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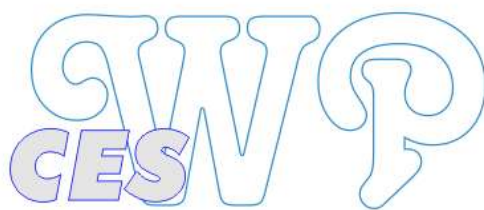
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CONNECTING THE ENLARGEMENT PROCESS WITH THE EUROPEANIZATION THEORY (THE CASE OF TURKEY)

Teodor Lucian Moga

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Abstract: *Europeanization is one of the theoretical instruments which had a vital influence on candidate countries for EU membership. Due to its aspirations of becoming member of the European Union (EU) and in its attempt to fulfil the Copenhagen criteria, Turkey is trying to comply with the EU *acquis communautaire*. The aim of this paper is to assess the effects of the Europeanization process on the countries subject to EU enlargement strategy, with a special focus on Turkey, particularly since the country received the EU candidate status in 1999. This paper has been organized in the following way: firstly, it points out how both the traditional Europeanization and the enlargement led Europeanization have been depicted in the work of several important scholars; secondly, by offering a short overview of Turkey's foreign relations vis-à-vis its neighbourhood, especially in the last decade, it examines how the mechanism of Europeanization largely influenced the country's diplomatic culture. Traditionally, Turkey has been attuned to hard security issues and architectures. However, the Turkish foreign policy strategy emphasised in the past years the Venus side of things in many settings in line with EU requirements.*

Keywords: Europeanization theory, the European Union, the enlargement process, foreign policy, international relations

JEL Classification: Y80

The Europeanization process means “the reform of domestic structures, institutions and policies in order to meet the requirements of the systematic logic, political dynamics and administrative mechanisms of European integration” (Joseph, 2006, p. 2). Europeanization is often seen as a constant “interaction between the national and the European levels” (Risse, Cowles, Caporoso, 2001, p. 2), “as a merger of the top-down and bottom-up perspectives” (Börzel, Risse, 2003, p. 57). The thorough understanding of the domestic environment upon which Europeanization impacts is an essential prerequisite in order to explore the mechanisms of this process. Thus, Ladrech perceives Europeanization as an “incremental process reorienting the direction and shape of politics to the degree that European Community political and economic dynamics become part of the organisational logic of national politics and policy-making” (Ladrech, 1994, p. 69). As far as the changes at the national level are concerned, they shape *domestic structures*, specifically “those

components of a polity or society consisting of regularised and comparatively stable interactions (i.e. *institutions, formal and informal, organizational routines and cultures, collective understandings of actors*).” (Risse, Cowles, Caporoso, 2001, p. 2)

In other words, Europeanization consists, according to Radaelli, of “processes of (a) construction (b) diffusion, and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, *ways of doing things*, and shared beliefs and norms which are first defined and consolidated in the EU policy process and then incorporated in the logic of domestic (national and sub-national) discourse, political structures, and public policies.” (Radaelli, 2003, p. 30)

Despite the diverse meanings that the concept of Europeanization acquires within the literature, all of the aforementioned approaches share the assumption that this process is mainly limited to the EU member states. However, recent contributions to the European integration literature have pointed out that the Europeanization process could be influential even beyond the EU’s geographic boundaries, principally with regards to candidate countries. Thus, the concept of Europeanization differentiates between *traditional Europeanization*, which is mainly limited to the EU member states, and *enlargement-led Europeanization*, which affects candidate countries and is conditionality-driven.

Although Papadimitriou and Phinnemore argue that the new *eastward-looking* Europeanization literature displays little consensus on how the Europeanization process is exported to and is transforming the candidate countries (Papadimitriou, Phinnemore, 2003, p. 9), most researchers agree that the impact of Europeanization is much more visible in the case of candidate countries than in that of member states.

The EU’s imposed conditionality has been the main driving force behind the Europeanization (especially in the case of enlargements from 2004 and 2007). This conditionality could be enmeshed in the so called *Copenhagen criteria* (notably the existence of stable democratic institutions, the functioning of market economy and the availability to adopt the *acquis communautaire*) which now the current candidates – Turkey, Croatia and the former Yugoslav Republic of Macedonia (FYROM) – for EU membership are trying to meet. “The Copenhagen political criteria constitute the leverage that is making Turkish modernisation and democratisation more plural, multi-cultural and consolidated.” (Aydin, Keyman, 2004, p. 1) Besides the main criteria, states wishing to enter the Union also have to provide stable institutions forging the spread of norms on human rights, protection of minorities, respect for the rule of law, good relations with their neighbours, and to align themselves to political, economic and monetary objectives of the union. According to Grabbe, the perspective of joining the EU represents a strong incentive for the

candidate states to meet the requirements for a potential EU membership and to demonstrate their willingness to fulfil the accession criteria. (Grabbe, 2001, p. 1015)

Schimmelfennig and Sedelmeier hold that the dominant logic underpinning the EU's conditionality is the bargaining strategy of *reinforcement by reward*: the EU provides external stimuli for a candidate country in order to comply with its conditions. (Schimmelfennig, Sedelmeier, 2004, p. 662) Since the Helsinki Summit from 1999 when Turkey was offered the candidate status, the Turkish Parliament has sought to upgrade Turkish legislation in tune with the European standards. Smith believes that conditionality could be of two types, both with considerable leverage: the EU manages the progress made by the candidates and either offers them the chance of carrying on the negotiations (*positive* conditionality) or it delays the implementation of the following stages (*negative* conditionality). An example of the use of negative conditionality consisted in the delayed agreements on the customs union between the EU and Turkey, due to different irregularities concerning human rights and democracy. (Smith, 1998)

In one of her studies, Grabbe analyses the changes which occurred in the Central Eastern European Countries (CEECs) in the prospect of membership. Her remarks could also be applied successfully to the present applicants for EU-membership which largely undergo the same transformation as the CEECs, because basically "Turkey is subject to the same conditionality regime as the CEECs". (Schimmelfennig, Engert, Knobel, 2003, p. 506) Not only are the means used by the EU to influence the reforms in the candidate countries superior to those used in former cases, but also the applicants can barely contribute to the EU policy making from inside. Neither CEECs applicants nor the group of Turkey, Croatia and FYROM had the possibility of opt-outs from parts of the agenda, such as those obtained by the UK on the Social Chapter, Schengen, or monetary union. (Grabbe, 2003)

Hence, the EU has often used the *carrot and stick* method to put pressure on Turkey to desist from taking norm-violating actions. One striking example could be the bid addresses to Turkey to commute the sentence of the Kurdish Kurdistan Workers' Party (PKK) leader, Abdullah Öcalan from death to life-long imprisonment.

In terms of foreign affairs, when Turkey threatened to annex Northern Cyprus in November 2001, the then EU Enlargement Commissioner Verheugen warned Turkey that it would irreversibly lose its chance to join the Union. (Schimmelfennig, Engert, Knobel, 2003, p. 507) After Turkey received the candidate status in 1999, the EU conditionality has produced its first significant effects. The legislative package passed by the Turkish Parliament in August 2002 included the abolition of the death penalty in peacetime and cultural rights for the Kurdish minority (the teaching of Kurdish in education and its use in broadcasting). In addition, the prospect of EU membership sparked off

the commencement of a normalised relation between Turkey and its neighbourhood. (Grabbe, 2003, p. 305; Schimmelfenning, Engert, Knobel 2003, p. 508)

According to Grabbe the factors which contribute to a greater convergence with the EU norms would be the speed of adjustment of the applicant countries to the EU standards owing to their ardent desire to join the club and the openness of the candidate states to take over the EU's *acquis*. (Grabbe, 2003, pp. 306-307) Moreover, it could be underlined that the EU's agenda for Turkey, Croatia and FYROM has become even broader than for previous applicants and this through additional membership conditions tailored to each country's specific. Grabbe identifies five mechanisms through which the Europeanization principles are internalised into the candidate countries: 1) Models: provision of legislative and institutional templates to adopt the existing European laws and norms; 2) Money: aid and technical assistance (to support the costs of the implementation process); 3) Benchmarking and monitoring; 4) Advice and twinning; 5) Gate-keeping. Among these, the latter two are specific to applicant countries: the twinning programme is a mechanism which allows for the interference of the EU in the candidate countries' policy, and gate-keeping gives access to negotiations and further stages in the accession process according to the progresses made. (Grabbe, 2003, pp. 312-314)

Onis underlines that while the external incentive for change remains strong, the primary impetus for the country's transformation stems from domestic actors. (Onis, 2003, p. 9) "Turkey's correct transposition and implementation of the *acquis* will determine the pace of negotiations." (Joseph, 2006, p. 7) However, in Ugur's assertion, the Europeanization process in Turkey is seen as hard to fulfil, in comparison to the EU-27. Many chapters of the *acquis* are still unsolved and the transposition into the Turkish legislature is slow, which could still preclude Turkey from accession. This is possible because sometimes Turkish policy-makers have consistently tried to reform the country mainly from a Turkish orientation. As a result, "the country is currently the most economically integrated, yet politically distanced candidate for membership" (Ugur, 2001, pp. 217-218). An explanation could be that Kemalism, the nationalist doctrine of the Turkish state, "is partially based on values alien to western liberal democracy and has engendered domestic political practices in conflict with core European democratic and human rights norms." (Schimmelfenning, Engert, Knobel, 2003, p. 506)

However, "the European perspective proved one of the main incentives for reforms of the political and legal system in Turkey". (European Commission, 2007, p. 8) The candidate status offered to Turkey in 1999 represented a fundamental turning point in Turkey-EU relations and accelerated the momentum of political and economic reforms. Since then, Europeanization has become a strong instrument not only in shaping the country's domestic policies and accelerating the

reforms, but also in transforming Turkey's approach towards foreign affairs issues, as pointed out further.

The post-Cold War European politics has wielded a great influence on Turkey's place in the new European security order and also determined the country's recent political inclinations and decisions. (Howorth, 2007, p. 90) Especially since it was awarded the candidate status, Turkey's stance has changed considerably: the country engagement in a long reform process increased its openness towards the EU *acquis* and the Europeanization mechanisms. From Turkey's perspective, there is no other alternative political goal apart from its full participation in the EU. Membership in the Union is still perceived as the ultimate requirement to fulfil the *Kemalist imperative* of identification with Western modernity. (Grigoriadis, 2006, p. 150) NATO membership alone is sometimes regarded as insufficient to satisfy current political and economic needs and aspirations. Moreover, Turkey considers its inclusion in the EU and in its security framework, the European Security and Defence Policy, also as a possibility of enhancing its own security. (Terzi, 2004, p. 113) As a *civil power* combining trade and aid leverages rather than relying on military competences, and still not an efficient security actor externally, the EU is best seen as a security community than as a security actor. (Park, 2005)

Turkey's quest to join the EU and the conditionality the EU employs with candidate countries are two decisive factors that bring about the emergence of a *new* approach toward foreign policy in Turkey. (Kirisci, 2006, p. 29)

Traditionally, Turkish thinking vis-à-vis international relations has been enmeshed by a *Hobbesian* vision (ideas sprung from Thomas Hobbes' "Leviathan") that depicted the international environment with mistrust, as being both anarchical and unpredictable and therefore creating the urgent need to rely on self-help and military. Opposed to the *Hobbesian* outlook, the *Kantian* culture (Immanuel Kant's "Perpetual Peace") is associated with a world of democratic peace and commitment to seeking *win-win* outcomes to international conflicts. Such outcomes are ensured by the willingness to rely on *soft power* rather than hard power. The *Kantian* state would forge pluralism, cultural and ethnic diversity internally, whereas externally would be linked with the international environment through close cooperation and friendly societal ties, features which generally characterise the EU's image worldwide. (Kirisci, 2006)

From a geographical point of view, Turkey's unique position straddling Europe, the Middle East and Eurasia constitutes one of the most conflict-prone regions of the world. This pivotal position has largely contributed to the way Turkey shaped its security outlook and laid it bare that national security considerations had been a priority on its foreign relations. Not surprisingly, apart from the domestic threats, the Turkish National Security Policy Document identifies Greece and the

South (meaning Syria, Iran, Iraq) as main external threats. (Drorian, 2005, p. 269) “Its close proximity to the former Soviet Union as well as to the potentially unstable areas of the Middle East meant that Turkey had to be vigilant in its security assessments and confident in its military capabilities”. (Drorian, 2005, p. 258) Indeed, Turkey’s attitude towards its unpredictable neighbourhood could be backed up by the offensive Realist theory elaborated by Mearsheimer, who argues that the best path to peace is to constantly increase their power and military capacities owing to the level of uncertainty springing from their proximity. (Dunne, Schmidt, 2008, p. 99) Accordingly, Turkey’s military force outnumbers by far the ones belonging to the countries from its vicinity. It also retains the second largest army in NATO after the US and spends a considerable portion of its national budget on defence. (Drorian, 2005, p. 262)

In the past, Turkey had a propensity to belligerent, *hard* actions such as: the use of military force on Cyprus in 1974, the frequent incursions in northern Iraq in pursuit of Kurdish militants, and the threat of force against Syria in 1998 for sheltering the Kurdistan Worker’s Party (PKK) leader, Abdullah Öcalan. (Everts, 2004, p. 3) However, since 1999 when Turkey was conferred the candidate status and particularly after the Justice and Development Party (AKP) took the administrative reins in 2002, the Turkish foreign and domestic policy changed significantly, embarking on a milder, balanced Kantian approach. “The EU has succeeded in having an impact on Turkey’s *culture of anarchy* and moving the country out of a Hobbesian world towards a Kantian one”, upholds Kirisci. (Kirisci, 2006, p. 103) Specifically, the AKP awareness that this *hard*, *Hobbesian* orientation would harm Turkey’s credentials contributed to this new approach towards foreign policy in line with the EU demands.

Accordingly Turkey redefined its foreign policy priorities as follows: firstly, Turkey became much more benign and constructive towards issues which previously were treated very strictly as in the Cyprus and Armenia cases. Secondly, Ankara fostered closer relations with the neighbouring countries, in antithesis with the past when the proclivity to open conflicts was high (the relations with Greece and Syria for instance improved significantly). Thirdly, Turkey’s current government’s *new* foreign policy is a growing move from seeing the world from a *win-lose* realpolitik perspective to a *win-win* one. (Kirisci, 2006)

This progress has also been accompanied by many EU reforms that amplified the role of civil society in the process of defining *national security* offsetting thus the military influence. (Kirisci 2006, 29) Although the army accepts the civilian rule, this control has many times been artificial, the four military coups from 1969, 1971, 1980 and 1997 standing as a proof. (Drorian, 2005)

Hence, when assessing the Turkish foreign policy and its move from a *hard Hobbesian* security mentality to a much *softer*, *Kantian* one, in line with the EU requirements, it is important to

analyse the transformation of Turkey's foreign policy in relation to its neighbours. Thus, a brief overview of Turkey's present relations with its vicinity will be included.

Throughout the time Ankara's diplomacy has always reflected the complexity and diversity of Turkey's geopolitical circumstances. Turkey is situated in the epicentre of three troubled regions, straddling the Balkans, the Caucasus and the Middle East. Due to its location, Turkey represents an important asset for the West. "In a security environment increasingly characterised by *transregional* problems, Turkey is a transregional partner par excellence", argues Lesser. (Lesser, 2000, p. 1) In the aftermath of the Cold War the expansionist threat has become less salient. However, the attention shifted to other transnational risks that could jeopardise the stability and security of Europe's periphery: spillovers of terrorism, political turmoil, ethnic and religious radicalism, proliferation of WMD. (Lesser, 2000, p. 1)

Owing to its pivotal position, Turkey has been many times regarded as *bridge* in the international relations literature. The country's important role in the promotion of stability, as well as for providing and guarding important linkages of trade and energy routes has always scored high (such as, most recently, the Nabucco project, which involves Turkey, Bulgaria, Romania, Hungary and Austria and is meant to supply Europe with gas, most probably from the Caspian Sea, and thus, reduce Europe's dependence upon Russian gas).

In recent years, especially after the terror attacks of 9/11, a geo-cultural dimension has also been added to this geo-strategic position, focusing on Turkey's potential to act as a model for regime transformation and democratisation in this "clash of civilizations" basin (Huntington, 1993, p. 54).

Turkey's effort in fostering stability and security in Europe's proximity has been very useful for the EU. Firstly, this effort concretised through the establishment of the Black Sea Economic Cooperation Project (BSEC) in 1992 whose role was to ensure that the Black Sea countries would enhance stability in the region by common understanding of peace, stability, democracy and the spirit of conciliation.

Turkey has also become since the end of the Cold War a more important regional actor in the Middle East. The country's network of contacts corroborated today with the political capital of the AKP government and its long-standing economic connections with the *Arab world* are major assets especially for the EU's south-eastern periphery. (Everts, 2004, p. 4) Turkey's friendly relationship with Israel could be very useful and supportive in breaking the deadlock in the Israeli-Palestinian peace process. Whereas the international community has not come to terms with the Hamas-led government in Gaza, the Turks have maintained favourable relations with them. Both the EU and

Turkey have given priority to the solution of the Palestinian-Israeli conflict as an important catalyst of problems throughout the Middle East. (Key conclusions of the 4th Bosphorus conference, 2007)

Turkey and Syria have had tensioned relations for decades owing to Syria's support for the PKK. But after the Syrians expelled Ocalan in 1998 and especially after the advent to power of the AKP the rapprochement intensified. At the present moment, the EU is working together with Turkey in drawing Syria into a wider web of international cooperation. Together, the EU and Turkey could demonstrate that a *soft* political strategy can achieve better results than America's inclination to aggressive actions. (Everts, 2004, pp. 6-7) As a proof of the better relations, Erdogan has had several meetings with Syrian President al-Assad in which the Turkish mediation of Syria-Israel peace talks and Iran's nuclear programme were discussed. (Hurriyet English, 2008b)

In order to comply with the CFSP's principles, Turkey ceased its military operation against PKK bases in northern Iraq. Contrary to what was presumed, that Turkey had an interest in Iraq's breakdown and in its rich oil sources, Turkey was the most ardent supporter of Iraq's territorial integrity. (Laciner, 2005, p. 45) In March 2003 the Turkish parliament opposed to Washington's request to launch its attacks from Turkey, which gained Arabs' and the neighbouring countries' appreciation. (Everts, 2004, p. 3) Turkey's approach towards Iraq is very much similar to that of the EU, as also emphasised by the Commission. "There is large convergence of views between Turkey and the EU about the need for a stable, predictable and democratic Iraq". (European Commission, 2004, p. 7) Clearly, AKP does not share anymore Turkey's traditional Kemalist tendency to avoid being involved in the immediate neighbourhood, and instead prefers to engage actively and constructively with it. (Park, 2005, p. 130)

Turkish-Iranian relationship has also become more active under the AKP government. Albeit tense since the Islamic revolution in 1979, in the last couple of years Turkey-Iran relations have improved significantly owing especially to a strong cooperation in the business and energetic fields. In past, "Turkey's membership of NATO and its military links with the US were regarded with suspicion in Teheran." (European Commission, 2004, p. 7) This is the reason why, in terms of diplomatic strategy, Turkey's thinking was more in line with the EU's *soft* strategy than with that of the US, which believed, under the Bush administration, that the appropriate way to deal with Iran is through isolation and pressure. Thus Turkey has strongly supported the EU's efforts to obtain long-term guarantees for the implementation by Iran of the Nuclear Non-Proliferation Treaty with the International Atomic Energy Agency. (Aydin, Acikmese, 2007, p. 272) The improved relation between AKP and Iranian leaders, coupled with the visa-free travel conditions, the transportation agreement, which would generate a trade volume of 20 billion USD between Turkey and Iran (Hurriyet English, 2009a) are proofs of Turkey's embarking on a constructive diplomatic approach.

(Everts, 2004, p. 6) The completion of the Tabriz-Erzurum gas pipeline confirmed that both countries are seeking a strong economic cooperation. This pipeline is also of great interest to Europe as it should allow Iranian gas – and that of other countries in the Caspian Sea – to reach European markets at a competitive price, diminishing thus the Russian monopoly. Iran could also be one of the future providers of gas for the Nabucco pipeline, the EU-backed project designed to counter Russia's strong influence on European energy supplies.

Georgia is another important neighbour with which Turkey has a special relationship. Moreover, Georgia has a special role in fostering security and stabilisation in the region and this owing to its partnerships with NATO (Partnership for Peace and Individual Partnership Action Plan). For strengthening the economic ties Turkey signed a Treaty on Friendship and Co-operation with Georgia in 1992 and also supported Tbilisi's efforts to entry into the BSEC in 1992.

Regarding the last year Georgian-Russian conflict, Turkey through the voice of its former foreign minister Babacan condemned the violence and advocated the rapid need to reach a peaceful solution. (Hurriyet English, 2008b) In addition, Turkey has proposed the formation of a Caucasian union which could forge future stability in the region. (Hurriyet English, 2008c) This action concretised through the EU's Eastern Partnership scheme that aims at fostering cooperation between the EU and the six ex-Soviet eastern neighbours (Azerbaijan, Armenia, Georgia, Moldova, Ukraine and Belarus). (Hurriyet English, 2009b)

Turkey found an opportunity to *use* the crisis in Georgia to alleviate its rocky relationship with Armenia. Turkey began during the war to allow the flights over its airspace both from Armenia to the rest of the world, mainly to facilitate humanitarian assistance to Georgia. This could be one of the first steps towards reconciliation the two countries which have no diplomatic relations owing mainly to the *Armenian genocide* issue. (Turkish Daily News, 2008) A potential rapprochement could also attenuate the tensions between Azerbaijan and Armenia in the dispute concerning Nagorno-Karabakh.

