principle completes the principle of integrity, independency, competency and rentability of the public servant, in order to offer a particular framework for the European public service.

The application into practice for this principle insures all the rights that are necessary for each category of the public servants to reach the tasks of the mission they are invested with and the goals of the job they occupy.

The regulation of the rights for the communitarian public servants reflects this principle, deeply debated in the Public service law documents.

## **9. THE PRINCIPLE OF STABILITY IN THE PUBLIC SERVICE**

If we speak about the legislation of the member states of the European Union, we find a special concern for the right to a career in the public administration. This right requires, first of all, stability in the job, reflected under various forms.

Some categories of public servants, in the widest meaning of the term, have the privilege of immovability in the job (for example, the magistrates in France). In Germany also, the public servants are usually appointed to the job for lifetime (Amstellung auf Lebenszeit).

One of the essential characteristics of public service, in countries with real democratic governments, is stability. In this respect, the public servant is not a changing person in a position, but a permanent figure for the good or bad life of the community. The stability of the public servant is a logic consequence for the continuity of the public service, even if the public service has an objective existence, beyond the person that occupies the job. Of course, we refer to the juridical meaning of the problem, and not to the real motivation that could demands in a certain moment the changing of a person or the reform of the whole public authority we discuss about.

All the countries that are members of the European Union use the system of career or the system of employment in the public administration (system de carrière et système d'emploi) but the principle of stability is applied only in the first case.

The career system demands a form of constant appreciation of the public servant activity, or certain rights of the public servant towards his professional development. The right to a fair career involves the right to be promoted, of course, if certain conditions are respected.

Unfortunately, in Romanian law the legal framework for a right to a career in the public sector is confronted with difficulties. The indirect goal to change the whole public administration personnel with the occasion of new election created very inventive methods to ignore the legal constraints that protected stability.

Despite these disfunctionalities, the Romanian legal framework is not dramatically different from the criteria imposed by the concept “public servant career”. The Romanian law establishes a



hierarchy of the jobs in the public administration and gives certain guarantees that the person that work in that field will go on in higher position every 3 years, if some conditions are respected.

The recent changes in the “prefect” status transform this category of public servants in a professional corpus. The principle of stability on the job is in this manner more protected.

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