Turkey and Azerbaijan have always tried to achieve a consolidated relationship based on historical and cultural affinities. Turkey has been a staunch supporter of Azerbaijan over the Nagorno-Karabakh conflict. Moreover, in line with the policy of supporting the BTC (Baku–Tbilisi–Ceyhan) route and the Nabucco pipeline as the main ways of exporting natural gas from the Caspian Sea, Turkey has been enhancing its relations with Azerbaijan. In addition, Azerbaijan is considered to be the main source of Nabucco's gas when the pipeline is opened, due by 2014. (BBC News, 2009)

In the past, Turkey's strained relationship with Greece sprung from two sensitive issues: sovereignty and related rights in the area of the Aegean Sea and the dispute on Cyprus. The Aegean

dispute led twice to crises coming close to the outbreak of military hostilities, in 1987 and in early 1996. Since the 1999 Helsinki Summit, Turkey made use of a series of diplomatic measures to improve its relations with Greece. Despite the fact no agreement was reached either on the Aegean border or on Cyprus, this thaw in bilateral relations could be explained by a possible common recognition that a Turkey further anchored in the EU seems the only way to settle the disputes between the two countries. (European Commission, 2007, p. 58; Oguzlu, 2003, p. 48)

In the case of Cyprus, the European Commission expects Turkey to make steps towards normalisation of bilateral relations. (European Commission, 2007, p. 12) The island has two main ethnic communities: Greek 77%, Turkish 18%. (Cyprus-CIA World Fact Book, 2008) The long-standing dispute burst out in 1974, when Turkey sent military forces to the island to protect the Turkish minority after Greek-Cyprus extremists threatened to merge with Greece. The Greek Cypriots have alleged ever since that the Turkish troops are an invasion force, whereas Turkey claimed that it occupied the north part of the island in the effort to protect the Turkish Cypriots. The self-proclaimed Turkish Republic of North Cyprus (TRNC), established in 1983, has not been recognised by any country apart from Turkey, and the UN declared the action illegal, while the government in Nicosia was regarded as the only legitimate authority. (Toffe, 2003, p. 140) Not even after the intervention in 2002 of the former UN Secretary General Kofi Annan with his plan – openly backed by Turkey – for the creation of a federal state on the island was a solution reached. Although in April 2004 TRNC accepted an agreement on unification, at Turkey's pressure, the Republic of Cyprus rejected it considering it as too pro-Turkish. (Smith, 2005, p. 278) Turkey endeavours to break this deadlock, could be explained by the fact that without a resolution, Cyprus could preclude Turkey from a future possible membership of the EU and its ESDP where as a full member the Republic of Cyprus holds veto power. (Arsu, 2008)

Turkey's more constructive and balanced dialogue with Cyprus demonstrates its growing openness towards the EU's policy style. Whereas in the past, the Cyprus issue was treated very strictly and Turkey's tendency was to act without analysing the possible consequences of its moves (for instance when it took the north part of island), today the AKP prefers a more benign, *win-win* approach to reach a favourable agreement.

All things considered, it should be underlined that the aforementioned trends illustrate that Ankara's foreign policy is gradually aligning with the EU's mainstream. This stems mainly from the progressing process of integration into Europe's diplomatic affairs culture and openness towards the Europeanization mechanisms, because what is obvious is that at least under AKP Turkey's approach to establish and maintain a balance regional cooperation is, unlike the past, more in tune with a *soft* mentality.

Turkish politics have long been characterized by the military involvement in shaping the domestic and foreign affairs, in order to preserve the Atatürk's legacy, to protect the country against any threat emanating either from inside or outside Turkey's borders and to inflict order whenever Turkey's secular values seem to be endangered. (Park, 2005, p. 130) This sort of policy matched entirely Turkish approach towards external relations backed up throughout the time by its defence task envisaged by NATO and the US firstly against the Soviet threat and secondly against the risks stemming from its problematic neighbourhood. This task found its expression through Turkey's NATO membership and its close relation to the US. For the Kemalist Turkey with its political system left almost unchanged by the end of the Cold War era, the road-map covered by the *Copenhagen criteria* put the country's chances to join the EU at risk due to its different political culture. (Park, 2005)

Although hard security issues and architectures have not completely gone away, the AKP foreign policy approach shifted from military, coercive means and emphasised the *Venus* side of things in many settings. Turkey realised that its future interests are better served and its Westernization project is better fulfilled by being a part of a more benign *West* (Görener, 2005, p. 7).

As Emerson and Tocci put it, Turkey's importance in the region for the EU could be expressed through the terms *bridgehead* and *spearhead*: the continuing democratisation in Turkey would be a *bridgehead* and a model for its neighbouring countries, whereas its *new* approach towards foreign policy fostered under the Europeanization instruments could serve as a *spearhead* for the EU. Thus, Turkey could contribute even more to the European project of spreading out the zone of stability, peace and prosperity in its vicinity. (Emerson, Tocci, 2004, p. 34)

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ECONOMIC DEVELOPMENT THROUGH AID OR INTERNATIONAL TRADE

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Abstract: *Economic development is the supreme goal of modern civilization. This phenomenon is seen not just in terms of growth, but rather as an overall improvement in living standards. Economic development is a national goal, but also an objective of international economic bodies. Talks about development are held in the context of the opposition between developed countries and developing countries. In this article, we discuss whether development aid that originates from industrialized states supports sustainable economic rise of the countries lagging behind and whether it is preferable to let market operate freely, through the liberalization of international trade. Our conclusion is that economic development through the promotion of free trade would be achieved faster and more efficiently, based on net gains from trade and the pride of the peoples who would have won by themselves their daily bread and a place in the global market.*

Keywords: economic development, governmental financial aid, international trade

JEL classification: F10, F35, O19

1. ECONOMIC DEVELOPMENT - THE ULTIMATE GOAL OF NATIONS

"The purpose of true economic knowledge is not wealth, one of the golden calves that mankind has worshiped too much, but the total, miraculous man, so little understood, and the Good that he need to serve, as a way of relating to the Being." (Brăilean, 2001)

On the basis of this belief, enrichment is no longer purely invoqued when referring to a better life; instead talks go about a multidimensional concept – development. Development therefore involves the rise of the entire social, economic, political, cultural system - pieces of a puzzle whose image would be distorted in the absence of one of them. For development to achieve such a goal, it should be seen as "the ensemble of all changes in mental structures and social behaviors that

increase the actual global product and which transforms private developments in generalized social progress." (Guillaumont, 2003 in Pohoată).

We refer to development as the capacity of a national economy to generate and sustain the annual growth of macroeconomic indexes.

For a formal definition of the concept, however, we can make appeal to the economic dictionary, which presents economic development as a "manifestation of macroeconomic dynamics, which involves, in addition to the economic growth of nations, a set of quantitative, structural and qualitative changes both in the economy as well as in scientific research and manufacturing technology, in the mechanisms and organizational and functional structures of the economy, in people's thinking and behavior." (Carcota and Carcota, 2004)

Therefore, economic development involves the improvement of living standards, which means that "people are eating better, are taking better care of themselves and are gaining a better knowledge." (Perroux in Pohoată, 2003)

Similarly with Fr. Perroux, Leszek Balcerowicz talks about development as representing "the systematic, sustained, and mass centered improvement of the material conditions of life, i.e. the conditions in the consumer's sphere: food, clothing, housing, provision of housing, transportation, communications, access to services, etc.. This type of common approach is appropriate because it correctly expresses people's expectations, as consumers, from the part of the economy." (Balcerowicz, 1998)

Finally, economic development is emerging as the desire of all nations, the key to a better, prosperous and peaceful life.

From a developmentalist perspective, the world is now talking about developed countries, developing countries, least developed or underdeveloped countries. Consequently, there would be no development without underdevelopment.

We have, therefore, the image of the diptych formed by those two extremes. Specifically, according to the United Nations' (UN) classifications, in the first category there are the United States of America (USA), Western Europe, Canada, Australia, Japan and South Africa. The second group is represented by more than 50 countries, mainly African. The latter are categorized as underdeveloped or belonging to the 4th World in terms of three criteria cited by the UN: low per capita income compared to the developed countries (i.e. the annual GDP per capita below USD 750), the criterion of "weakness" of human resources and economic vulnerability. This lattermost criterion is reflected by the instability of agricultural production, that of exports of goods and services, economic importance of non-traditional sectors in the economy and economic underdevelopment disability.

Because there are discrepancies in living standards between developed and underdeveloped countries, NGOs spotlight and policies are focused on the poorest countries. Major economic powers, U.S. and EU in particular, are racing to adopt political programs for the economic development of the most backward regions of the world.

2. THE NORTH IN TEARS

"Come, fix upon me that accusing eye. I thirst for accusation." (William Bulter Yeats in Bauer, 1981)

Yeats's words can be considered to illustrate the attitude of the developed countries towards the underdeveloped nations. The assumed blame for the poverty that millions of people suffer at this hour is illustrated in the backward countries' development policies fever. Partly leaving the territory of economic logics, the economic North gave itself up to the mercy for those unfortunate, considering itself guilty for being the cause of a profound disability. One of the advocates of this guilt of the rich for the poverty of Africa, Professor Peter Townsend, points out in his book "The Concept of Poverty" that the wealth of some is historically and contemporary linked to the poverty of others. "This system functioned in a cruel manner during the colonial rule, and continues to operate today, albeit more subtly through trade, education, political relations, military alliances and industrial corporations." (Townsend in Bauer, 1981)

In the same vein, in 1972, a report by Oxfam showed: *"Coffee is grown in poor developing countries like Brazil, Colombia and Uganda. But that does not stop rich countries like Britain exploiting their economic weakness by paying as little for their raw coffee as we can get away with. On top of this, we keep charging more and more for the manufactured goods they need to buy from us. So? We get richer at their expense. Business is business."*

We see therefore that for years, the industrialized world has been filled with exuberant sensibility, drowning in tears and hyperbolizing its own responsibility for the precarious situation of people living in the so-called 4th World. Concentrating rather on self-blame than on improving the actual situation of the under-developed countries, the North continues to be indebted to its own ideology that considers economic disparities abnormal and unfair, as well as being a reflexion of exploitation.

3. THE ECONOMIC NANNY

“Official aid is more likely to retard development than to promote it.” (Peter Thomas Bauer)

Consequently, opposing a motivating competitive position, major economic powers were turned into "nannies" of the poor. And to obtain world forgiveness for the mystified abuses begun in the colonial era, they almost replace the wretched in their development process.

And the most obvious way to wash away the sins and satisfying the public has resulted to be the allocation of financial aid for development. Different from humanitarian aid and, along with it, part of the global foreign aid, development aid took over time especially the form of donations.

World's main donors are the U.S. and EU, project implementation mechanisms and donations being accomplished through bilateral government agencies such as USAID or multilateral bodies like the World Bank or charities such as Oxfam. The total annual amounts allocated have varied between 50 and 60 billion dollars, reaching \$ 100 billion in 2005. Related to recipients of foreign aid for development, the principal amount took the road for Africa.

The problem arising now, however, is: what are the benefits of the billions of U.S. dollars pumped in these countries? Are they able to provide a decent living for their citizens and to compete independently on the world economic scene? Supporters of development aid inefficiency hypothesis have made their voices heard since the '60s, when Peter Bauer and Milton Friedman argued that this aid can only hinder the economic development of poor countries. Moreover, we can mention a number of negative effects such as artificial and exaggerated assessment of the national currency due to currency inflation, leading to eventual exports uncompetitiveness, increased corruption, delay of economic reforms and the dissolution of foreign capital. For this last point, illustrating the case of countries in South-East Asia, although they recorded a growth of 8%, went into a deep financial crisis boosted by the capital investment in unproductive projects in the context of corrupt governments and poor banking systems. We are talking here about the main form of development aid: the official or governmental one. This form tends to serve the powerful interest and mafia groups, the aid rarely getting to help the families of farmers and craftsmen, which could boost domestic production. Inefficiency is also highlighted in the results. Although efforts have been made for decades and specific development goals have been imposed (Millennium Development Goals - MDGs) for Africa, for example, these objectives remain only in the written project plan. Although progress has been made throughout, even the well-governed African countries have failed to eliminate extreme poverty in its varying forms. The proportion of people

living on less than \$ 1 a day dropped, but not enough to achieve the target. For instance, the percentage of 49.5% in 1999 has only dropped to 41.1%. Furthermore, from 1990 to 2005, the percentage of underweight children below five years declined by only 4%, from 33% to 29%.

In conclusion, the U.S. and EU guilt mainly distinguishes itself by theatricality.

4. TRADE – NATURAL AID

“Here is what we know: all people are created equal. Given the tools and incentives for success, they will succeed, no matter who they are or where they live.” (Paul O’Neil, former US Treasury Secretary)

Interpreting the above quotation, we conclude, for the commercial sector, that the context on militating in favor of trade liberalization and the development of a free market, under-developed countries should have full rights and freedoms to compete in world market without being held by the hands like younger and incompetent brothers.

Appealing to the economic theory of international trade, we retain the essence: a closed economy produces as much as it consumes, based solely on available resources, while an open economy can produce and consume more using the same amount of resources, due to international specialization and exchange. Earnings are based on two types of international trade gains: gain from commercial arbitration and international specialization.

History supports these theoretical assertions. Thus, the attitude of the North is unproductive. There was no advantage taken from African resources, but we have cooperated with them about business, giving them through trade, economic freedom and development premises. Years ago, for example, when Ghana was a prosperous country, the national welfare was due to massive cocoa exports to developed countries. Moreover, internally, cocoa farmers' category was the most prosperous, while subsistence producers were the poorest.

And examples may go on, at the end one obvious conclusion remaining: the current North is the main agent for economic progress in terms of a trading partner. The richest countries of the 4th or 3rd World have had or continue to have intensive and extensive trade contacts with developed countries. Poorest nations are technologically backward and without external business contacts, but are instead financed by external aid for development.

NG Roegen showed that economic process is not governed by the first law of thermodynamics - "nothing is lost, nothing is created, everything is transformed", but the second law -

“continuously available energy is converted into unavailable energy until it disappears completely”. (Philip, 2009)

By analogy with physics, the relevance of the second law of thermodynamics is highlighted in the discussion on foreign aid for development. Excessive pumping of capital, because of guilt and following the logic imposed by developers, without considering the social characteristics of the beneficiaries determines that capital investment "melts" in unproductive activities and available productive national energy dissipates.

Economically and socially healthy alternatives to achieve general long term and self regenerating welfare would be: focusing foreign aid on the individual as a social actor and on the entrepreneur as economic developer; by treating under-developed countries as equals - trading partners with similar goals and dignities. Uganda's President Museveni stressed for The Guardian in 2003, *Africa needs development assistance as much as it needs to be free from the burden of international debt. But aid and debt issues may not go further. We request the opportunity to compete, to sell our products on the western markets. In short, we want to buy ourselves out of poverty.*

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EUROPEAN UNION – WORLD ECONOMIC POWER

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Abstract: *From establishing the European Coal and Steel and so far, European economic integration has seen remarkable success. There are however a number of difficult issues unresolved. Will EU succeed to move forward towards a political union and to shape a foreign policy that would enable a major role in international relations? The new confrontation that is taking place at the international level is not based on political-military conflict anymore, but rather on economic and technological competition to get a bigger part in the global economy. But will the acquisition of a world economic power status will allow them to remove American hegemony?*

Key words: global power, multipolarity, unipolarity, international relations, FDI, European Union

JEL classification: F15, F02, F50

1. GLOBAL CENTERS OF POWER

How can be defined the concept of "power" at a globally level?

Ray S. Cline defined the power of a country, globally, through the following formula: Power = (critical mass¹ + economic power + military power) x (coherent planning of the national strategy + will) (Bonciu, 2006, p. 56).

Zbigniew Brzezinski, a security consultant of President Jimmy Carter stated about the same concept: "As a country to merit the title of world superpower it should occupy the first place in the following areas: economics, technology, military and culture." (Revel, 2004)

And indeed, US would be the first to meet all these conditions simultaneously becoming the first global superpower in history. Pat Robertson anticipated the decline of US domination, saying, "while the '90s are looming, the world forged by the Americans after World War II draws to a close.

¹ territorial area and population size;

The outline of global system decentralization can be clearly distinguished by long, but its new center coordinates were hitherto troubled and problematic. (...) American Hegemony died, Russia was in crisis and decline. Japan's new economic giant, Europe is on the verge of true community, and China is ready to take them to everyone. All of this composes the new core of a world in which change will be dynamic, uneven, unpredictable and multidirectional." (Robertson, 1998 in Ciochină, 2000, p. 28)

Transformation occurred in the strategic game, worldwide, has been highlighted by Silviu Brucan which stated: during the Cold War, the dominant conflict on the global arena was political and military with East-West ideological substrate. With the collapse of the Soviet Union, political and military confrontation has lost its ideological virulence and on the international arena was installed as a type of conflict economic and technological competition to win a bigger part of the world market, military rivalry passing to the background. (Brucan, 2005, p.105)

Modern technological revolution, particularly the globalization of communications, supersonic transport and the growing independence of industrialism, is boosting national states to wider unions, reflecting different stages of supranational integration (Brucan, 2005, p. 106).

From the middle ages until the mid-seventeenth century the dominant economic centers were the state cities (Venice, Anvers or Amsterdam). The emergence of sovereign nation states, after the peace of Westphalia in 1648, international relations were dominated by sovereign and formal equal states (Has, 2009). Nowadays, however, the main actors on the international stage have become "*continent-states*" (NAFTA, EU, ASEAN, MERCOSUR etc.) (Patapievic, 2008).

Today it can be said that the European Union, US, Japan and Southeast Asia region are the main centers of power in the global economy. And between them takes place the main international trade.

Globally, the EU is the largest trading power and is the group most involved in providing financial and technical support to poorer countries, acting in the economic, social, and political, human rights and foreign relations of the member countries. Since 1989, Michel Beaud emphasized that this group has the largest capacity of polarization, indicating that more than 30 countries on different continents have more than 40% of the economic exchanges with this regional entity, while only 13 states place such a trade with the American pole and only five countries with the Japanese one.

2. EUROPEAN UNION'S ROLE IN GLOBAL ECONOMY

EU is often described as an economic giant and as the largest trading power in the world, able to compete with US and to discuss with China on textile imports. Indeed, when we look at real numbers, the report is impressive: EU achieved 40% of global trade, its GDP is roughly equal to the US (and 25% of total world GDP), while it is twice as large as Japan's and is the largest global exporter in both goods and services (Cameron, 2007 in Has, 2009).

EU is the world's second economic power. A decade ago it made a quarter of the global GDP and its citizens had some of the largest per capita incomes on the planet. Today, its global production and its trade with the world are making it one of the richest economic blocs. (Simon, 2008)

The question is whether EU: should be sufficiently satisfied with the stagnation in a position of prosperous Great Switzerland, or should become a new nation with great control over its own destiny...? (Dehove, 2006 in Simon, 2008)

In the following we will make a review of the key issues and data in the European Union and its place in the global economy.

Key macroeconomic indicators in 2009 for the major centers of economic power are presented in the following table:

Table 1 - Macroeconomic indicators (2009)

Macro-indicators	E.U.	USA.	Japan	China
GDP (trillion \$)	14,51	14,26	4,14	8,71
GDP/inhabitant (\$)	32 700	46 400	32 600	6 500
Area (thousand sq. km)	4 324	9 826	377	9 596
Population (thousand inhabitants)	491 582	307 212	127 078	1 338 612
Services (% GDP)	71,90	76,90	75,40	40,50
Agriculture (% GDP)	2,10	1,20	1,60	10,90
Industry (% GDP)	25,90	21,90	23,10	48,60

Source: www.cia.gov

Overall, in 2009, global economic decline was 1% after the 2008 global GDP grew by 2.8%.

Between the great powers of world, in 2009, Japan saw the largest decline 5.9% of GDP, after 2008 it decreased by 0.7%. The second largest decline (4% in 2009) was the one of European Union which followed an increase of 0.9% in 2008. US's GDP decreased less pronounced than that

of the EU or Japan (US's GDP decreased in 2009 by 2.4%). The decrease followed a 0.4% lower growth in 2008. China's GDP grew by 8.7% in 2009 after an increase of 9% in 2008.

If we relate to another indicator, GDP per capita, which is most representative of the welfare population, EU is brought forward by US and Japan. United States of America have a G.D.P. per capita of approximately 1.41 times higher than the EU. This is mainly due to last two waves of enlargement. Following the accession of the 12 new members the population has increased by about 20%, while GDP by only 5%, which resulted in a significant decrease in the value of this indicator. With a population of 1.3 billion inhabitants, China recorded a GDP per capita of \$ 6500 per capita.

On the weight certain areas occupy in obtaining GDP we can say the structure is similar. The differences are small. The largest share in obtaining GDP is the one of services (which has the greatest contribution to US GDP 76.4%) and the lowest share of GDP is obtained from agriculture (which had the largest contribution in China's GDP 10.90%). Regarding EU the two enlargements produced slight changes in the value of these indicators, because some of the new member states, like Romania, had a lower share of services in GDP (around 60%) and a higher share of agriculture (about 5%), which has reduced the share of services, in the EU average (27), and increased the percentage of agriculture.

Risky behavior and lack of supervision, which eventually triggered the financial collapse of 2008, have damaged America's relative power and influence. (Frost, 2009)

2.1 EU external trade

For an analysis of exports and imports of goods we consider the following tables:

Table 2 - Exports and imports of goods in billions ECU/EURO

Year Country		1999	2000	2001	2002	2003	2004	2005	2006	2007
Exports	E.U.	638,08	849,74	884,71	891,90	869,24	952,93	1 053,20	1 159,28	1 239,85
	USA	650,03	844,87	816,19	733,10	639,68	657,53	726,90	825,92	
	Japan	391,84	518,88	450,37	440,69	417,25	454,83	478,21	515,07	
Imports	E.U.	743,30	992,70	979,14	936,97	935,25	1027,54	1179,85	1315,74	1425,95
	USA	993,84	1362,13	1317,59	1271,45	1153,72	1226,20	1392,43	1528,35	
	Japan	290,86	411,06	390,01	357,03	338,98	365,99	414,65	461,19	

Source: www.wto.org

The value of exports of all three power centers have increased in 1999-2006. The highest value of exports was recorded by the EU, which held first place throughout this period. Upward trend was only interrupted in 2001-2003 due to the tense period of major international conflicts (the September 2001 terrorist attacks and war in Afghanistan in 2002).

Regarding the development value of import goods, for the period 1999-2006 it is similar to that of exports. The general trend has been one of growing, excepting the period 2001-2003. United States of America occupied the first place in terms of value of imports during this period.

Table 3 - Major exporters/importers of goods (excluding intra-EU trade), 2008 (\$ billions & %)

Rank	Exporters	Value	Share	Annual percentage change	Rank	Importers	Value	Share	Annual percentage change
1	Extra-EU (27) exports	1924.9	15.9	13	1	Extra-EU (27) imports	2282.2	18.3	16
2	China	1428.3	11.8	17	2	United States	2169.5	17.4	7
3	United States	1287.4	10.6	12	3	China	1132.5	9.1	18
4	Japan	782.0	6.5	9	4	Japan	762.6	6.1	23

Source: *International Trade Statistics, 2009* taken from www.wto.org

With regard to exports and imports of goods we remark that on the first place is the EU-27 with 15.9% of exports and 18.3% of imports. Japan occupies the same position as exporter and importer: 4, with 6.5% from the exports and 6.1% of the imports. Differences arise regarding 2nd and 3rd place, China is the 2nd exporter and the 3rd importer (with 11.8% of exports and 9.1% of imports) and US are the 3rd exporter and the 2nd importer (with 10.6% of exports and 17.4% of imports).

Table 4 - Major exporters/importers of commercial services (excluding intra-EU trade)

2008 (\$ billions & %)

Rank	Exporters	Value	Share	Annual percentage change	Rank	Importers	Value	Share	Annual percentage change
1	Extra-EU (27) exports	743.2	26.9	11	1	Extra-EU (27) imports	620.7	23.9	13
2	United States	521.4	18.8	10	2	United States	367.9	14.2	8
3	China	146.4	5.3	20	3	Japan	167.4	6.4	13
4	Japan	146.4	5.3	15	4	China	158.0	6.1	22

Source: *International Trade Statistics, 2009* taken from www.wto.org

Regarding imports and exports of commercial services we remark that the EU-27 is the first exporter and importer in the world with a 26.9 % share of the total. The top is completed by the same countries as for international goods trade, the second top position is occupied by US exporters with a percentage of 18.8% from total, and China and Japan are tied with 5.3% of total exports.

Rating largest importers of services is almost identical to that of exports the difference being that Japan imports 6.4% of total opposed to 6.1% China.

Chart 1 - World exports of commercial services Q1 2008 - Q1 2009



Source: *International Trade Statistics, 2009* taken from www.wto.org

Relative to the development before 2008 the global crisis and “said” it’s word regarding exports of commercial services. Thus global exports saw significant decreases in both Q4 2008 and in Q1 of 2009.

2.2 FDI into European Union

Table 5 - Inflows and outflows of FDI in the EU during 1980-2005

Period \ Region		1978-1980	1988-1990	1998-2000	2003-2005
Inflows	E.U	39,1	40,3	46,0	40,7
	USA.	23,8	31,5	24,0	12,6
	Japan	0,4	0,04	0,8	0,8
Outflows	E.U.	44.8	50.6	64.4	54.6
	USA.	39.7	13.6	15.9	15.7
	Japan	4.9	19.7	2.6	4.9

Source: www.unctad.org

Table 6 - FDI flows (inflows) of the European Union with the Triad in 2007 (billion \$)

E.U. 27	%	USA.	%	Japan	%	Rest of the world	%	Total
445.9	73	73.9	12	13.8	2	81.2	13	614.8

Source: epp.eurostat.ec.europa.eu

From the previous tables is obvious that the main source of FDI for EU is represented by the EU countries. The EU countries had over the period 1978-2005, a rate of approximately 40% (in 2007 they amounted 73% and a value of 445.9 billion dollars). We have to mention the downward trend of US FDI in EU. If in the period 1988-1990 they amounted 31.5% in 2007 their contribution decreased by 12%.

Table 7 - FDI flows (outflows) of U.E. with the rest of the world in 2007 (\$ billion)

EU 27	%	USA	%	Japan	%	Rest of the world	%	Total
455,4	62	79	11	1,3	0,2	194,7	26,8	730,4

Source: epp.eurostat.ec.europa.eu

Regarding the outflows of EU's FDI (which were in amount of 730.4 billion USD in 2007) they have as main destination EU (62% in 2007). The FDI value directed to US decreased from 39.7% during 1978-1980 to 11% in 2007.

If the main destination for both inflows and outflows of FDI is represented by EU countries, from the FDI directed to countries outside the Union, in 2006, the highest percentage went to the US (27.7% and a value of € 72 billion), followed by Canada (11.7%) and Switzerland (8%). The

main investors from outside the Union were in 2006, US (48.1% and a value of EUR 75.6 billion), followed by Switzerland (10.6%) and Japan (8.7%).

2.3 Monetary Financial Flows

The world's international transactions, investments in foreign exchange markets, central bank reserves, bond issues, and international trade are conducted in dollars, yen, euro and sterling, currencies belonging to the US, Japan and EU member states.

The analysis of the three global monetary units is restricted only to the US, Japan and the Euro zone.

As it can be seen in the table below, historically, we can distinguish two distinct stages: first till 1999, the emergence of the euro and the second: from 1999 to present. In the first of these periods the highest share of total international reserves of US currency was in 1999 when it reached 70.9% of total threshold. The dollar was followed by the pound, with a share of over 6% and the Japanese yen (2.8%). The main rival of the dollar was the German mark (DEM), which held a 15.8% share of total in 1995.

Table - 8 Share of the main international reserve currency in the period 1995-2007

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
USD	59	62,1	65,2	69,3	70,9	70,5	70,7	66,5	65,8	65,9	66,4	65,7	63,3
EUR	-	-	-	-	17,9	18,8	19,8	24,2	25,3	24,9	24,3	25,2	26,5
JPY	2,1	2,7	2,6	2,7	2,9	2,8	2,7	2,9	2,6	3,3	3,6	4,2	4,7
GBP	6,8	6,7	5,8	6,2	6,4	6,3	5,2	4,5	4,1	3,9	3,7	3,2	2,9
CHF	0,3	0,2	0,4	0,3	0,2	0,3	0,3	0,4	0,2	0,2	0,1	0,2	0,2
DEM	15,8	14,7	14,5	13,8	-	-	-	-	-	-	-	-	-
FRF	2,4	1,8	1,4	1,6	-	-	-	-	-	-	-	-	-
Others	13,6	11,8	10,1	6,1	1,7	1,3	1,5	1,5	2	1,8	1,9	1,5	2,4

Source: ECB: The Accumulation of Foreign Reserves, 2008 report, taken from www.ecb.int

With the introduction of euro, the dollar share of international reserves decreased gradually, reaching, in 2007, a value of 63.3%. The dollar remained the main international reserve currency, compared with European currency in which there are expressed only 26.5% of international reserves.

Chart 2 - EUR / USD evolution between January 2006-January 2010



Source: *Global FX*, 2010

In January 2006, the exchange rate EUR / USD was at her lowest level, below 1.2, then increased gradually exceeding 1.6 in May of 2006, then fall to 1.3 USD / EUR in January 2009 and reached in 2010 a level of approx. 1.35.

Chart 3 - USD/JPY evolution during January 2006-January 2010



Source: *Global FX*, 2010

Regarding the evolution of exchange rate USD / JPY, in January 2006, it was slightly above 117, the highest value was recorded in June 2007 (almost 125). Subsequently yen appreciated and the rate reached in January 2009, at 90 yen to the dollar, value around which it fluctuated until present².

² Editorial Note - early 2010

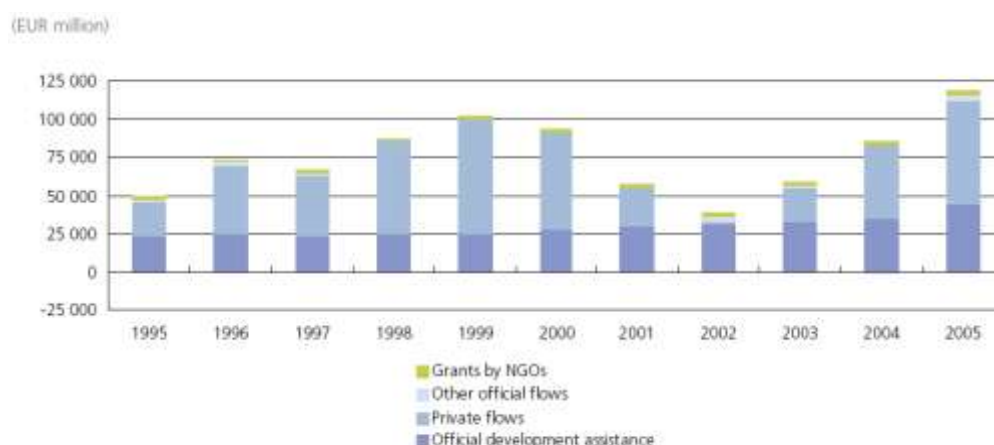
Table no. 9 Development perspectives of current rates in the coming quarters

	2009Q4	2010Q1F	2010Q2F	2010Q3F	2010Q4F
EUR/USD	1.4321	1.35	1.40	1.40	1.45
USD/JPY	93.02	90.00	90.00	100.00	100.00

Source: *Global FX*, 2010

Despite a decline of both medium-term rates their increase is predicted. It's expected for Q4 2010 a rate of 1.45 for EUR/USD and 100 for USD/JPY.

Chart 4 - Funding developing countries, the EU (15)



In the above chart is shown the size and funding structure of the EU (15) for the developing countries. It reached about 120 billion in 2005. The major forms of funding are the official development assistance and private flows.

In the comparison of global powers, another important component is represented by R&D expenses, which have a share of over 2.5% in the US and Japan economies, compared to only 1.84 of EU's GDP³.

3. PERSPECTIVES ON GLOBAL ECONOMY

Hierarchy of the world's economic powers confirms a hypothesis from the late nineteenth century, resumed in early twentieth century: displacement of the center of the global economy from the area France - Atlantic to Asia - Pacific. This change is based on an objective reason: the growing exploitation of the huge human potential of countries from the assimilation of new

³ Spending on R&D in the A.C. of the Basque Country was up by 20% in 2007, appeared on November 14 2008, taken from www.eustat.es

achievements of science and technology, thus facilitating the transmission of technological knowledge and information worldwide. It is expected that, to the extent of referral to the knowledge society, and many other nations to better exploit their creative potential and, therefore, to improve their place in the global economy as a whole (Adumitrăcesei, 2007, p. 37).

Moreover Zaborowski (2006) noted that "The structure of international relations is rapidly changing - rise of new powers (India, China), means that EU becomes a smaller part of a larger world." Even in a "larger world" European Union is and will remain a major player in the world economy games, along with the other two traditional poles, Japan and USA, although countries like China and India will also have important economical roles but they will have to take responsibility as a political power.

Also on the upcoming world domination, the same Silviu Brucan stated that: "there is only one superpower US, and four centers of power Japan, Russia, China and the EU. None of these five players should isolate themselves from others, to play a role in solving international affairs. Rather, everyone must align with as many of the other four. The coalition that will be able to unite three of those five will have the best chance to impose its will in international affairs (Brucan, 2005, p. 104).

Table 12 - Prospects for global economic leadership change in 2030

Classification	No. 1 country	No. 2 country	Remarks
Economic scale	China	Europe/US	Key variables include the impact of the financial crisis, foreign exchange rate and the economically-active population
Key international currency (International monetary system)	US (dollar)	Europe (euro)	Yuan will serve as a key regional currency in Asia
Financial power	US	Europe	Two pole system: US and Europe
Science and technology	US	China	Key variables include the acquisition of brains and financial power
Resource-securing capability (Resource power)	US	Europe/China	Paradigm change in competition for resource hegemony Stumbling blocks against the continuous growth of emerging economies
Norm-setting ability (Global governance)	US/Europe	China	The integrated Europe will have a stronger say
Regionalism	Europe	US/China	Three-pole system
Overall overview	US	Europe/China	The US will maintain the economic hegemony

Source: Boillot, 2009

Boillot (2009) in a long-term forecast covering the next 20 years predicted that the fight for economic leader position will include three global forces (China, EU and US). Perhaps surprisingly Japan is not included in the analysis.

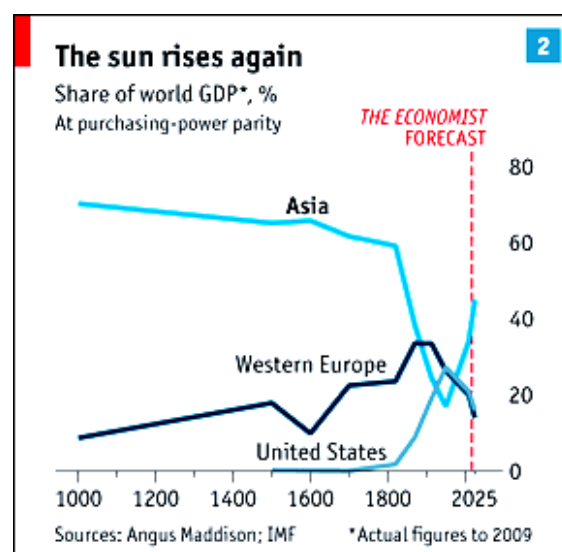
Thus, the world will be dominated economically by China which will be seconded by USA and Europe. International monetary system will continue with USD and Euro as major currencies. Financially US will be the first in the world followed by the European Union. Regarding science and technology the leader will be US followed by China.

Europe will distinguish by regulatory capacities and regionalism.

Boillot's overall forecast is that the U. S. will retain their economic hegemony.

According to other opinions Asia will tilt the balance of power in the coming years. The chart below illustrates the development's share of GDP by 2025 is forecast that while the US and U.E. share will decrease to below 25% that of Asia will exceed 40%.

Chart 5 - Share of World's GDP



The Economist (2010) noted that in 10 years Asia could produce over half of the sales and profits of Western large multinational companies, relative to a typical rate of 20-25% today. Moreover if GDP would be measured at purchasing power parity (PPP) to take account of these lower prices⁴, the percentage for Asia in the global economy grew more steadily from 18% in 1980 to 27% in 1995 and 34% in 2009. Following this measure, the economy in Asia will exceed perhaps America and Europe combined amount within four years.

Developing countries have surpassed the industrial world in terms of GDP and trade. In 2009, China has surpassed Germany to become the first world exporter of manufactured, after surpassing the US becoming the largest automobile market in the world in number of units (Thakur, 2010).

⁴ Editorial Note - from Asia

4. CONCLUSIONS

EU has imposed itself, from the beginning, as a great economic and commercial power of the world but failed to get into position to make the games on the international scene.

Although since the creation of the European Coal and Steel Community, the economic integration of Europe knew remarkable successes, in the early XXI century, EU still has to resolve difficult issues:

- efficiency problems existing in the Common Agricultural Policy, which occurred early during the period EU, had only 15 members. So the situation became more complicated after the new expansion, because some of the new countries have a high percentage of agriculture in GDP, which affects the Community balance (and so delicately) in this sector;
- problem of the growing technological gap of the EU, reported to the US and Japan;
- the loss of competitiveness and the commercial threat represented by China and India;
- solving some employment problems to reduce unemployment,
- identifying matching solutions to common monetary policy with national budgetary policies, because since the adoption of the euro, governments have fewer opportunities for maneuver;
- accepting a more important role of global power, with the consolidation of Euro position;
- the EU enlargement created unprecedented issues both in scale (resulting in a loss of efficiency) and by the existence of differences in development (new members have a development level lower than the EU average, than did Greece and Portugal, upon accession)

Beyond all these there is a question unanswered: How fast can the EU move towards political integration? (Bonciu, 2006, pp 175-176) Silviu Brucan stated regarding this: "If after half a century, European integration is only in its beginnings, the only prediction that I dare to do it is that full political integration of Europe will be completed in the XXI th century" (Brucan, 2005, p. 56).

European Union's contribution to international politics and diplomacy is overshadowed by the unipolarity imposed by the United States. More efforts in this area could lead to progress in the construction of the Union and contribute to the creation of a pole that would counter US domination on the international arena. (Simon, 2008)

Until then US remain the most powerful nation in the world and their military skill is unmatched. However, despite the dedication of huge financial and military resources for war in Iraq, United States were not able to provide peace and stability there. Continued US failure in Iraq is another example that power alone is not sufficient to govern the international system. (Zaborowski, 2006)

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LES EXTERNALITES DE CONNAISSANCES LOCALISEES – ASPETS THEORIQUES ET EMPIRIQUES

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Résumé : *A partir du concept des externalités de connaissances, l'article revoit la littérature qui explore le phénomène à la fois dans son contexte théorique et dans sa dimension empirique. La partie théorique met en avant des hypothèses selon lesquelles les retombées entraînent des effets d'agglomération, accroissent la productivité régionale et encouragent les comportements innovateurs. Les hypothèses dérivées théoriquement sont étayées par des arguments empiriques, en exposant les limites que celles-ci présentent.*

Mots-clés: externalités de connaissances, proximité géographique, croissance économique régionale

Classification JEL: O31, O33, R11.

Dépourvues de contenu matériel, les idées sont, théoriquement, les actifs le moins limités dans l'espace, qui peuvent être restreints, dans leur transmission, uniquement par l'indisponibilité des moyens de communication. Cette qualité découle du fait que les informations et les connaissances ne peuvent pas être appropriées entièrement, puisque leur utilisation même dans le processus de production les révèle au moins partiellement (Arrow, 1962).

Les externalités se produisent lorsqu'une entreprise s'approprie des connaissances provenant d'une autre firme, université ou organisme gouvernemental, sans payer pour cet avantage. Les retombées révèlent l'impact des idées à suite d'efforts de recherche menés par d'autres agents (Griliches, 1990). Bien que la théorie traditionnelle de la croissance économique ait toujours mis l'accent sur les opérations produites dans le temps, le concept d'externalités de connaissances a accru l'intérêt pour les processus déroulés tant dans le temps, que dans l'espace, puisque les externalités sont perçues comme un phénomène local qui fournit aux entreprises environnantes des intrants clés pour la production d'innovations.

En révisant la littérature sur les externalités de connaissances, ce papier est organisé de la manière suivante : la première partie donne un aperçu sur les contributions théoriques de l'économie du savoir et les canaux de distribution des retombées, la seconde examine la littérature empirique, tandis que la dernière section présente quelques remarques finales, signalant, en même temps, les limites des études examinées.

1. LE CADRE THEORIQUE

De nombreuses études ont montré que les externalités de connaissances ont une importance économique considérable notamment grâce à leur impact sur la croissance des revenus régionaux. Il faut cependant regarder de plus près les conditions de transfert des connaissances au niveau microéconomique.

L'un des principaux mécanismes de transmission des externalités de R&D est la mobilité de la main d'œuvre. Ce raisonnement suppose que les travailleurs possèdent des connaissances spécialisées qui peuvent être transférées vers d'autres sociétés au moment du changement d'emploi⁵. Une limite des études qui soutiennent cet argument émane du fait qu'elles ne testent pas l'amélioration de la productivité ou des performances innovatrices des firmes qui embauchent ces personnes. Autrement dit, tel que Breschi et Lissoni (2001) soulignent, la mobilité des travailleurs peut aisément contribuer au transfert de connaissances d'une entreprise à l'autre, mais pas à leur absorption effective. Cette dissémination peut générer, en outre, des externalités pécuniaires⁶ par le biais de l'accord contractuel entre l'entreprise et le scientifique, accord qui récompense partiellement l'expérience obtenue auparavant.

Les réseaux d'innovation localisés sont d'une importance particulière pour la diffusion des connaissances. Selon Camagni (1991), les réseaux d'innovation (ou les « milieux innovateurs ») peuvent être définis comme « l'ensemble ou le réseau complexe de relations sociales, essentiellement informelles, développées dans une zone géographique délimitée, qui créent souvent une « image » externe distincte, une « représentation » interne précise et un sentiment d'appartenance qui augmentent la capacité locale d'innovation à travers des synergies et des processus d'apprentissage collectif » (Camagni, 1991, p. 2). Les réseaux locaux sont considérés comme générateurs de comportements novateurs. Deux éléments définissent, en théorie, leur rôle: 1) les processus d'apprentissage collectif qui améliorent la créativité et les synergies locales et 2) les procédés de suppression des éléments d'incertitude dynamique dans les contextes locaux. Schrader (1991) argumente que les employés transfèrent les informations techniques aux collègues dans d'autres établissements (ou même aux concurrents directs) selon l'intérêt économique de leur propre entreprise. En outre, il constate une relation positive entre la participation des salariés aux réseaux informels de transfert de connaissances et les performances innovatrices des firmes. La stabilité perçue et la fiabilité des réseaux sociaux sont essentielles car elles garantissent la diffusion rapide des connaissances.

⁵ Pour plus d'études qui examinent ce mécanisme, voir Feldman (1999).

⁶ Les externalités pécuniaires sont définies dans la section suivante.

Les interactions locales entre les entrepreneurs, les universités et les organismes gouvernementaux entraînent, simultanément, la création d'institutions informelles qui favorisent les activités d'innovation. Lamoreaux et Sokoloff (1999) montrent que les entreprises peuvent s'installer dans une certaine région ou pays sans délocaliser leur R&D tant que les institutions informelles (tel que la confiance, les normes et les codes de communication) peuvent être remplacées par des institutions formelles (les droits de propriété intellectuelle, les marchés financiers) qui les aident à renforcer les mécanismes de marché indispensables aux relations avec les investisseurs, les fournisseurs de capitaux et les entrepreneurs. Par conséquent, le cadre institutionnel exerce une influence directe sur la capacité d'absorption des connaissances. Alors que certaines régions innovatrices exploitent intensivement les externalités de connaissances, d'autres les ignorent ou sont incapables de les convertir en technologies efficaces à cause des politiques inadéquates.

Un autre aspect des externalités de connaissances, qui ne devrait pas être négligé, concerne la capacité d'absorption du récepteur : le bénéficiaire des retombées doit posséder des compétences spécifiques afin d'utiliser les connaissances reçues. L'aptitude d'une entreprise de repérer la valeur d'une information externe nouvelle, de l'assimiler et de l'appliquer à des fins commerciales est primordiale pour sa capacité d'innovation.

Cohen et Levinthal (1989) démontrent que ces compétences sont souvent identiques à celles requises pour la création du savoir. En autres termes, la réception et l'affectation des retombées, d'une part, et la production de connaissances, de l'autre, sont deux processus qui peuvent être difficilement dissociés. La capacité d'absorption de l'entreprise découle notamment des connaissances connexes préalablement acquises, et son évolution (et, subséquemment, celle des compétences innovatrices) se caractérise par la dépendance de chemin, puisque l'insuffisance initiale des investissements dans un secteur d'expertise peut bloquer le développement d'autres capacités techniques dans le même domaine.

L'importance de la proximité dans la propagation des externalités est attribuée habituellement à la nature tacite des connaissances. Von Hippel (1994) démontre que lorsque les connaissances sont informelles, non-codifiées et tacites, elles sont transmises le mieux par le biais des interactions personnelles et des contacts répétés, c'est-à-dire elles se diffusent surtout grâce à la proximité géographique⁷. Bien que la révolution communicationnelle ait considérablement réduit le coût marginal de la dissémination d'informations et ait accéléré leur transfert, la propagation de connaissances tacites reste difficile et coûteuse, particulièrement sur de longues distances. Tel que

⁷ « Les découvertes intellectuelle traversent les couloirs et les rues plus facilement que les océans et les continents. » (Glaeser et al., 1992, p. 1126).

Morgan (2004) soutient : « la proximité virtuelle peut être un substitut de la proximité physique dans le cas des transactions standards, mais pas pour les transactions de grande complexité et ambiguïté » (Morgan, 2004, p. 5).

Cowan et al. (2000) désavouent la tendance générale des économistes de négliger les origines psychologiques et épistémologiques de la notion de savoir « tacite ». À leur avis, un concept issu de la psychologie des compétences individuelles a été converti, premièrement, d'une catégorie épistémologique dans un phénomène des relations inter-organisationnelles inarticulables, et puis dans un des concepts clés de l'avantage compétitif, et même comparatif. Selon les auteurs, une telle confusion sémantique et taxonomique n'est justifiée ni analytiquement, ni empiriquement, du fait qu'elle se traduit dans une terminologie amorphe qui déconcentre plus qu'elle n'élucide.

Nelson et Winter (1982) révèlent que le silence n'est pas inné au savoir. En fonction de la capacité d'absorption du récepteur, une connaissance peut être codifiée pour une personne, tacite pour une autre et un mystère impénétrable pour une troisième⁸ (Cowan et al., 2000). En outre, « si une certaine connaissance peut être, *en principe*, articulée ou si elle est forcément tacite n'est pas révélateur pour la plupart des situations comportementales. Plutôt, la question qui se pose est de savoir si les coûts sont assez élevés pour que le savoir reste, *en fait*, tacite » (Nelson et Winter, 1982, p. 78-80, italiques des auteurs). Il s'ensuit que la demande de connaissances tacites ou codifiées n'est pas prédéterminée par des considérations non-économiques, mais par les coûts et les avantages des procédés de stockage, de récupération et de transmission des informations. Ces coûts et bénéfices dépendent, à leur tour, de l'existence préalable des langues, modèles et techniques qui réduisent les coûts fixes de la codification.

1.1. Les externalités MAR, Porter et Jacobs

Au fil du temps, il y a eu des discussions approfondies sur la catégorie d'externalités qui suscite la localisation de certaines industries. La polémique se nuance en 1890 quand, dans une approche originale, Alfred Marshall décrit le concept d' « économies externes » en prenant l'exemple de la localisation industrielle. La plupart des études qui analysent le phénomène adoptent la classification de Marshall qui identifie trois raisons de concentration géographique des

⁸ D'où l'importance du contexte – temporel, spatial, culturel et social - dans la création du savoir.

industries. Dans la reformulation de Breschi et Lissoni (2001), les trois raisons de la localisation sont⁹ :

- a. Les économies qui découlent de la spécialisation industrielle : une activité localisée peut soutenir la production de biens intermédiaires spécialisés, en réduisant leurs coûts de fabrication.
- b. Les économies réalisées sur le marché du travail : la concentration spatiale de plusieurs entreprises crée une offre abondante de travailleurs ayant des compétences similaires, ce que réduit le taux de chômage ou le risque de main d'œuvre déficitaire.
- c. Les externalités de connaissances : grâce aux interactions fréquentes qui stimulent la confiance mutuelle, les clusters géographiques offrent des possibilités d'innovation supplémentaires, et donc une meilleure fonction de production que celle des producteurs isolés.

Les deux premières catégories sont des externalités « pécuniaires », tandis que la troisième classe comprend les externalités « technologiques ». Les externalités pécuniaires permettent aux entreprises d'accéder à des intrants moins chers que les concurrents situés ailleurs. Elles émanent donc des transactions. Par contre, les externalités technologiques ne sont pas conditionnées par des interactions sur le marché et sont accessibles, a priori, à tous les membres de la communauté locale.

En conclusion, les externalités marshalliennes s'inscrivent dans la logique des économies de localisation intra-industrielles. Le modèle est complété par les contributions de Kenneth Arrow (1962) et Paul Romer (1986), raison pour laquelle les retombées intra-industrielles sont aussi appelées des externalités MAR (Glaeser et al., 1992). Un raisonnement similaire est présenté plus tard par Porter (en 1990), sauf si l'on considère le rôle de la concurrence locale sur la diffusion et l'assimilation des connaissances.

En 1969, la théoricienne urbaniste Jane Jacobs conteste l'hypothèse de Marshall selon laquelle les externalités de connaissances sont diffusées seulement au niveau des entreprises d'un même secteur. Elle développe un nouveau modèle qui soutient que la source la plus importante des externalités technologiques n'est pas liée à l'industrie de l'entreprise.

Les trois théories de la croissance urbaine (Marshall-Arrow-Romer, Porter et Jacobs) constituent le fondement de la littérature sur les externalités intra- et interindustrielles. Une analyse comparative est menée par Glaeser et al. (1992) et résumée dans la section suivante.

i) Les externalités MAR

Le modèle Marshall-Arrow-Romer formalise le raisonnement selon lequel la concentration des industries dans une ville favorise les externalités de connaissances entre les firmes et, par

⁹ Henderson (1986) ajoute à cette liste une quatrième source d'externalités localisées, reconnues, dans la littérature de l'économie urbaine, sous la forme de l'infrastructure publique que les autorités locales assurent au cas où les industries qui s'y localisent sont décisives au bien-être de la communauté locale.

conséquent, facilite l'innovation dans la « ville-industrie ». L'hypothèse de base est que les externalités de connaissances entre les entreprises existent, mais elles sont limitées à leur secteur. Leur diffusion vers d'autres industries est supposée inexistante ou, du moins, insignifiante (Feldman et Audretsch, 1999).

En réitérant les assertions de Schumpeter (1942), la théorie MAR affirme également que le monopole local, plus que la concurrence locale, stimule la croissance économique car le monopole empêche la circulation des idées vers les concurrents et permet à l'innovateur d'internaliser les externalités. Celui-ci se rend compte qu'une fraction de ses idées est imitée ou améliorée par les autres entreprises locales, sans que ce transfert de connaissances ne s'accompagne d'une compensation. L'absence des droits de propriété intellectuelle l'amène à réduire les investissements dans les activités génératrices d'externalités, tel que la recherche-développement. Si l'innovateur avait eu le monopole sur ses idées novatrices, les innovations auraient multipliées et les taux de croissance auraient augmentés.

ii) Les externalités Porter

Comme MAR, Porter (1990) observe que les retombées de savoir entre les industries connexes concentrées dans la même zone géographique relancent la croissance économique. Toutefois, il insiste que la concurrence locale, et pas le monopole, stimule la recherche et l'adoption rapide d'innovations. Grâce à la concurrence, les idées sont reprises et améliorées. Même si les revenus de l'innovateur se diminuent, l'incitation à innover augmente car les entreprises qui ne progressent pas technologiquement sont éliminées du marché par les concurrents innovateurs. À la longue, un second effet se révèle plus marquant. La concurrence locale intense stimule continûment les innovations et pousse au développement des industries, tandis que le monopole affaiblit la motivation d'innover.

Les externalités décrites par Porter sont donc maximisées dans les villes où les industries sont compétitives et appartiennent au même secteur.

iii) Les externalités Jacobs

Contrairement aux modèles précédents, Jacobs (1969) estime que les transferts de connaissances les plus fréquents sont interindustriels. La diversité des industries concentrées géographiquement, et pas leur spécialisation, stimule l'innovation. Il devrait y avoir, forcément, une logique dans l'interaction entre les différents secteurs. De ce point de vue, une base scientifique commune facilite la génération et l'échange des idées existantes entre les industries distinctes, mais complémentaires (Feldman et Audretsch, 1999).

Dans le débat sur les effets de la concurrence, Jacobs, comme Porter, défend la concurrence locale puisqu'elle facilite l'adoption des technologies : « les monopoles desservissent les villes et

anéantissent ce que leurs économies sont en mesure de réaliser. [...] Les prix exorbitants, peu importe leur nocuité, sont l'inconvénient le plus anodin des monopoles, car ils [les monopoles] suppriment les modes, les produits et les services alternatifs » (Jacobs, 1984, p. 227). Un grand nombre d'entreprises assure non seulement une forte concurrence d'idées, mais facilite aussi l'entrée des entreprises spécialisées sur certaines niches.

La polémique « diversification versus spécialisation » reflète les difficultés dérivées de la généralisation des effets des deux types d'externalités. Il existe plusieurs critères qui peuvent indiquer l'importance relative de celles-ci. Le premier est l'hypothèse que les entreprises qui s'engagent dans la R&D incrémentale inclinent à s'appuyer davantage sur les externalités intra-industrielles, tandis que les entreprises intéressées à la réalisation de découvertes révolutionnaires dépendent hautement des retombées interindustrielles. De même, on peut s'attendre que l'intensité de la concurrence dans un secteur et le degré d'intégration verticale de la production aient des effets négatifs sur les externalités MAR.

Conséquemment, les théories de la croissance urbaine diffèrent sur deux paliers. Tout d'abord, elles se contredisent sur l'origine intra ou interindustrielle des externalités et, deuxièmement, elles tirent des prédictions antinomiques au regard de la façon dont la concurrence influence l'impact des retombées de savoir sur la croissance économique locale.

1.1.2. Les externalités de connaissances et les externalités pécuniaires

Il y a également une autre distinction à laquelle on a fait brièvement allusion dans les paragraphes précédents et qui est essentielle dans notre étude.

Dans son article de référence, Griliches (1979) remarque qu'« il y a deux notions distinctes d'externalités de R&D, souvent confondues dans la littérature ». Il s'agit des externalités pécuniaires et des externalités de connaissances. Les externalités pécuniaires apparaissent lorsque les prix d'intrants ne tiennent pas compte des améliorations de qualité réalisées via l'innovation, à cause soit de l'imperfection des prix, soit de l'asymétrie informationnelle ou des coûts de transaction. Puisque ces externalités se produisent lorsque les produits sont commercialisés, elles ne peuvent pas être considérées comme des externalités « réelles » parce qu'elles sont engendrées par les erreurs de mesure au cours des transactions économiques. Plus précisément, les externalités pécuniaires comprennent les variations dans la structure des prix et du marché et découlent de l'échange de biens intermédiaires ou lorsque les entreprises multinationales entrent sur les marchés des pays d'accueil (Criscuolo, 2004).

Si les externalités pécuniaires émanent des transactions, les externalités de connaissances proviennent de l'appropriation imparfaite des connaissances, i.e. de la qualité de bien public du savoir : « L'aspect le plus difficile à quantifier, et peut-être le plus intéressant et plus prépondérant des retombées de R&D, est l'impact des idées sur la productivité des efforts de recherche des autres. Il s'agit d'une externalité non-pécuniaire qui n'est pas contenue dans un service ou un produit particulier, bien qu'elle puisse être transmise à travers un article imprimé ou un communiqué de presse. Elle ressemble à un bien non-rival et c'est très difficile d'approprier plus d'une fraction infime de ses avantages sociaux. Même s'il était possible d'introduire des droits de propriété sur une idée (par exemple par le biais des brevets), les prix dérivés seraient non-linéaires et ils ne nous fourniraient pas une mesure adéquate des bénéfices sociaux marginaux ou totaux » (Griliches, 1992, p. 252).

Par conséquent, les externalités de connaissances sont des transferts non-intentionnés que le propriétaire de connaissances ne peut pas empêcher. Elles comprennent: la mobilité des chercheurs ou des ingénieurs réputés ; les « réseaux » informels d'échange de savoir-faire (Von Hippel, 1987) ; les fuites involontaires d'informations lors des conférences ou des foires commerciales ; l'imitation des produits ou des secrets technologiques par reverse engineering ou en examinant les biens des concurrents ; les informations procédant des brevets ; l'espionnage industriel ; la littérature scientifique ; l'octroi de licences pour des technologies brevetées ; les projets de recherche conjoints.

Bien que, du point de vue théorique, la distinction entre les deux types d'externalités est évidente, en pratique, elles peuvent se produire simultanément et, par conséquent, dans les analyses empiriques, la ligne de démarcation entre les deux dimensions est floue.

La section suivante résume les plus importantes études empiriques sur l'amplitude géographique des transferts de connaissances, soulignant leurs résultats et les méthodes utilisées pour quantifier les retombées.

2. LES ETUDES EMPIRIQUES SUR LES EXTERNALITES DE CONNAISSANCES

Dans la littérature théorique examinée dans la première partie, on peut identifier seulement quelques situations où les approches sont profondément contradictoires. Dans la plupart des cas, les prédictions théoriques des modèles diffèrent partiellement ou reposent sur des hypothèses dont la pertinence empirique n'est pas, a priori, clairement définie. Ainsi, il est nécessaire de compléter la vision à travers une analyse des études empiriques effectuées sur ce sujet jusqu'à présent.

La littérature décrit deux types d'approches empiriques. Une première catégorie, et peut-être la plus significative, groupe les études économétriques qui utilisent la « fonction de production » des innovations, saisissant l'impact des activités externes de R&D (notamment publiques et / ou universitaires) sur la capacité d'innovation des entreprises privées.

La deuxième catégorie inclut un ensemble mixte, bien plus restreint, d'études récentes qui tentent de quantifier directement l'existence et l'importance des externalités localisées. Ces œuvres proviennent d'un groupe hétérogène d'économistes (concernés par les questions de développement urbain et régional) et s'avèrent innovatrices du point de vue méthodologique. Feldman (1999) énumère les suivantes techniques de collecte et d'analyse des données:

1. *les interdépendances des citations de brevets*, considérées preuves écrites des externalités de connaissances;
2. *la mobilité de la main-d'œuvre qualifiée*, à partir de l'hypothèse que les externalités sont transmises à travers l'interaction personnelle;
3. *les connaissances incorporées dans les biens échangés*.

Utilisant ces méthodologies, on peut spéculer sur l'ampleur et l'intensité des externalités de connaissances.

2.1. La méthode de la fonction de production

L'approche de la fonction de production peut être synthétisée en trois axes de recherche (Breschi et Lissoni, 2001): (i) l'ensemble d'études qui examinent les rendements sociaux des activités de recherche et développement¹⁰; (ii) les papiers qui évaluent l'efficacité des projets publics de R&D¹¹; (iii) les articles moins nombreux, mais plus ciblés, qui traitent directement le problème des externalités de connaissances localisées. Le premier groupe estime que la recherche et le développement sont des intrants et les utilisent comme variables explicatives de la croissance de la productivité totale. A la différence, les deux derniers groupes d'études utilisent des versions modifiées de la fonction de production formulée par Griliches (1979), reliant la R&D à la production d'innovations (i.e. le nombre de brevets ou d'innovations).

La première découverte en la matière (sauf la contribution originale de Thompson, 1962) est due à Jaffe (1989). Afin d'évaluer les effets réels de la recherche universitaire, Jaffe reclasse les brevets en quelques secteurs technologiques et démontre ensuite que le nombre de brevets de chaque état américain, pour chaque domaine technologique, est une fonction positive de la R&D

¹⁰ Ces études économétriques ont été examinées en détail par Mohnen (1996) et David, Hall et Toole (1999).

¹¹ Certains articles sont décrits par Klett, Moen et Griliches (1999).

menée par les universités locales. La relation entre les brevets et la R&D académique est alors interprétée comme un signe de l'existence des « externalités technologiques » localisées provenant des établissements d'enseignement et absorbées par les entreprises locales. Cependant, cette méthode ne tient pas compte de la dimension géographique des retombées, puisqu'elle mesure l'effet de la concentration spatiale de la recherche sur la production d'innovations à l'intérieur d'un même état. En outre, tel que l'auteur même le reconnaît, peu importe la corrélation entre la R&D locale et la production d'innovations, aucune de ces estimations n'explique les raisons de ces connexions: « *les mécanismes* des retombées n'ont pas été modélisés. Malgré la tentative de contrôler la "qualité" inaperçue des universités, nous ne pouvons pas interpréter ces résultats structurellement, c'est-à-dire anticiper les changements du nombre de brevets si les dépenses de la recherche augmentent d'une manière exogène » (Jaffe, 1989, p. 968, italiques de l'auteur).

Acs, Audretsch et Feldman (1992) reprennent l'exercice de Jaffe (1989), en remplaçant les brevets par le nombre d'innovations enregistrées dans la base de données Small Business Innovation Data Base (SBDIB). L'objectif est de démontrer que le nombre d'innovations (considéré comme un indicateur plus précis de la capacité d'innovation) peut saisir l'effet de la "coïncidence géographique" qui avait échappé aux brevets. Toutefois, leur analyse ne concerne que deux domaines technologiques (les secteurs électronique et mécanique), tous les deux définis encore plus vaguement que par Jaffe (1989). En outre, la taille des états n'est pas contrôlée.

Acs, Audretsch et Feldman (1994) poursuivent l'analyse des retombées, en divisant l'échantillon d'entreprises en fonction de la taille des firmes et en proposant, ainsi, deux fonctions différentes de la production d'innovations. Ils constatent que l'indice de « coïncidence géographique » est significatif uniquement pour les petites sociétés, ce que suggère que celles-ci remplacent la R&D interne avec la R&D universitaire lorsqu'elles ne peuvent pas réaliser des investissements substantiels dans leurs propres activités de recherche. L'effet du cycle de vie explique partiellement ce raisonnement, puisque les secteurs relativement petits, avec peu d'activités de routine, manifestent une demande supérieure de connaissances nouvelles et une forte propension à les utiliser, par rapport aux secteurs matures où la plupart des activités est menée selon des habitudes bien ancrées, difficiles à remplacer à cause des coûts élevés. En outre, en début du cycle de vie, les entreprises n'ont pas la capacité de développer des départements de R&D et s'appuient sur des sources externes de connaissances plus souvent que les sociétés qui ont atteint la maturité et qui développent leurs propres activités de R&D, en poursuivant une stratégie d'intégration verticale. Toutefois, selon Breschi et Lissoni (2001), les résultats ne prouvent pas l'existence des externalités directes. Ils indiquent seulement que les petites entreprises innovatrices sont plus disposées à externaliser leurs projets de recherche aux établissements universitaires. En

outre, elles peuvent être forcées à s'appuyer sur les institutions locales en raison des difficultés de contacter ou solliciter les services des universités éloignées (même si celles-ci sont peut-être plus efficaces). Enfin, les auteurs ne mentionnent pas que de nombreuses petites entreprises non-innovatrices, situées dans la même zone géographique, ne bénéficient pas de la recherche des universités locales et, subséquemment, ne sont pas touchées par les externalités.

En essayant d'illustrer le caractère spatial des externalités, Audretsch et Mahmood (1994) utilisent comme variables indépendantes, outre les dépenses académiques et privées de R&D, le nombre d'établissements de recherche au niveau de la ville et de l'état. Alors que le nombre d'institutions des villes influe significativement l'innovation locale, les institutions au niveau étatique n'exerce pas le même effet. Selon les auteurs, cela montre que les externalités de connaissances sont un phénomène local.

Feldman et Florida (1994) proposent un modèle basé sur l'hypothèse que l'innovation est une fonction de l'infrastructure technologique régionale qui intègre: la recherche universitaire, la R&D industrielle, l'agglomération d'industries connexes et les services spécialisés. Les résultats révèlent d'importantes synergies et le renforcement mutuel des éléments constitutifs de l'infrastructure technologique. Cependant, Breschi et Lissoni (2001) observent la tendance de forcer l'interprétation des données et la confusion faite entre les différents types d'externalités : la base de connaissances techniques créée par la concentration des industries pourrait, en fait, constituer un bassin de main-d'œuvre qualifiée (voire une externalité marshallienne de deuxième type) et les effets de réseau peuvent être définis soit à partir des relations non-commerciales entre les entreprises, soit comme une externalité médiée par les fournisseurs spécialisés (c'est-à-dire une externalité marshallienne de premier type). En outre, selon les deux chercheurs, il est difficile de croire que, dans sa forme tacite, le savoir (qui exige la compréhension mutuelle des pratiques de travail) peut se déplacer entre divers secteurs à travers les contacts informels.

Audretsch et Feldman (1996) affinent leur étude antérieure, en essayant de tester plus directement le rôle de la R&D universitaire dans la production d'innovations localisées, en utilisant des domaines technologiques moins agrégés. Plus précisément, leur analyse démontre que la polarisation géographique de la production d'innovations est positivement corrélée à l'intensité de la R&D industrielle (après avoir contrôlé la concentration spatiale de la production). Selon les auteurs, les activités d'innovation des industries intensives en savoir sont menées dans les mêmes zones géographiques afin de bénéficier des externalités de connaissances générées par la R&D industrielle et universitaire ou par la mobilité des travailleurs hautement qualifiés. Toutefois, l'existence de ces externalités est, de nouveau, plutôt supposée que démontrée (Breschi et Lissoni, 2001).

Dans un modèle développé pour démontrer l'émergence des externalités locales entre la recherche universitaire et les innovations des entreprises high-tech de petite taille, Anselin et al. (1997) insèrent, de façon explicite, une variable spatiale décalée: les coûts de la recherche académique conduite à différentes distances de la société bénéficiaire. Les auteurs se sont servis également des unités géographiques d'observation plus petites que les états, à savoir les zones métropolitaines. Contrairement à la conclusion de Jaffe (1989), leurs résultats montrent que les retombées de la recherche universitaire ont un impact positif significatif sur les taux d'innovation régionale (par le biais de la R&D du secteur privé) et que celles-ci s'étendent sur un rayon de 75 miles de la région innovatrice. Les auteurs se sont concentrés, cependant, sur la corrélation entre la recherche et l'innovation dans des endroits où les deux activités sont observées. On ignore, en conséquence, les raisons pour lesquelles certaines régions se sont engagées dans la R&D, tandis que d'autres n'en sont pas concernées.

Dans l'ensemble de la littérature, les preuves qui confirment l'importance relative des différents types d'externalités de connaissances sont ambiguës. Il y a des études empiriques qui soutiennent l'hypothèse que les externalités Jacobs sont les plus productives (Feldman et Audretsch, 1999, Partridge et Rickman, 1999, Kelly et Hageman, 1996) et des travaux qui font valoir l'importance des externalités MAR (Bernstein et Nadiri, 1988). Par conséquent, même si les effets de ces deux catégories restent équivoques, l'idée que les deux types de retombées sont significatifs du point de vue empirique ne laisse aucune incertitude (Forni et Paba, 2001; Henderson, 1997).

Feldman et Audretsch (1999) utilisent à nouveau la fonction de production des innovations (au niveau des villes et des industries) afin de tester l'impact de la spécialisation et de la diversité sur les performances novatrices, autrement dit, ils effectuent une analyse antagoniste des externalités marshalliennes versus les externalités de type Jacobs. Ils concluent que la diversité est plus importante que la spécialisation et interprètent leurs résultats comme des preuves de l'apparition des retombées de savoir au niveau intersectoriel, plutôt qu'intra-sectoriel. Les limites de l'étude sont ponctuées par les auteurs mêmes: « Nous insistons sur le caractère descriptif de ces résultats, car il peut y avoir des explications alternatives. Plus précisément, les relations peuvent être endogènes d'une manière qu'on avait ignorée. Les entreprises innovatrices peuvent être plus rentables et donc peuvent montrer une probabilité supérieure de s'engager dans diverses activités. De même, les régions connues pour le caractère innovateur d'une industrie peuvent attirer d'autres secteurs. La nature mixte des données utilisées ne nous permet pas d'examiner ces questions » (Feldman et Audretsch, 1999, p. 427).

Réitérant les constatations de Glaeser et al. (1992), Partridge et Rickman (1999) remarquent qu'à long terme les externalités dynamiques de Jacobs sont plus importantes que celles de type

MAR. Kelly et Hageman (1996) infèrent la même conclusion dans une tentative de démontrer qu'au niveau des états américains il y a un impact direct des retombées inter- et intra-industrielles sur le nombre de demandes de brevets. Ils constatent que les externalités Jacobs sont positives dans 11 des 12 secteurs industriels observés, tandis que les externalités intra-industrielles affectent seulement deux des 12 secteurs. Ce résultat soulève du scepticisme quant à l'importance relative des externalités MAR.

En revanche, les hésitations sur l'efficacité des externalités Jacobs sont révélées par Bernstein et Nadiri (1988) qui examinent les retombées de savoir entre les entreprises manufacturières américaines appartenant à différents secteurs de production, pendant la période 1961-1981. Les résultats sur les rendements sociaux attirent l'attention de manière particulière. Ils montrent que les entreprises appartenant à quatre sur cinq secteurs sont sources d'externalités de R&D, mais seulement dans deux industries les firmes exploitent *de facto* ces flux de connaissances.

2.2. Méthodes alternatives de quantification des externalités de connaissances

Bien qu'elles soient relativement importantes, les approches de la fonction de production d'innovations ne représentent pas la seule méthode pour tester l'existence d'externalités de connaissances localisées et pour analyser leur caractère. Récemment, plusieurs alternatives ont été proposées.

L'une des plus notables contributions appartient à Jaffe, Trajtenberg et Henderson (1993). En contredisant Krugman et en déclarant que, malgré leur forme invisible, les externalités de connaissances laissent une trace documentaire sous la forme des citations de brevets, les auteurs parviennent à détecter des flux de connaissances directs entre la recherche universitaire et la R&D corporative. Ils constatent que les entreprises innovatrices sont les plus susceptibles à citer les brevets des universités proches engagées dans des recherches profitables à leur industrie. Le problème le plus compliqué rencontré dans le test de la localisation des externalités découle de la difficulté de séparer les retombées des autres causes qui pourraient expliquer la concentration géographique des activités technologiques. Pour cette raison, Jaffe et al. (1993) construisent un échantillon de brevets de «contrôle» qui ont la même distribution temporelle et technologique que les citations. Puisqu'ils excluent les autocitations et estiment que, dans l'échantillon de contrôle, aucun effet sur la localisation n'est pas dû aux retombées, les auteurs considèrent ce test «conservateur». En même temps, leurs résultats semblent montrer que l'effet de la localisation géographique disparaît au fil du temps, i.e. au fur et à mesure que l'innovation perd sa nouveauté, la proximité des sources de savoir devient moins importante. Il y a aussi des preuves que l'impact de la

localisation est susceptible à disparaître pour les brevets universitaires au niveau de la métropole et de l'état.

D'autres études ont appliqué ensuite une méthodologie similaire afin d'analyser la dimension géographique des externalités de connaissances. Leurs résultats confirment la nature localisée des retombées dans le contexte européen. Cependant, l'analyse des citations de brevet porte la même limite que la méthode de la fonction de production, i.e. elle n'identifie pas les moyens par lesquels les externalités sont transmises (Criscuolo, 2004). Telles approches sont proposées par Maurseth et Verspagen (1999) et Verspagen et Schoenmakers (2000). Maurseth et Verspagen (2002) présentent une version modifiée de la méthode de Jaffe et al. (1993) qui sert à analyser l'effet de la proximité géographique dans les régions européennes, en utilisant les brevets déposés à l'OEB (Office Européen des Brevets). Les résultats de cette étude montrent que le nombre de citations diminue considérablement avec l'augmentation de la distance. Verspagen et Schoenmakers (2000) tirent la même conclusion, en confirmant l'effet de la proximité géographique sur les externalités de savoir¹² et que l'innovation est un processus fermement ancré dans l'espace.

Bode (2004) prouve que les externalités de connaissances interrégionales représentent l'un des déterminants des activités d'innovation dans l'Allemagne de l'ouest après 1990. Il remarque que les externalités ne dépendent pas seulement des conditions dans la région d'origine, mais aussi dans les zones bénéficiaires. Les résultats empiriques montrent que seule une petite fraction des flux de connaissances se déverse vers les régions voisines et strictement les zones à faible niveau de R&D tirent les avantages des externalités interrégionales. Pour les régions à forte intensité en recherche, les retombées semblent négligeables car la plupart des activités innovatrices ainsi que des brevets issus est produite via l'exploitation de leurs propres ressources.

D'autres travaux analysent la localisation des retombées de R&D en mettant l'accent sur l'un des mécanismes par lesquels elles se produisent, à savoir la mobilité de la main d'œuvre. L'hypothèse sous-jacente est que les travailleurs ont des connaissances spécialisées qui peuvent être transférées vers d'autres sociétés lorsqu'ils changent d'emploi.

Zellner (2003) présente des preuves du transfert de connaissances par le biais des émigrations des scientifiques. En utilisant des données sur les anciens employés de la société Max Planck (l'une des principales organisations du système d'innovation allemand), il teste l'hypothèse selon laquelle une grande partie des avantages économiques apportés à la société est associée à la migration des scientifiques de la recherche fondamentale publique vers le secteur commercial du système d'innovation. En analysant 21 pays de l'OCDE pendant 20 ans, Park (2004) apporte de nouvelles

¹² Le coefficient de la distance géographique est négatif et statistiquement significatif.

preuves du transfert des connaissances incorporées aux individus ; il considère les flux d'étudiants comme canal des externalités de R&D.

Un autre volet de la littérature empirique se réfère aux problèmes spécifiques à l'économie urbaine, mais, une fois de plus, les preuves des externalités sont indirectes et ne peuvent pas être considérées irrécusables (Breschi et Lissoni, 2001). À cet égard, Glaeser et al. (1992) concluent leur étude en reconnaissant que « nos preuves sur les externalités sont indirectes, et beaucoup de nos résultats peuvent être expliqués par le modèle néo-classique dans lequel les industries se développent en conditions de main-d'œuvre bon marché et demande élevée (Glaeser et al., 1992, p. 1151).

3. CONCLUSIONS

Malgré la diversité de ces approches et résultats, il y a un consensus général que les externalités de connaissances localisées sont un important phénomène économique, ayant un impact significatif sur les performances économiques.

En analysant la littérature, tant sous ses aspects théoriques, qu'empiriques, on peut toujours remarquer quelques questions qui restent sans réponse (Döring et Schnellenbach, 2006). Ainsi, aucune des contributions théoriques ou empiriques ne parviennent à fournir une explication claire de l'impact de la proximité géographique sur les externalités de connaissances. Simultanément, le couple dichotomique « savoir codifié - savoir tacite » continue à semer une confusion taxonomique à cause de la mauvaise interprétation des concepts. La faible distinction entre les externalités de connaissances et les externalités pécuniaires et l'existence d'autres forces économiques « de nature différente, mais d'effets équivalents, dans le modèle de la fonction de production des connaissances » (Bode, 2004, p. 45) nécessitent l'investigation des mécanismes commerciaux et non-commerciaux à travers lesquels le savoir est diffusé. Enfin, les implications normatives de ce phénomène sont soit réticentes, soit indisponibles.

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ROMANIAN FOREIGN TRADE - A REGIONAL PERSPECTIVE

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Abstract: *The increasing integration of Romania in the global economy is a reality of the last years, proved through a constant growth of the foreign trade with other countries, which exceeded, in terms of dynamics, both GDP and industrial production.*

In the first part of our paper, we intend to analyze the evolution of Romanian foreign trade in the period 1995-2007, focusing on the proportions of the imports and exports, at regional level. We wish to emphasize the correlations between the indicators that describe the degree of openness to foreign trade and indicators of competitiveness and specialization in different industries. The main goal of our approach is to highlight the sectors which generate comparative advantages and potential competitiveness poles, contributing significantly to the increase of the Romanian economy, expressed in GDP/capita.

In the second part of the paper, based on the frame of analysis and interpretation defined and implemented in the first part, we intend to establish if the agglomeration processes in some regions of our country will lead gradually to the strengthening of growth poles and, therefore to boost the foreign trade.

Keywords: foreign trade, regional specialization, openness degree, comparative advantage, competitiveness.

JEL Classification: F14, R11, R12, R58

1. INTRODUCTION

The literature on trade theory provides different perspectives on the evolution of what we call specialization and spatial concentration. These phenomena have generated considerable interest among economists, geographers and historians. Since the work of Adam Smith (*The Wealth of Nations*, 1776), the specialization was related to regional development and economic growth. Also, the work of D. Ricardo, *Principles of political economy and the imposition* (1821) was the source of

inspiration for many economists who have tried to develop theories related to the specialization of national and inter-regional trade. With Heckscher and Ohlin, in the theories of trade has gradually appeared a spatial dimension in trade development.

While specialization is closely related to the evolution of international trade theory, industrial concentration has been "the instruments" of academics, who have studied the localization of the 19th century (Aiginger and Rossi-Hansberg, 2006).

With regard to our country, the starting point on the analysis of specialization and regional concentration is provided by the Eastern European countries because in this area have undergone a reorientation of trade from East to West. Progressive integration of these countries is a result of a change in the productive structures and regional specialization (Traistaru, Nijkamp and Longhi, 2005). Romania, as all other countries in Eastern Europe has undergone major changes in terms of its commercial exchange. Most of these countries have an intra-industry trade with the EU, but the peripheral regions (Romania, Bulgaria) are an exception, with an industry-type inter-industrial. Strong specialization differences persist between these countries, as this so-called center-periphery scheme. Center converges to EU standards, having a development of intra-industry and an increase in specialization while the periphery still depends on the comparative advantages of competitive industries.

2. THE EVOLUTION OF INTERNATIONAL TRADE OF GOODS IN ROMANIA

In what follows we make an analysis in a regional profile of international trade of Romanian, on section of the Combined Nomenclature (CN)¹³.

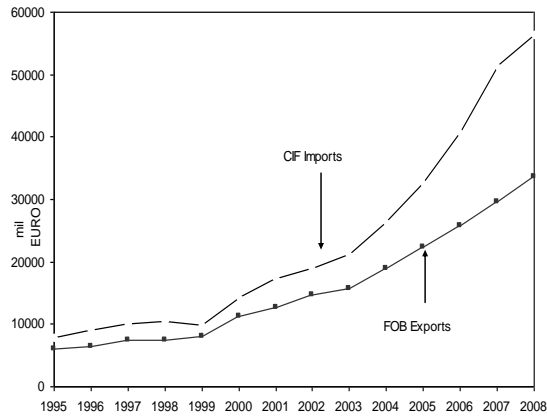
About the evolution of international trade of goods in Romania in the period 1995-2008, we can say that it has recorded an upward trend, thus FOB exports in 2008¹⁴ reached the value of 33,627.9 million euro (up 13.8% from the year 2007 and 5.5 times compared to 1995) and CIF imports were 56,336.8 million EUR (up 9.8% from the year 2007 and 7.1 times compared to 1995). This faster growth of imports compared to exports of goods has determined a negative trade balance, especially towards the end of the period analyzed. In 2008, the deficit FOB / CIF of the international trade of goods was 22,708.9 million EUR, increasing by 4.3% compared to 2007 and 12.4 times compared to 1995.

In *the figure 1*, we present the evolution of export FOB and CIF imports from Romania in the period 1995-2008:

¹³ We mention that the analysis of foreign trade flows is in FOB and CIF.

¹⁴ Data for 2008 are provisional according to the methodology for the realization of foreign trade statistics.

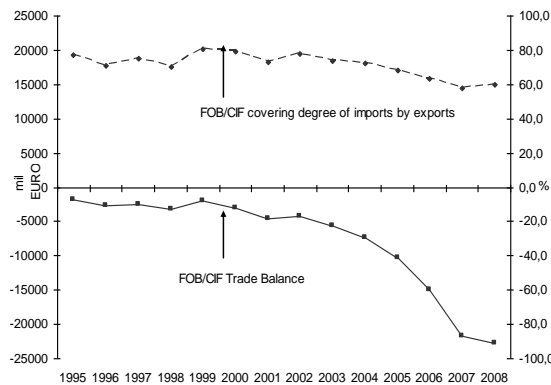
Figure 1 - The evolution of export FOB and CIF imports from Romania in the period 1995-2008



Analyzing the figure 1 we observe that in the period 1995-2008, CIF imports rose to a greater extent than the FOB exports.

Along with the balance of trade balance, in the understanding of international trade competitiveness of Romania, an important indicator it is called *the degree of coverage* of CIF imports with exports FOB. If at the beginning of period, the value of imports was compensated by exports at a rate of 70% - 80%, in recent years, the degree of coverage of imports by exports fluctuate around the value of 60%. *Figure 2* is suggestive in this regard.

Figure 2 - The evolution of trade balance FOB / CIF (million €) and the degree of coverage of imports by exports FOB / CIF (%) in Romania between 1995-2008



So, making a comparative analysis between the two indicators expressed in Figure 2 (trade balance CIF / FOB and the degree of coverage of imports by exports), we see that both have known fluctuation during 1995-2002, and that afterwards, until 2007, having descending values. We are meeting a small recovery in the case of the degree of coverage of imports by exports in the year 2008.

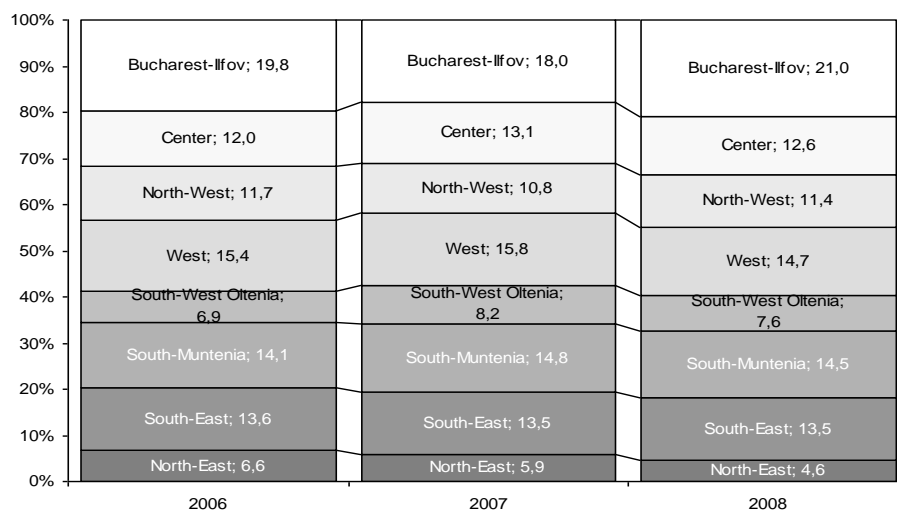
2. INTERNATIONAL TRADE OF GOODS ON DEVELOPMENT REGIONS

We wish to analyze the international trade in goods, on development regions of Romania, considering four important aspects: the flow of exports, flows of imports, the sold of trade balance and the degree of coverage, regional dispersion / the level of regional concentration.

a) The flows of exports

The main exporting regions of Romania in the last 3 years were Bucharest-Ilfov (21.0% of total exports of the country in 2008), West (14.7% of total exports of the country in 2008) and South-Muntenia (14.5% of total exports of the country in 2008). On the opposite side is the North-East (4.6% of total exports of the country in 2008) and South-West Oltenia (7.6% of total exports of the country in 2008) had small share in the exports FOB of Romania. These contributions are raised in *Figure 3*.

Figure 3 - FOB export structure by region of development (%)

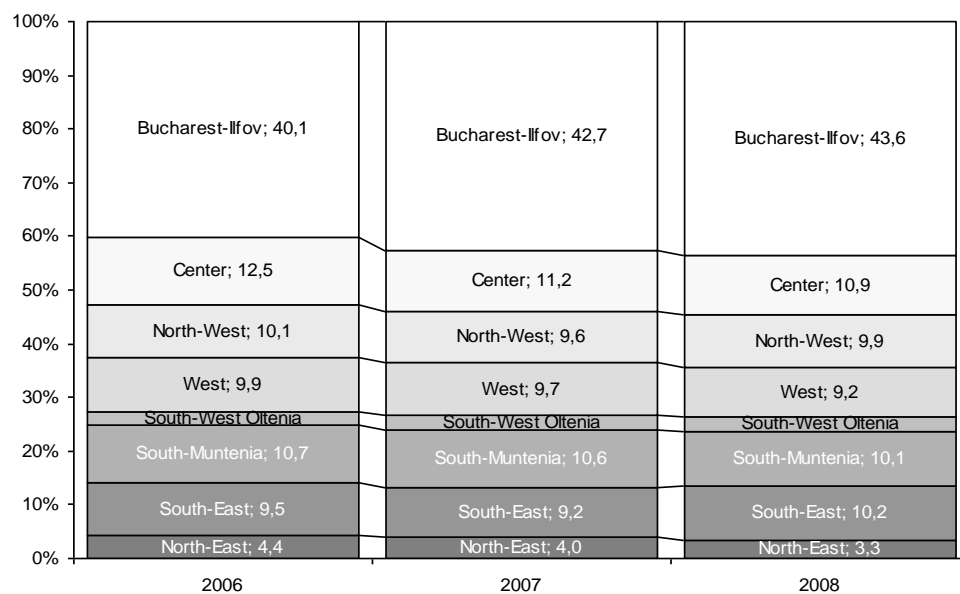


Therefore, it is easy to note that during 2006-2008, the development regions of Romania have remained relatively constant in terms of flows of exports, the the most significant contribution coming from Bucharest-Ilfov.

b) Flows of imports

Regarding the regional structure of Romania's CIF imports, this reflects the same degree of concentration. Thus, the Bucharest-Ilfov region is the largest importer in the last 3 years (43.6% of total imports of the country in 2008) to large distance from the second region as a share, Center (10.9% of total imports of the country in 2008). With low imports, the South-West Oltenia region (2.8% of total imports of the country in 2008) and North-East region (3.3% of total imports of the country in 2008) emerges more from the imports of the other development regions. In *the figure 4*, we can see this situation:

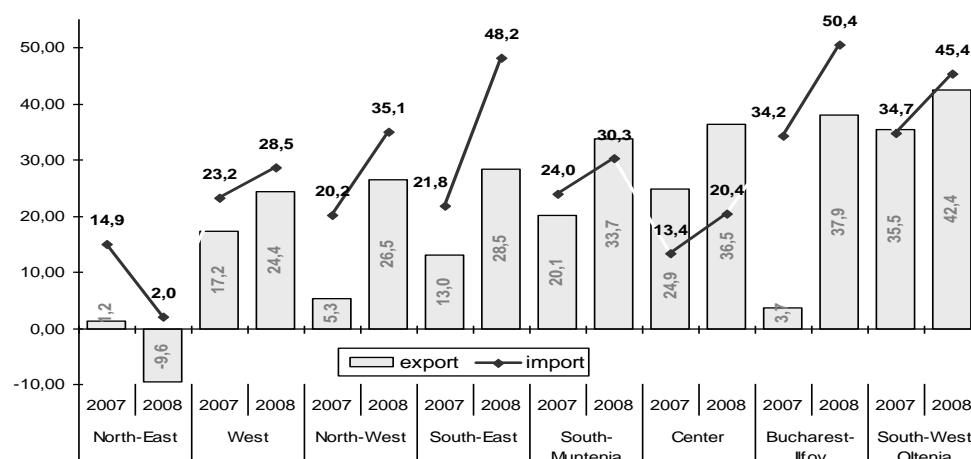
Figure 4 - Structure of imports CIF on development regions (%)



As in the case of exports FOB, we find that the Bucharest-Ilfov is the region that imports more in our country, being followed by the Center and South-Muntenia.

If we study the dynamics of the imports and exports in goods by region, before and after EU accession, can be observed that the upward trend it is find in all development regions (exception is the region North-East which in 2008 exported with less 9.6% than in 2006). The largest increase of the exports and imports in 2008, compared to the year preceding EU accession, we find in the South-West Oltenia and Bucharest-Ilfov and the smallest increase of imports and decreased of exports are register in the North-East. These differences emphasize the discrepancies between Bucharest-Ilfov region and other regions. To highlight better these gaps, we build *the figure 5*:

Figure 5 - Deviation (+/- %) to the year 2006 of the FOB export and import CIF on development regions (year 2006 = 100%)



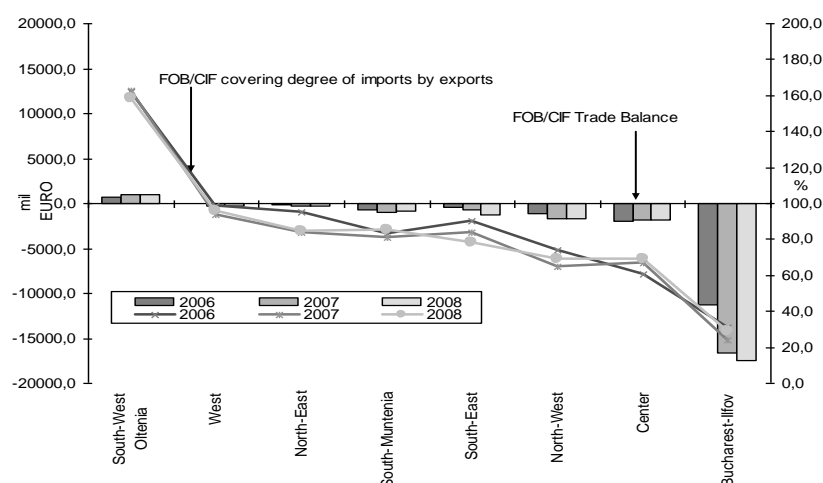
Analyzing *the figure 5*, we observe that in the case of the Bucharest-Ilfov region, the deviation from the 2006 of the FOB export was the following: in 2007, it had a deviation with 3% higher (as a result, exports have increased from the year 2006) and in 2008, the deviation was with 37.9% higher compared to 2007 (thus FOB exports have increased considerably in this region). With regard to imports CIF in Bucharest-Ilfov region, they rose in 2007 to 34.2% from the year 2006 and 50.4 in 2008. Region which recorded their lowest values is North-East (exports, deviation in 2007 was 1.2% compared to 2006 and -9.6 in 2008, and at import, the deviation was 14.9 in 2007 and 2% in 2008).

c) the sold of trade balance and the degree of coverage

Regarding the sold of trade balance, we point out that in the past three years, the largest negative sold of the balance of operations by international trade was registered in the Bucharest-Ilfov, it followed at a big difference to the Center and the North-West. Only in one region, South-West Oltenia, the value of exports was greater than the imports, but there are regions in which the balance trade deficit tends to zero (West and North-East).

The same conclusion follows from using the indicator named *the degree of coverage of imports with exports*, which in recent years has oscillated around the value of 60%. Only in Bucharest-Ilfov region we found a lesser degree of coverage value of imports by exports, in the remaining regions the expenditures made with imports are compensated by revenues from export in a proportion higher than the average calculated at the country level. *Figure 6* is suggestive in this regard

.Figure 6 - The sold of trade balance FOB / CIF (million €) and the degree of coverage of imports by exports FOB / CIF (%) by region of development

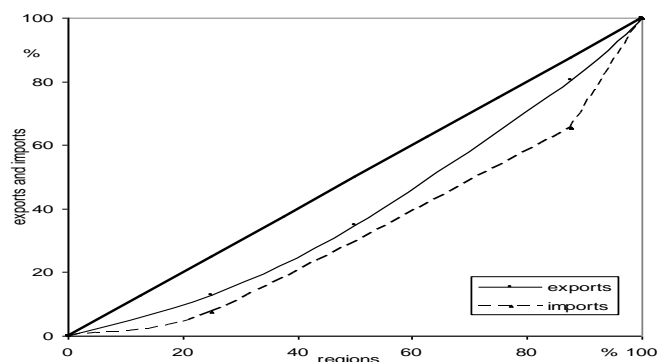


So, we can see easily that in terms of trade balance sold, this recorded negative values, at the highest level, in the Bucharest-Ilfov region(values that were accentuated from 2006 until 2008) and the South-West Oltenia recorded a positive sold in the mentioned years. Concerning the coverage of imports with exports, it was the highest in the South-West Oltenia (arriving in 2008 to approximately 160%) and lowest in the region of Bucharest-Ilfov (about 30% in 2008).

d) regional dispersion / the level of regional concentration

The analysis of the dynamics of international trade of Romania, can help us to express the degree of concentration of exports and imports by region. The graphic representation of this involves the construction of concentration curve of Lorentz-Gini and on her base, the finding of the degree of concentration by determining a coefficient - Gini index. In *figure 7*, we represent Lorentz-Gini curve and the concentration of exports and imports, by Romania's regions in 2008.

Figure 7 - The curve of concentration of exports and imports in 2008



Analyzing *figure 7*, we can see that the curves of concentration of export and import are not near the square diagonal, which certifies that there is a concentration of them, evidenced by the values obtained from the calculation of concentration indices. Gini index of export concentration, calculated by the *method of trapezes* is 19.0%, much smaller than that obtained in an import (31.7%), which means that there is an average concentration of groups in regions with low values, both for export and import.

In the structure of exports, during the past 3 years, the largest share of over 20.0% returned the "Machinery and mechanical appliances; machinery, appliances and electrical equipment; apparatus or reproducing recorded sound and images" and the regions with large contributions at the exports from this section are West, North-West and South-West Oltenia.

Figure 8 - The structure of the exports on the main sections of the Combined Nomenclature (%)

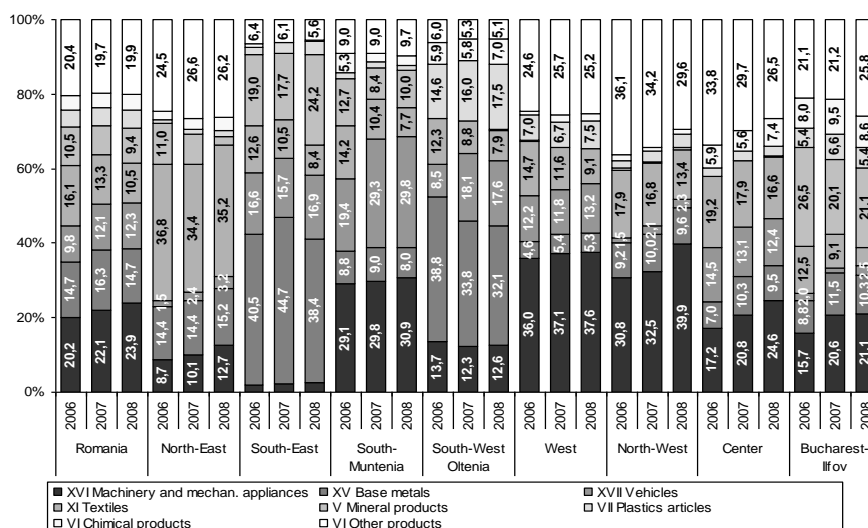
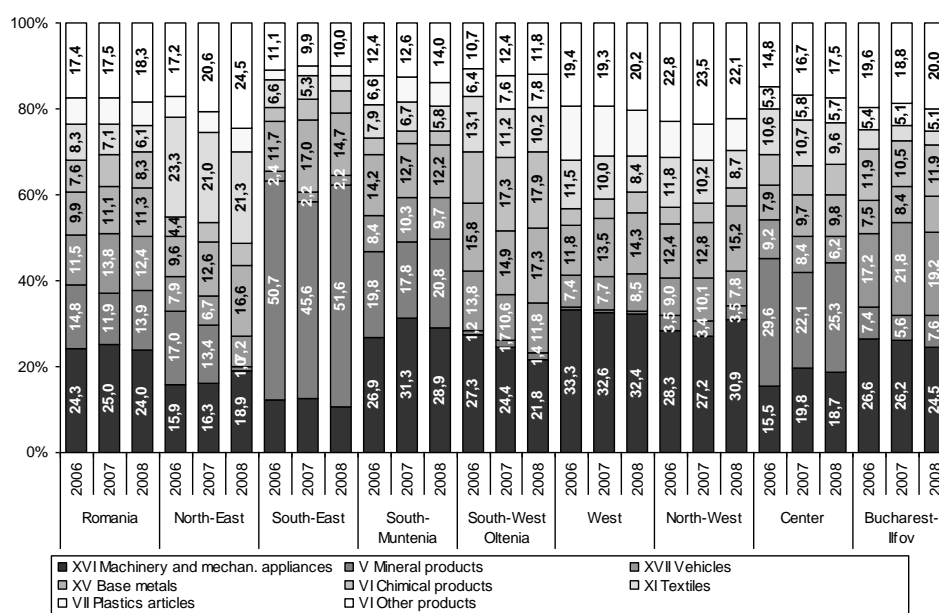


Figure 8 shows us that the largest exporters of machinery and mechanical appliances have been, in the period 2006-2008, the regions: West and North-West, with an average of over 35% of the total exports. The South-East and South-west Oltenia regions own supremacy in exports of base metals.

And at imports, as exports, the "Machinery and mechanical appliances; machinery, appliances and electrical equipment; apparatus or reproducing recorded sound and images" has the largest share in total imports, around of 24, 0%, and most of the imports section is doing in the Bucharest-Ilfov, West and North-West. To relief this, we analyze figure 9:

Figure 9 - The structure of the imports by main sections of the Combined Nomenclature (%)

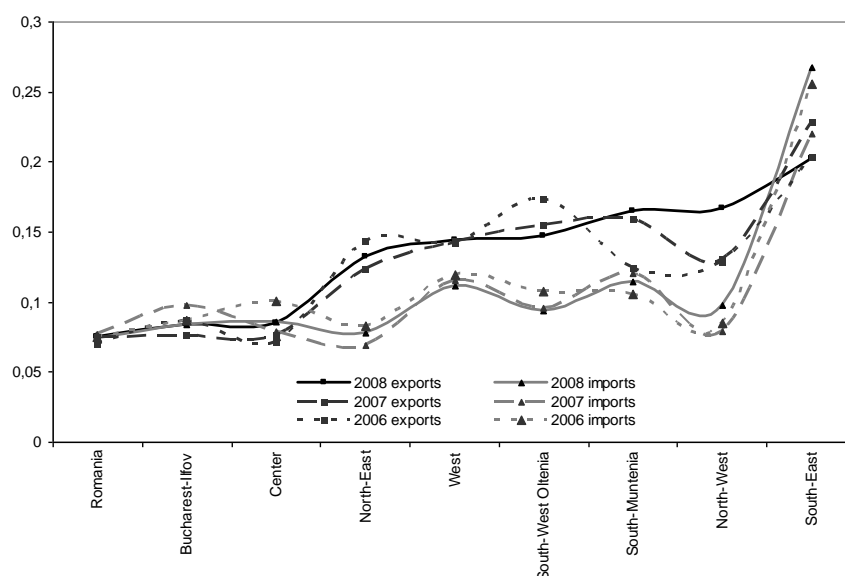


We see that in the 2006-2008 period, the South-East region was a net importer of mineral products (50.7% in 2006, 45.6% in 2007 and 51.6% in 2008).

Analyzing the figure 8 and 9, is observed that there are large discrepancies of the structure of international trade on both sections and regions. In this sense, for the numerical expression of this phenomenon was calculated the informational energy Onicescu, applying the formula corrected. Thus, for each region calculating the energy information Onicescu (corrected formula) of the distribution on sections from the Combined Nomenclature of the export and import, hierarchycing descending the regions, depending on the values calculated for export in 2008, is obtain the figure 9.

A region's export concentration on a few sections from the Combined Nomenclature determine that the value of the informational energy Onicescu to tend to 1, in this situation being the South-East region (38.4% respectively 24.2% of total exports from the region in 2008 were made on the "Base metals and articles thereof" and "Mineral Products") and North-West region (39.9% respectively 13.4% of total exports from the region in 2008 were made on the "Machine and mechanical devices, machinery, appliances and electrical equipment, apparatus or reproducing recorded sound and images "and" textile materials and articles thereof "). On the opposite side, is the Bucharest-Ilfov and Center regions. At import, the highest values of the informational energy Onicescu were obtained in South-East region (51.6% of total imports from the region in 2008 were made on the "Mineral Products") and South-Muntenia region (28 , 9% respectively 20.8% of total imports from the region in 2008 were made on the "Machinery and mechanical appliances, machinery, appliances and electrical equipment, apparatus or reproducing recorded sound and images" and "Mineral Products") and the lowest values are in the Bucharest-Ilfov and Center regions. In *figure 10*, we can observe clearer the concentration of foreign trade.

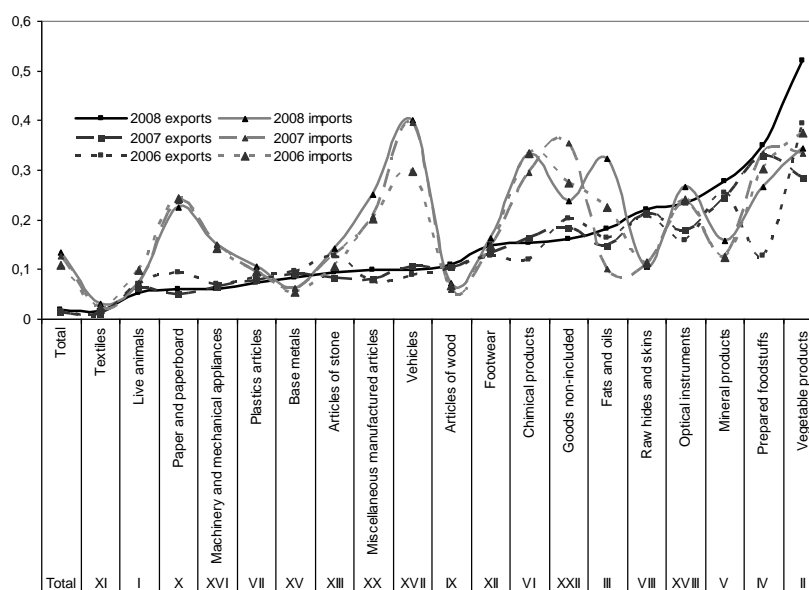
Figure 10 - The concentration of foreign trade by sections and regions of the Combined Nomenclature in the years 2006, 2007 and 2008 (the value of the informational energy Onicescu - corrected formula)



Seeing *figure 10* and comparing the curve of the informational energy Onicescu for export to that for import, is found that the export is more focused on sections of the Combined Nomenclature than import, in most regions, except the South-East region and in some years, Bucharest-Ilfov region.

Calculating for each section of the Combined Nomenclature the value of the informational energy Onicescu (corrected formula) of the distribution by region, both export and import, hierarchizing descending the sections, depending on the values calculated at export in 2008, is obtained the *figure 11*, on the basis of which the concentration of the export of one sections from the Combined Nomenclature, in a small number of regions, makes that the value of the informational energy Onicescu to tend to 1, in this situations being the regions: "Vegetable products" (75.4% of total exports in this section in 2008 were made in the region of Bucharest-Ilfov), "Food, beverages, tobacco" (63.4% of total exports in this section in 2008 were made in the region of Bucharest-Ilfov) and "Mineral Products "(47.2% 34.6% respectively of total exports in this section in 2008 were made in Bucharest-Ilfov region and South-East). Values that tend to zero, we find in the "Textile materials and articles thereof" and "Live animals and animal products". At import, the highest values of the value of the informational energy Onicescu, were obtained for the sections: "Means of transport and materials" (67.7% of total imports in this section in 2008 were made in the region of Bucharest-Ilfov), "Vegetable products" (63.4% of total imports in this section in 2008 were made in the Bucharest-Ilfov) and "Products of chemical industry and related industries "(62.5% of total imports from this section in 2008 were made in the Bucharest-Ilfov). Weak values and therefore a low concentration are meeting in the sections: "Textile materials and articles thereof", "Base metals and articles thereof" and "Wood, exclusive furniture".

Figure 11 - The concentration of foreign trade by sections of the Combined Nomenclature in the years 2006, 2007, 2008 (the value of the informational energy Onicescu - corrected formula)



Comparing this time and the curve of the informational energy value Onicescu for the export with that for the import, we see that the importation is more concentrated on regions than exportation in most sections from the Combined Nomenclature, only in 6 of 19 sections, the export being more concentrated than import.

A complementary analysis those presented above is the construction of a boxplot for each development region, depending on the distribution on sections from the Combined Nomenclature of the export and import (for this type of analysis we used the SPSS statistical analysis). The output is represented by *the figure 12*, respectively *the figure 13*.

Figure 12 - The box-plot of the distribution on sections of the CN of export by region in 2008

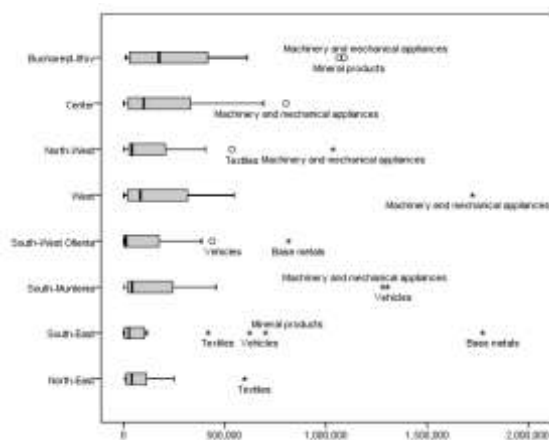
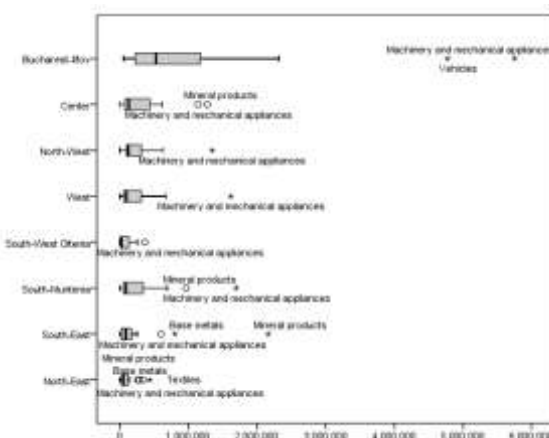


Figure 13 - The box-plot of the distribution on sections of the CN of import by region in 2008



In *figures 12* and *13* it is seen that in all regions the agglomeration of the sections from the Combined Nomenclature is made towards the small values of exports and imports. Also, we can observe that between regions exist differences regarding the export and import afferent to quartile by order 1, 2 and 3. By this graphic representation is put in evidence for each region, the sections

from the Combined Nomenclature that are outliers, and those goods in which the region has specialized its international trade relations. Thus, *figure 12* reveals that the Bucharest-Ilfov region is specialized at export machinery and mechanical appliances and mineral products, the Center region in machinery and mechanical appliances, North-East in textiles machinery and mechanical appliances so on. *Figure 13* shows the region of Bucharest-Ilfov import machinery and mechanical appliances and vehicles, the Center imported mineral products, etc.

3. CONCLUDING REMARKS

The quantitative evaluation of a country's international specialization pattern is deeply and sometimes ambiguously intertwined with the measurement of its trade performance. For example, the normalized trade balance, which is one of the most frequently used specialization indicators, should preferably be seen essentially as a detector of performance. On the other hand, the index of contribution to the trade balance, which was recently proposed as being free from such ambiguity, blends the measurement of specialization with that of the relative size of the trade flow under observation, consequently leading to confusing results. A simple alternative, which keeps the important feature of dealing simultaneously with export and import flows, is a trade specialization index, defined as the difference between the elementary normalized trade balance and the global balance. At the aggregate level, the degree of polarization of the specialization pattern may be measured by the weighted average of the trade specialization indices, taken in their absolute values. All of these indicators refer to trade specialization, while a more thorough understanding of a country's position in the international division of labor would require measuring production specialization, defined in terms of the gap between internal production and demand for each good.

In conclusion, the international trade of Romania in recent years revolves mainly in Bucharest-Ilfov region, then economic specificities of each region to dictate foreign trade flows realized by them.

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ROMANIA'S EU ACCESSION IMPACT ON THE DEVELOPMENT OF ROMANIAN ECONOMY

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Abstract: *Romania joined the EU on January 1, 2007. Becoming a full member had effects on both Romania and the European Union. Once the Association Treaty had been signed, a complex process of integration began. The integration process didn't end after Romania's EU accession but will continue to integrate the economies of all Member States. The questions that we answer are: Which were the effects felt by Romania in the pre-accession period? What happened after the accession to the European Union?*

Keywords: effects, negotiating, Accession Treaty, accession criteria, economic integration, European Union, Romania, impact on Romanian economy

JEL Classification: O19, O52, F15, F43

1. ROMANIA'S RELATIONS WITH THE EUROPEAN UNION

Ever since the communist regime, in 1974, Romania became the first country in Central and Eastern Europe that established official relations with the European Community. An agreement was signed which included Romania in the Generalized System of Preferences of the Community (*Relația România – UE*, 2006). Six years later, in 1980, another agreement on industrial products was signed.

Right after the fall of the Berlin Wall, Romania established diplomatic relations with the European Union. Thus, on January 7, 1990, Romania has officially declared their willingness to collaborate with the EEC. In October 1990, the *Trade and Cooperation Agreement with the EEC* (European Economic Community) was signed, which came into force in 1991. Although this type of agreement was fixed for 10 years, Romania could only sign it for 5 years. The agreement was applied to all products originating the European Community, except coal, steel and agricultural products.

On the First of February 1993, Romania signed the *Treaty of Association to the European Union*, which provided an important legal framework for overcoming the gap between the Romanian state and the civilization represented by the European organization. European Economic Community committed to support Romania to a new political and economic system that respects the rule of law and the rules of fundamental human rights, including minority's, practicing a multiparty system based on free and democratic elections and to build a free market economy (Coord. M. Costea și F. Costea, 2007, p. 41)..

The European Council in Copenhagen (June 1993) outlined clear requirements from EU candidate countries. Romania and all other candidates had to meet the membership requirements: the political criteria, the economic criteria and the ability to assume the obligations of membership.

In June 1995, Romania has developed the *Snagov Declaration*, signed by most of the Romanian political forces, which supported the *National Strategy for Romania's EU Accession Preparation*. The European Commission analyzed Romania's EU accession request, developing and publishing, on June 22, 1997, the *Opinion on the Request of Romania's EU Accession*. This analysis of Romania's situation in light of the Copenhagen criteria (1993), remarked that the political action have been in the right direction, but some have remained to be done regarding the privatization area, strengthening the legal regime and consistency of economic policies, regarding competition and the adoption of the *acquis communautaire*. The Commission's conclusion was largely unfavourable, outlining that Romania can't cope with the economic constraints and obligations of membership in the medium term. Romania responded in 1997 by launching the *National Programme for the Adoption of the Acquis Communautaire*, supported by all political parties and formations.

The historic moment came in 10 - 11 December 1999 in Helsinki, when the European Council decided to begin (starting with February 2000) bilateral intergovernmental negotiations with Romania, Slovakia, Latvia, Bulgaria and Malta.

The negotiations with Romania were opened on February 16, 2000. Terms for adopting and implementing the *acquis communautaire* were adopted, including the transitional arrangements, which were strictly limited by time and conditions of application. There are 31 negotiating chapters due to the division (for methodological reasons) of the *acquis communautaire*.

Once the Romanian economy had been declared as a functioning market economy (October 2004), two months later, the negotiations for EU accession were concluded. 11 more conditions were imposed relating to judicial reform, fighting corruption, reducing steel production, environmental protection etc..

To the satisfaction of the population, who expressed confidence in the European Union, sustaining Romania's accession with a 64% majority (autumn of 2005) (Eurobarometru 64),

Romania finally fulfilled the dream of being a European Union member. *Romania's Accession Treaty* was signed in April 2005, providing Romania's EU accession, as a full member, on January 1, 2007. Thus, although Romania became, in 1974, the first country in Central and Eastern Europe that established relations with the European Union, it was among the last one to join, after a difficult path that has been chosen ever since 1993, when the *Association Treaty* was signed.

Romania's EU accession had consequences on both Romania and the European Union. We will continue presenting the two kinds of effects.

2. THE IMPACT ON ROMANIA

The impact of European Union accession on Romania, considering the period in which it has been taking place, can be divided in two categories of effects: effects produced during the pre-accession period and effects produced after accession.

2.1 The effects produced during the pre-accession period

This kind of effects was due to the intent to comply with the Copenhagen accession criteria, namely: the political criteria, the economic criteria and the ability to assume the obligations of membership (legal and administrative criteria).

Meeting these criteria was supported by pre-accession assistance funding from the European Union. Since 2000, all EU assistance grants for preparing the accession candidate countries were concentrated in three major funds: PHARE, ISPA and SAPARD. The cumulative value of all these funds received by Romania in the pre-accession period amounted to 3.934 million Euros, plus another 1.367 million Euros as co-financing, representing the national budget contribution (Petrescu, 2004, p. 2).

According the *political criteria*, Romania had to prove the stability of its institutions guaranteeing democracy and rule of law (parliament, government, judiciary, anticorruption measures), human rights and minority protection (civil and political rights, economic rights, social and cultural rights minorities) (Petrescu, 2004, p. 251). It were the only criteria to be met before the accession negotiations had started. Since this criteria were met by Romania since at least 1997, the December 1999 European Council in Helsinki decided that "Romania can start negotiations" (*European Commission 2004 Regular Report on Romania's Progress Towards Accession*).

The *economic criteria* require the existence of a functioning market economy able to compete on the European single market (*European Commission 2004 Regular Report on Romania's Progress Towards Accession*). On October 7, 2004, the country report published by the European Commission, following the reforms that had been implemented during the negotiations, awarded the Romanian economy with the status of a "functioning market economy." However, it was still unable to compete on the European single market (*European Commission 2004 Regular Report on Romania's Progress Towards Accession*).

Functioning market economy status is based on satisfying the following requirements:

- Balance between supply and demand is achieved by free market confrontation; prices and trade should be liberalized;
- Absence of entry (the creation of new firms) and exit barriers (bankruptcy);
- Ensure legal framework, including one on property rights; the imposition of laws and contracts;
- Macroeconomic stability, including price stability and sustainable public finances;
- The existence of consensus on key aspects of economic policy;
- The financial sector has to be sufficiently developed to redirect savings to productive sector (*Reports on Progress towards Accession by each of the candidate countries*, 1998).

In fulfilling the economic criteria, the development of Romania, in the pre-accession period, can be divided into two distinct subperiods:

- Second half of the '90s - was a pretty troubleling period for Romania, characterized by failure to stabilize the economy, an attitude quite reluctant to liberalize prices and markets and a long period of recession, a usual characteristic of the transitional period; inflation reached really high rates up to 154% in 1997, unemployment and budget deficit were high. Since 1996 until 1999, Romania's GDP have been falling annually;
- But since 2000, Romania has registered a steady economic growth, a steady decline in inflation and budget deficit. Creating a relatively stable economic climate attracted many foreign investments. FDI grew as a percentage of GDP which had been in turn increased (from 3.1% in 1999 to 9.36 in 2006), reaching 5213 million Euros in 2005 and 9082 million Euros 2006 (*European Commission reports on progress made by Romania in the EU accession process*).

During this long pre-accession period, the volume of commercial transactions has increased every year (imports value increased 4.07 times and exports 3.46 times), reaching in 2006 an import value of 40.74 billion and 25.85 billion of exports. Geographic shifts also occurred, so most of flows are oriented to European Union countries. The percent of imports from European Union

countries (EU-25) in 2006 was up to 62.6 and the exports to European Union countries (EU-25) reached 67.7 percent (Statistics Archives Online 2006).

In the private sector, contribution to GDP increased from 34.8% in 1993 to 70.4% in 2006.

Regarding the *ability to assume the obligations of membership* - Romania had to comply with two criteria: *legal criterion* (adopting the *acquis communautaire*) and *administrative capacity criterion* (reforming and strengthening the administrative and judicial structures for allowing the adoption and implementation of the *acquis communautaire*). Adopting negotiations, concluded in December 2004, focused on the terms in which Romania has adopted, implemented and enforced the *acquis*, and, in particular, on possible transitional arrangements (transition periods and exemptions). Much of the reforms imposed by political and administrative criteria would have been done anyway, without membership conditionality, because they are specific to the transition period. The difference was within the allocated time frame, as European Union had pressed for their faster implementation (Preston, 1997).

2.2 Effects suffered by Romania after the EU accession

As a member of the European Union, Romania participates in the adoption and implementation of EU policies. According to the EU budget for 2007-2013, the EU will have three policy priorities (Oprea and Meșniță, p.17), structured as follows:

- Regional policies - focused on economic and social development;
- Foreign policies – for increasing the EU's role among non-member countries, candidate countries and third countries;
- Thematic policies - supported by community programs, known as domestic policies. They concern agriculture, rural development, fisheries, research and development. information technology, energy, environment, education, training, health, etc..

Starting from 2007, Romania is beneficiating of 20 billion Euros in structural and cohesion funds, adding to this amount about 13 billion for agricultural and rural development. Post-accession funds are destined upgrading infrastructure and adopting measures to boost living standards, the competitiveness of companies and the number of available jobs. It is extremely important for Romania's future to increase its absorption capacity. If during 2007 approx. 2 billion Euros were available for financing projects, in 2009 Romania had the possibility to absorb up to 2.9 billion Euros.

Customs union achievement and participating in the EU Internal Market, which involves the four freedoms (goods, labor services and capital), gives an indisputable advantage for Romanian companies, which may act in a market with 500 million consumers. The accession forced Romanian companies to achieve a high level of competitiveness for dealing with European competition. This had implied some restructuring costs related to the technologies and the personnel used. In addition, application of uniform rules for business greatly simplified the procedures for companies operating in the EU market.

Romania has to pay its contribution to EU budget. This created some problems in setting up the national budget, as Romania had to find resources to cover this contribution, but also to meet the criterion of the nominal budget deficit (which requires the budget deficit to be below 3%) for adopting the Euro. In 2007, Romania had to pay 3.9 billion lei (1.1 billion Euros), which represented approximately 1.02% of Romania's Gross Domestic Product. In 2008, while Romania is ranked seventh in the EU by population, it was only on 17th considering its contribution to the European budget (Romania's per capita contribution was the penultimate by size: 47 Euros). Thus, Romania has contributed to the EU budget with 1.01 billion Euros, benefiting of 2.6 billion (Panaite, 2010). According to a press release of the Ministry of Finance, in 2010, the estimated contribution to the EU budget will reach to 5.92 billion lei (*MFP: România va plăti la bugetul UE 39 miliarde lei in perioada 2007-2013*, 2010).

Romania's contribution to EU budget and EU co-funded projects have led to a budget deficit increase from 1.7% of GDP in 2006 up to 4.9% (2008) and 7.4% (2009) (Orgonas, 2010).

On January 1, 2007, when Romania had joined the European Union, Romanian citizens became EU citizens. Starting from 2007, Romanian citizens travelling abroad have got, both within EU Member States and the territory of third countries, the basic rights of EU treaties like all other European citizens: freedom of movement throughout the entire territory of the European Union, consular protection from the embassies and consulates all EU Member States (if Romania doesn't have a diplomatic or consular representation), the right of residence in the territory of other Member States of the European Union, the right to vote and run for local elections in the EU Member State in which they reside, the right to vote and run for European elections in the EU Member State in which they reside, right to petition the European Parliament on issues covered by responsibility areas of the European Union and which directly affect them, the right of complaint to the European Ombudsman against acts of improper management of Community institutions or bodies, etc.. (*Drepturile cetățenilor români în Uniunea Europeană*, 2007).

With Romania and Bulgaria's accession to the European Union, the EU Council had to adopt a series of decisions to make all the institutional changes required by this new enlargement.

These decisions concern: new appointments of Romanian and Bulgarian members to EU's institutions, update the official figures of the EU population and the official list of exercising the EU Council Presidency (Romania will hold the EU Presidency from July to December 2019) and other changes regarding qualified majority voting (*Românii în instituțiile europene*, 2007).

Romania is holding the following positions in the European institutions: a European Commissioner, 35 members of the European Parliament, a judge of the Court of Justice, a Judge of the Court of First Instance, a State Court, 15 members of Economic and Social Committee, 15 members of the Committee of the Regions; also Romanian National Bank is now part of the European System of Central Banks and its governor participates as a full member in General Council of the European Central Bank and its committees.

3. THE IMPACT ON EUROPEAN UNION

This impact consists, primarily, in extending the Single Market, a former member economies refresher, providing new investment opportunities. The highest cost is related to the financial support needed for this new enlargement, in solidarity regarding new members trying to decrease the economic disparities arising from the Union. Three presidential of the Council mandates (Luxembourg, UK and Austria) were needed in order for the 2007-2013 budget to be approved.

Another problem arising from the recent two waves of expansion was the one regarding the European institutions. After the EU's enlargement from 15 to 27 Member States, a new institutional reform, for raising the efficiency of the decision making process was needed. This was achieved by adopting the Nice Treaty, in December 2000.

In a poll conducted by Gallup Romania, over 75% of the subjects claimed, in April 2006, that Romania had been unprepared, especially in economic terms, for the accession. An eloquent statement of a regular Romanian citizen was quoted in a BBC report: *"I do not think that the accession date really counts, but the fact that Romania is not yet ready to join the EU, and if it is accepted then it will be in its own detriment because we must understand once for all that we cannot fool them anymore with our reforms only on paper and formally applied"*.

Therefore, the accession of the Central and Eastern Europe States to the European Union was based on "return to Europe" principle, having a clear cultural-identity dimension. Nevertheless, other aspects like the geopolitical and economic needs (especially security) of the EU definitely cannot be neglected.

4. CONCLUSIONS

Most of the effects of the *trade liberalization* have already occurred. Spectacular effects regarding trade with European Union are no longer expected.

Taking over the *EU Common Customs Tariff and the Generalized System of Preferences* have produced concerns about increasing imports from third countries and trade balance deterioration. Trade deficit increased indeed in 2007 compared with 2006, with approximately 46%. But those fears were not justified, since, although in 2006 the trade deficit with non-EU countries represented 34.43% of the total deficit in 2007, it had to decline, occupying only 29.64% (2007) and 22.78 % (2008) of the total trade deficit. So, despite expectations, the trade deficit with EU countries has increased in higher proportion than the trade deficit with outside EU countries, in 2007 and 2008 compared with 2006.

Short-term effects of taking up the *Internal Market acquis* were negative because they required investmental efforts to adjust to European standards, which led to a decline of domestic firm's competitiveness, decreased exports and trade balance deterioration. Therefore, imports grew 11.2% faster than exports, leading to a 44.4% higher trade deficit (FOB-CIF) compared to 2006 (Comerțul exterior în 2007). In 2008, however, while exports increased by 14.37% and imports by 10.48% compared to 2007, the trade deficit continued to rise (because imports were higher than exports) with 5.17% (from 21.5908 million Euros in 2007 to 22.7089 in 2008).

Regarding the *Common Agricultural Policy* adoption, agricultural prices have increased, as expected, because of large differences between prices of agricultural products in Romania and EU countries. Thus, in January 2007 agricultural prices increased by 1.5% (due, in particular, to vegetable products whose prices had risen by 3.1%, while animal products had fallen by a 6%) (Buletin statistic de prețuri ianuarie 2007). Between January 2007 and January 2008, prices for agricultural products increased by 24% (20.3% for vegetable products and 4.4% for animal products) (Buletin statistic de prețuri ianuarie 2008). Between January 2008 and January 2009 prices of agricultural products declined by 10.6% (this time vegetable products became 17.8% cheaper, while animal prices increased by 7.2%) (Buletin statistic de prețuri ianuarie 2009). That's probably also because the economic crisis has already been felt in most European countries. Soon, Romania would have been embraced by the global economic crisis, although the last quarter of 2008, despite the global slowdown, the Romanian economy recorded, however, one of the highest growth rates in Europe (Badulescu, 2009, p. 236-237).

Regarding the accession to the *Economic and Monetary Union*, in the short term, negative effects will be expected if it takes place prematurely, before the candidate countries to complete the

transition to a market economy and to create the appropriate framework for macroeconomic stabilization.

Romania shows many delays in assigning the nominal and real convergence criteria. Real convergence refers to the degree of openness of the economy (expressed as the sum of exports and imports as a share of GDP), the share of bilateral trade with EU countries of total foreign trade, economic structure (expressed as share of GDP of major economic sectors), the GDP per capita. The current economic crisis and the major problems faced by Greece (part of the Eurozone) will probably determine that Romania's accession to the Eurozone to occur later than initially foreseen, in 2012.

Like all states that joined the Eurozone, Romania will have to face some disadvantages and risks like giving up independent monetary policy or a price increase.

Prospects for Euro adoption have stimulated economic growth. The need to adopt the *acquis communautaire* and its efforts for meeting the Maastricht criteria, induced an increased investor confidence and lower risk premiums.

Tangible benefits of the Euro for the Romanian citizens will be felt gradually, with the deepening of European integration. Introduction of the Euro will be a stabilizing factor that will greatly reduce losses caused by local commercial agents exchange risks. Also, the introduction of the Euro will save precious time in business management and risk analysis.

In conclusion, in the first years after accession, some negative effects were felt, consisting of trade balance deterioration, lower competitiveness of firms, higher prices for agricultural products, increase the budget deficit (due to co-financing regional development projects and contribution to EU budget).

Whereas, after only two years to acquire membership of the European Union, an economic crisis began, and is still being felt worldwide, economic effects of accession are difficult to separate from those of crisis. It is true that the economic crisis have spread faster because of increased integration interrelationships between Member States. But it is difficult to estimate and compare the current crisis' impact if Romania wouldn't have been a EU member or more, if Romania wouldn't even have signed the Europe Agreement in 1993.

The positive effects of accession will rely on medium and long term, consisting in creating an environment of stability and growth. "Integration" means the gradual approximation of economic structures, political and social rights of the Romanian to the ones from EU, and not only becoming a member of the European Union. So integration is a process that takes several years. For Romania, the process began in 1993, when the Europe Agreement had been signed, and will continue after Romania joined the Union.

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U.S. – E.U. ECONOMIC RELATIONS IN THE CONTEXT OF ECONOMIC GLOBALIZATION

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Abstract: *Traditionally, U.S. and E.U. are the major economic forces in the world. Today, in the context of economic globalization, relations between the U.S. and E.U. continue to guide the world. Yet the economic crisis and the rise of third world countries are affecting their global share.*

Key words: globalization, world power, trade flows, multinationals, investment funds

JEL Classification: F15, F02, F50

1. INTRODUCTION

Since the emergence of the first forms of social organization there have been countries that imposed as leading actors to the international scene. As power centers, these countries have shaped and influenced the various sectors of the international system (the political-territorial, geopolitical, (geo) economic, military, cultural etc.).

Blouet (2001, p. 7 in Dobrescu, 2003) stated that: Each power unit was designed as a policy unit of five components, which can be seen as: geographic, ethnic, economic, social and legal. Moreover, global powers have maintained and increased their status by economical, political, military or ideological domination.

International trade, direct and indirect investments in other countries, as well as production for external markets, has increased the interconnection of economies worldwide. Today, however, unlike in the past, internationally, the state contribution is different, which gives international economy a polarized nature.

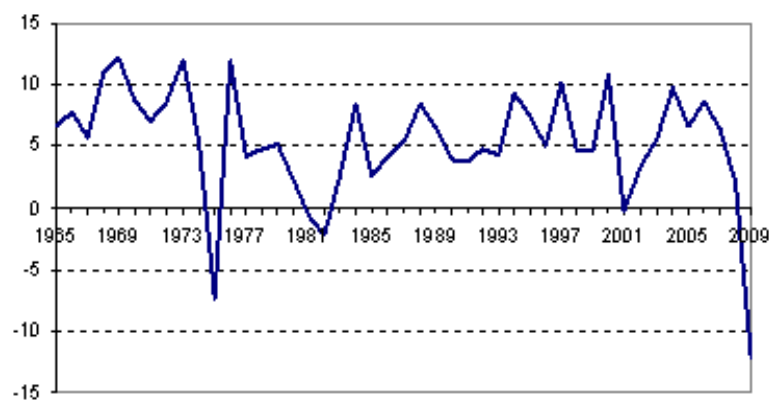
In fact the world has evolved over time from a single-pole character, characterized by the dominance of a single great power (in the seventeenth century Holland, Britain in the eighteenth and nineteenth centuries, France at the end of the nineteenth century, Germany at beginning of the twentieth century), to a multi-pole one (the world dominated by the 2 nuclear poles, U.S. and Soviet Union).

Current international economic relations are conducted in a triangular system, known in the literature as the economic triad, which includes U.S., European Union and Japan. Two of the three (US and EU) are also forming the largest bilateral trading partnership in the world.

2. COMMERCIAL FLOWS

International trade is the oldest and most important component of economic relations between countries. World economy was based on trade between nations. Although connections between countries are numerous, exceeding the category of economic, trade flows are the most important connection through its value, geographical extent and structural variety of transactions. Increasing exports and imports attests the process of globalization in its commercial dimension (İşan, 2004, p. 220).

Chart 1 - The volume of world merchandise exports 1965-2009 (Annual percentage change)



Source: WTO: 2010 Press Releases

The economic crisis has affected the volume of world merchandise exports, as can be seen in the chart above; the trading volume fall was the biggest in 40 years.

Table 1 - GDP and trade in goods in 2006-2009 (Annual percentage change at constant prices)

	GDP				Exports				Imports			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
EU	2,8	2,8	0,7	-4,2	10,5	4,0	-0,1	-14,8	5,5	4,1	-0,8	-14,5
US	3,0	2,1	0,4	-2,4	7,5	6,7	5,8	-13,9	7,0	1,1	-3,7	-16,5

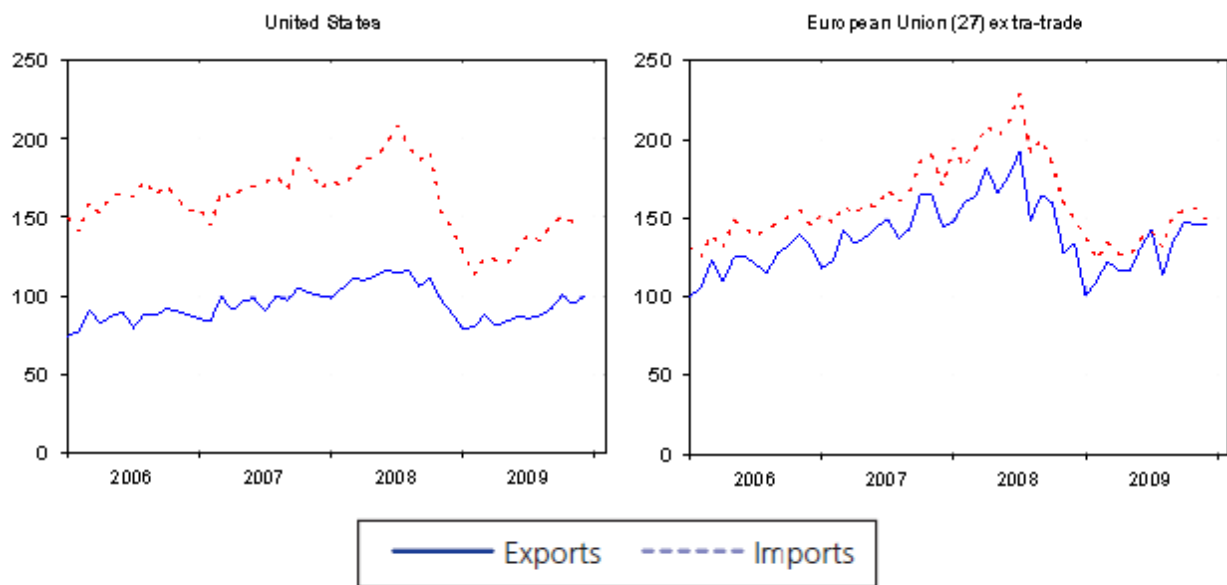
Source: World Trade Report 2010 și WTO: 2010 Press Releases

From the table above it can be noted that, since 2008, the effect of the crisis has slowed growth in the two great powers (the GDP of both countries has grown less than in 2007 and 2006).

Also, both countries saw their export rates affected: in the U.S. the value of exports has slowed its growth compared to 2007 and in the European Union the growth was much lower than in 2007 or 2006. The decrease was also felt to imports.

Major effects of the crisis were felt in 2009, when the GDP decreased by 2.4%, while the one of EU with 4.2%. Effects were more pronounced in the rates of exports, falling by 14.8% in the EU and 13.9% in the United States of America. Decrease in imports was in 2009, 14.5% for EU and 16.5% for the United States of America.

Chart 2 - EU and U.S. exports and imports of goods January 2006 - February 2009 (\$ billion)



Following the crisis, both countries have seen a decrease in goods trade deficit. The largest decrease was registered by the deficit of EU.

Table - 2 World trade in goods in 2009 (\$ billions and %)

	Exports					Imports				
	Value	Annual percentage change				Value	Annual percentage change			
	2009	2005-09	2007	2008	2009	2009	2005-09	2007	2008	2009
The World	12 147	4	16	15	-23	12 385	4	15	16	-24
US	1 057	4	12	12	-18	1 604	-2	5	7	-26
EU	4 567	3	16	11	-23	4 714	3	16	12	-25

Source: WTO: 2010 Press Releases

World trade in goods has seen increases in both U.S. and EU by 2008. In 2009, world trade of commodities, of the U.S. and EU declined sharply. With one exception all the reductions were more than 20%.

Table 3 - Value of EU Imports

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU imports (€ billion)	743.30	992.70	979.14	936.97	935.25	1027.54	1179.85	1351.74	1434.0	1565.0
Imports from US	165.86	206.28	203.30	182.62	158.12	159.37	163.80	175.5	181.6	186.9
Imports from U.S. (%)	22.3	20.8	20.8	19.5	16.9	15.5	13.9	13.0	12.7	11.9
Rate of imports from US (%)	-	- 1.5	0	- 1.3	- 2.6	- 1.4	- 1.6	- 0.9	- 0.3	-0.8

Source: World Trade Report 2007 & WTO: 2010 Press Releases

In the table are shown the import values of EU for the years 1999-2008. In terms of value, total EU imports have risen upward, from 1999 to 2008 imports increased from € 743.30 billion to € 1425.95 billion. This growth is explained mainly by increasing the number of member states in the Union.

EU imports from United States have not followed the general trend of the total, but have seen a downward trend. The share of imports fell from 1.5% in 2000 and 2001 to 0.3% and 0.8% in 2007 and 2008.

Table 4 - Annual trade trends in EU (Imports - € million value and variation %)

	2005		2006		2007		2008		Jan - Jul 2009	
	Value	05/04	Value	06/05	Value	07/06	Value	08/07	Value	09/08
EU	1179,569	14,8	1352,787	14,7	1434,010	6,0	1565,034	9,1	690,533	-25,3
US	163,511	2,6	175,547	7,4	181,594	3,4	186,887	2,9	97,560	-12,1

Source: WTO: 2010 Press Releases

Regarding commercial trends we remark, from the above table, that, after a consecutive period of four years in which there have been registered increases in value and percentage of imports, in the first half of 2009 they have seen a sharp decrease. Compared with the first half of 2008, EU imports in 2009 decreased by 25.3% and the U. S. 12.1%.

Table 5 - Value of EU exports

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
EU exports (€ billion)	683.08	849.74	884.71	891.90	869.24	952.93	1053.20	1160.10	1241.50	1306,5
Exports to US	187.00	238.20	245.59	247.93	227.28	235.50	252.85	269.10	261.50	250.0
The share of exports to U.S. (%)	27.4	28.0	27.8	27.8	26.1	24.7	24.0	23.2	21.1	19.1
Rate of exports to the U.S. (%)		+0.6	-0.2	-0.2	-1.7	-1.4	-0.7	-0.8	-2.1	-2

Source: World Trade Report 2007 și WTO: 2010 Press Releases

EU's total exports have risen between the 1999 and 2008. Thus, from the value of 683.08 billion euro registered in 1999 the exports reached about € 1.3065 trillion in 2008.

The share of EU exports to the U.S., in total exports, in the mentioned period, has increased in the first phase, but was followed by a decrease for the remaining years. Thus in 1999 the rate of exports increased by 0.6% of exports. Since 2000 exports have declined every year from 0.2% in 2001, until 2007 when they registered the most dramatic decrease, 2.1% compared to the year before. The decline decreased in 2008 versus 2007, but was still a significant 2%.

Table 6 - Trends in EU annual trade (Exports) (€ million, value and variation %)

	2005		2006		2007		2008		Jan - Jul 2009	
	Value	05/04	Value	06/05	Value	07/06	Value	08/07	Value	09/08
EU	1052,720	10,5	1160,101	10,2	1241,498	7,0	1306,549	5,2	622,543	-19,4
US	252,683	7,3	269,144	6,5	261,484	-2,8	249,959	-4,4	120,088	-19,5

Source: WTO: 2010 Press Releases

Regarding commercial trends we remark, from the above table, that for the European Union, after a consecutive period of four years in which growth occurred (the percentage and the value of export) in the first half of 2009 they experienced a sharp decrease of 19.4%.

If we compare the exports from 2009 with the first half of 2008 we remark that the EU exports decreased by 19.4% and the ones of US with 19.5%.

Table 7 - EU trade balance in relation to U.S.

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009 Jan – Jul
€ billions	21.14	31.92	42.30	65.31	69.16	76.13	89.05	93.77	80.34	63.07	22.53

Source: *World Trade Report 2007* and own calculations

In the EU relations with the U. S. trade balance has a surplus, exports to these being higher than imports. However the increase was from € 21.14 billion in 1999 to 93.77 in 2006. After 2006 trade surplus saw a downward trend. Thus in 2007 the trade balance recorded a surplus of only € 80.34 billion and in 2008 just € 63.07 billion.

For 2009 not all the data are yet available, but in the first half of the year, the surplus was of only € 22.53 billion.

3. TRADE IN SERVICES

Services were considered, a long time, as an area with low productivity, even a brake on economic development. But now, according to most experts, they have an important role in economic growth and quality of life.

International trade in services is represented by the activities of export / import services, namely sales / purchases in excess of the actual customs borders. Sale and purchase of services over the borders entails the travel of the capital, of the labor force and of the producers.

Generally trade in services consists of: services embedded in goods (movies, books); services complementary to trade in goods (transport, handling, insurance and reinsurance, banking, advertising); services which substitute trade assets (franchise, lease, repair and maintenance);

services sold independently of trade in goods (human insurance and other non-freight insurance, accounting services, legal services, medical services, etc.).

For example, in respect of export of transport services on the first place in the world there is the European Union, accounting for 45.70% of the world (in 2009), followed by U.S. with 14.19%

Regarding the imports of transport services, EU holds the first position with a rate of 42.66% of total, U.S. having only 10.62% of the total.

Table 8 - World trade services in 2009 (\$ Billions and %)

	Exports					Imports				
	Value	Annual percentage change				Value	Annual percentage change			
	2009	2005-09	2007	2008	2009	2009	2005-09	2007	2008	2009
The world	3 310	7	20	12	-13	3 115	7	19	13	-12
US	470	7	16	10	-9	331	4	8	8	-9
EU	1 513	7	21	11	-14	1 329	6	19	11	-13

Source: WTO: 2010 Press Releases

Crisis affected the trade in services. Thus, in 2009, there were significant decreases compared with 2008 overall (13% to 12% for exports and imports) in the U.S. (9% for exports and imports as much) and in the European Union (14% to 13% for exports and imports). Note that until the crisis, the growth of exports of transport services was quick; by 2008 the EU accounted an 88% growth compared with 2003.

4. MULTINATIONALS

Looking to the EU - US relationship, in terms of big transnational companies, we remark that, in 2009, the top income recorded is the one of the well known US conglomerate General Electric.

Table 9 - The world's largest multinational companies in 2009

RANK	COMPANY	COUNTRY	INDUSTRY	SALES (\$BIL)	PROFITS (\$BIL)	ASSETS (\$BIL)	MARKET VALUE (\$BIL)
1	General Electric	United States	Conglomerates	182.52	17.41	797.77	89.87
2	Royal Dutch Shell	Netherlands	Oil & Gas Operations	458.36	26.28	278.44	135.10
3	Toyota Motor	Japan	Consumer Durables	263.42	17.21	324.98	102.35
4	ExxonMobil	United States	Oil & Gas Operations	425.70	45.22	228.05	335.54
5	BP	United Kingdom	Oil & Gas Operations	361.14	21.16	228.24	119.70
6	HSBC Holdings	United Kingdom	Banking	142.05	5.73	2,520.45	85.04
7	AT&T	United States	Telecommunications Services	124.03	12.87	265.25	140.08
8	Wal-Mart Stores	United States	Retailing	405.61	13.40	163.43	193.15
9	Banco Santander	Spain	Banking	96.23	13.25	1,318.86	49.75
9	Chevron	United States	Oil & Gas Operations	255.11	23.93	161.17	121.70
11	Total	France	Oil & Gas Operations	223.15	14.74	164.66	112.90
12	ICBC	China	Banking	53.60	11.16	1,188.08	170.83
13	Gazprom	Russia	Oil & Gas Operations	97.29	26.78	276.81	74.55
14	PetroChina	China	Oil & Gas Operations	114.32	19.94	145.14	270.56
15	Volkswagen Group	Germany	Consumer Durables	158.40	6.52	244.05	75.18
16	JPMorgan Chase	United States	Banking	101.49	3.70	2,175.05	85.87
17	GDF Suez	France	Utilities	115.59	9.05	232.71	70.46
18	ENI	Italy	Oil & Gas Operations	158.32	12.91	139.80	80.68
19	Berkshire Hathaway	United States	Diversified Financials	107.79	4.99	267.40	122.11
20	Vodafone	United Kingdom	Telecommunications Services	70.39	13.30	252.08	93.66

Source: Special Report: The Global 2000, 2009.

In the first 20 multinational companies we have 8 companies in the oil industry, car manufacturers, one retailer, and companies in banking, utilities, telecommunications and conglomerates.

From the first 20 companies, seven are US companies (5 of them in the top 10) and 9 from EU (Including only four in top 10). Considering that the US have five companies in top 10 we can say that US still dominates the world in this regard, exceeding the European Union and Japan.

Since the 90s, in the US, transnational companies had more than one third of the industrial output, more than half the country's foreign trade and, in addition, approximately 80% of licenses for new technologies in the capitalist world (Michel, 1994, p. 158).

5. INVESTMENT FUNDS

An important indicator of US - EU economic relations, in the context of globalization, is the state of investment funds.

Chart 3 - Investment fund assets worldwide (trillion €)

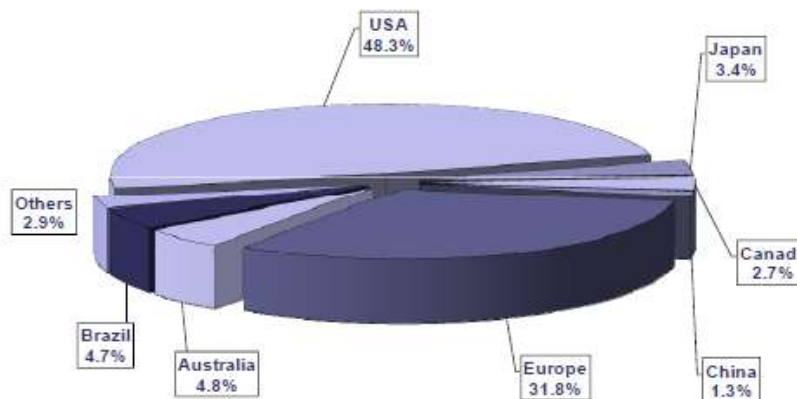


Source: Worldwide Investment Fund Assets and Flows. Trends in the third Quarter 2009

Global investment funds had, in the past three and half years, a fluctuating trend.

By Q3 2007 the general trend was of increasing value. From the Q4 it was recorded a decrease from \$ 18.21 trillion to \$ 13.59 trillion in Q4 2008. In 2009 there was a moderate increase, reaching \$ 15.28 trillion in Q3.

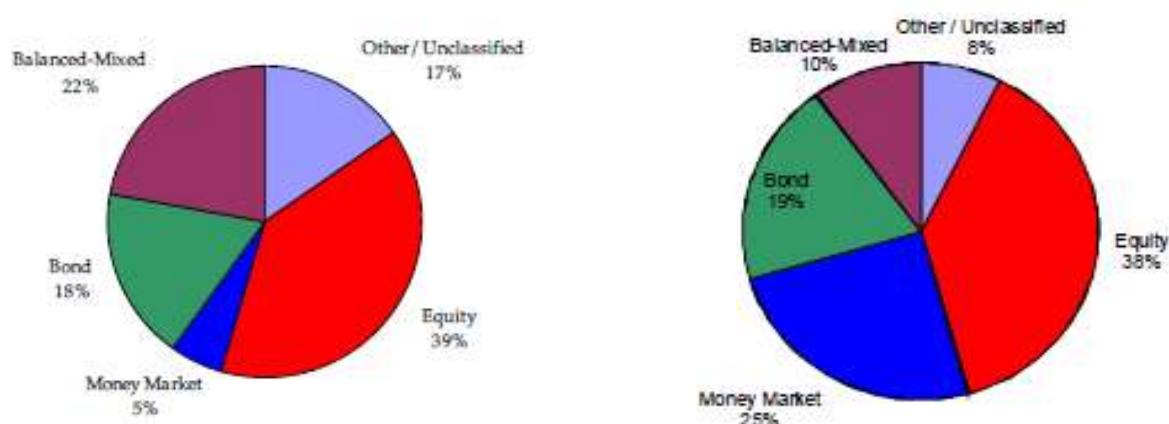
Chart 4 - Worldwide investment fund assets, market share at the end of Q2 2009



Source: Worldwide Investment Fund Assets and Flows. Trends in the third Quarter 2009

According to European Fund and Asset Management Association (EFAMA) at the end of Q2 2009, investment funds of US and Europe totaled 80.1% of all global funds (a decrease of 0.7% compared with 2008).

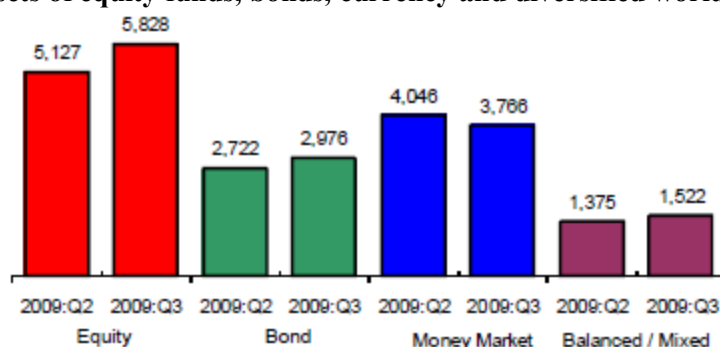
Chart 5 - Types of equity funds in Q2 and Q3 2009



Source: Worldwide Investment Fund Assets and Flows. Trends in the third Quarter 2009

At the end of the Q3, total assets of investment funds were divided as follows: fund shares accounted for 38% of total (down 1% from Q2), bond funds had 19% (increase of 1% from Q2), and the money represented 25% (up 20% from the end of June), diversified funds were 10% of total (12% down). Funds that do not fall into any of these categories were at the end of June, amounting to 8% (9% down).

Chart 6 - Assets of equity funds, bonds, currency and diversified worldwide (billion €)

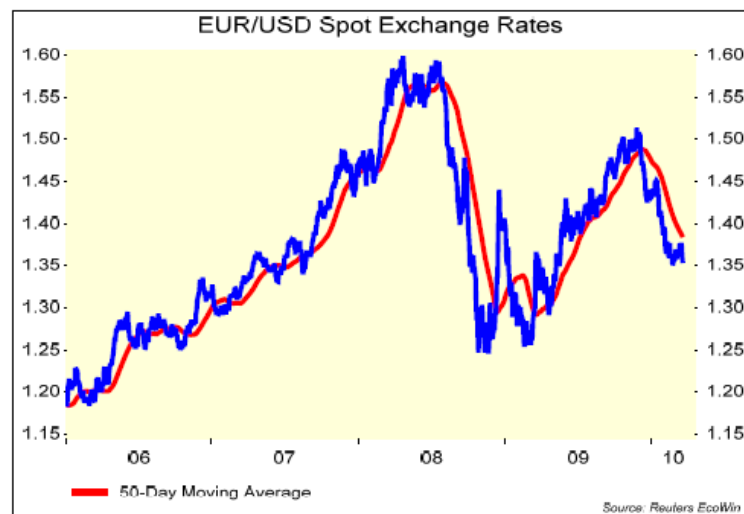


Source: Worldwide Investment Fund Assets and Flows. Trends in the third Quarter 2009

Regarding the state of the main types of investment funds, in terms of value, we see that, in the third quarter of 2009, there was a slight increase in three of four categories. Equity funds rose by 0.701 billion euro, the bond with 0.254 billion euro, the currency fell by 0.28 billion euro, while diversified increased with 0.147 billion euro.

In the context of the global crisis, the US and EU investment funds were those whose activity was most severely affected, and the heavyweights of US investment (Kohlberg Kravis Roberts, Carlyle Group, Goldman Sachs and Morgan Stanley) have sought to counteract the effects of crisis by allocating 250 billion dollars for investment in US infrastructure (International Herald Tribune, 2008) and outside them.

Chart 7 - Trend of euro-dollar and dollar-euro in recent years



Source: Global FX 22 March 2010

Table no. 10 Exchange rate EUR / USD

	2009 Q4	2010 Q1F	2010 Q2F	2010 Q3F	2010 Q4F
EUR/USD	1.4321	1.35	1.40	1.40	1.45

Source: Global FX 22 March 2010

In the chart above we can see that, despite fluctuations in recent four years (with the strongest trends of appreciation of the euro and dollar depreciation), the exchange rate reached at the end of 2008 similar levels to those of early 2006. Then it rose in 2009 to over 1.5, and for 2010 is forecasted to fall to 1.4.

Table 11 - Forecast of key economic indicators

%	U.S.			Euro Zone		
	2008	2009	2010F	2008	2009	2010F
Real GDP	0.4	-2.4	2.5	0.6	-4.0	1.0
Inflation rate	3.9	-0.4	2.5	3.3	0.3	1.5
Unemployment	5.8	9.3	9.8	7.6	9.4	9.8
Short-term interest rate	0-0.25	0-0.25	0-0.25	2.50	1.00	1.00
10-year bond yield	2.21	3.84	4.20	2.95	3.39	3.80

Source: Global FX 22 March 2010

Regarding the prospects of U.S. and the EU major economic indicators, after declines recorded in 2009 GDP for 2010 is forecasted a growth. We also expect increases in bond yields for the U.S. and the EU. Other indicators that are predicted to increase are the rates of inflation and unemployment.

6. CONCLUSIONS

Traditionally, EU and US were the main actors of the international scene, but the development of third world states, the opening of new markets (e.g. China) and the economic crisis has made the share of superpower EU and US as a total to decrease.

Thus, even if the two powers still have a major importance in the world economy, their share in total is lower. But despite a decline in the share, if we refer to the value, relations between the EU and US are and will remain the engine of the world economy. Moreover, in 2010, is expected a slight rebound in the economy in both countries.

The fact that the US and EU are the largest players in the world makes the relations between the two countries essential for the process of globalization.

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