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CORRUPTION - AN INHIBITING FACTOR FOR THE EFFICIENT IMPLEMENTATION OF STRUCTURAL FUNDS IN ROMANIA

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Abstract: *The aim of this paper is to give an insight into the link between corruption and the implementation of structural and cohesion funds in Romania and the other Central and Eastern European states (CEE). Although there is a great interest within the mass-media and the civil society for this topic, very few in-depth analyses have been carried out on this subject by independent researchers. This article starts with an evaluation on the various indicators and indexes that quantify corruption, continuing with a comparison at a regional level. Afterwards, the analysis continues with a brief assessment on the implementation of structural funds in Romania and the other CEE states.*

What we have found by analysing the corruption indices and absorption rates for 7 European Union member states is that there is a strong link between the two phenomena: states with high levels of corruption benefit less from structural and cohesion funds having lower absorption rates.

Keywords: Structural funds, Cohesion Funds, Corruption in Romania
JEL Classification: D73, E61, O52, R11, R58

1. METHODS OF ASSESSING CORRUPTION

Corruption is a phenomenon that is today in the spotlight all across Europe and is often associated with slow growth, underdevelopment and even sovereign debt crisis. The current economic situation has focused the attention even more on European countries with high perceived corruption levels, such as the Mediterranean states or new member states from Central and Eastern Europe.

For the CEE countries corruption has been linked to the legacy of the communist regimes, where corruption was widespread within the administration and the transition to a market economy. The legacy is mainly related to the extensive use of bribes and personal connections to solve problems, to do business or to deal with the public administration. As long as many of the former communist party members remained in positions of power in politics, administration and business sectors, corruption levels remained high in the transition period.

For citizens in the CEE, in some areas more than others, corruption remains a fact of life, common knowledge and part of day to day routine. Thus, given the extent of the phenomenon, it is hard to accurately evaluate, measure and identify the most effective course of action.

It is very difficult to objectively asses corruption because of its hidden nature, the complicity of individuals associated with it and the virtual absence of tangible data, making perception indices the main method for quantification. As with any indicator based on perception, these indices can leave a gap between the real situation and the measured value. Much debate has been carried out over how accurate these measurements are but even with different sources of data, methodologies and tools, results for CEE states are similar. In order to better understand the nature of the evaluation, the measurements will be separated into two main categories related to the level that they are calculated at:

I. Global assessments:
   1. Corruption Perceptions Index (CPI) released annually by Transparency International.
   2. Business Environment and Enterprise Performance Survey (BEEPS), released annually by a joint venture comprising of the European Bank for Reconstruction and Development and the World Bank.
   3. World Governance Indicators (WGI), released annually by the World Bank.

II. Regional assessments:
   1. Eurobarometer (EB) 374, coordinated by the Directorate-General of Communication within the European Commission.

The most used indicator is the CPI, published annually since 1995 by Transparency International, an international non-governmental organization that concentrates its efforts mostly on corruption and related phenomena. The index covers 178 countries and it is based on surveys and assessments that measure the perception of corruption. Because the information collected is based on subjective evaluations and the topic is a sensitive one at the political level, a substantial amount of criticism has been addressed against the CPI on grounds such as: inaccuracy, inconsistent methods or the impossibility to assess the implication of corruption levels in a particular society. However, the CPI has proved to be a powerful tool, with wide acceptance (Urra, 2007).

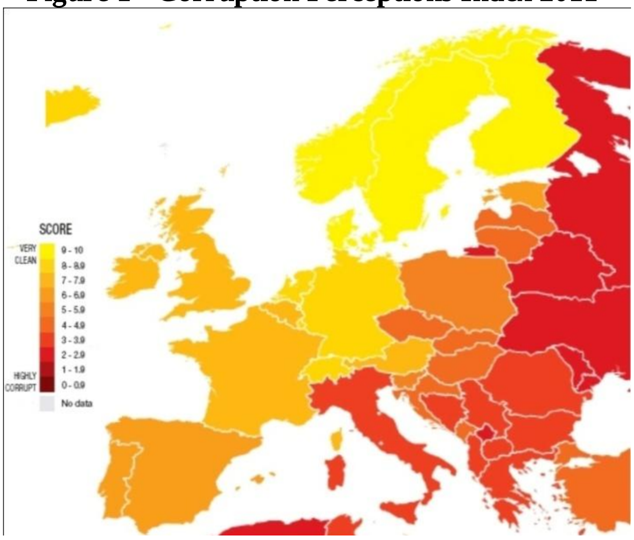
Another indicator that we will analyse is BEEPS, elaborated by the World Bank starting in 1999 after a growing consensus on the idea that corruption and institutional weakness actively halted business and investment flows (Brunetti *et al.*, 1997). The indicator aims at evaluating the quality of governance from a private-sector viewpoint. This is not the only relevant indicator on this topic released by the World Bank as we also have the WGI that gives a more detailed picture, including details on topics such as voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality and Rule of Law.

As we have seen, there are a large number of data sources that will be analysed in order to insure a correct and accurate analysis of the phenomenon. The data from the various reports will be presented and confronted on a national level and the indicators for Romania will be compared to other Central and Eastern European (CEE) countries to see if there are significant differences between them.

2. CORRUPTION INDICATORS FOR ROMANIA

In order to get a global perspective we will start with the widely used CPI 2011. The report puts Romania on the 75th position out of 183 nations with a score of 3.6 (10 being the best and 0 the worst). The score reveals a high level of corruption at national level with peaks in political parties (4.5 out of 5), parliament and legislature (4.5 out of 5), police (3.9 out of 5), public officials and civil servants (3.8 out of 5). These levels have remained relatively constant with little to no improvement over the past 4 years: 87% of people interviewed feeling that corruption has increased from 2007 to 2010 and only 2% believing that it has decreased (Corruption Perceptions Index 2011, Transparency International).

Figure 1 - Corruption Perceptions Index 2011

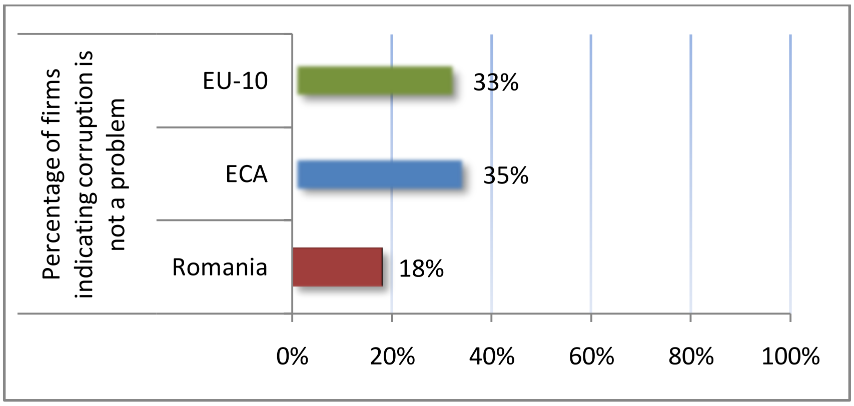


Source: Corruption Perceptions Index 2011, Transparency international

Within the European Union (EU), high corruption is concentrated in the southern and central-eastern states. Particularly high levels are found in Bulgaria (CPI of 3.3), Greece (CPI of 3.4), Romania (CPI of 3.6) and Italy (CPI of 3.9). The lowest corruption levels are found in the Scandinavian states, with a CPI of over 9, some of the lowest levels reported.

BEEPS, an indicator oriented more on the business sector covers a broad range of topics, and also includes an indicator on the business environments perception of corruption. BEEPS ranks corruption as the third determinant for problems when doing business in Romania in 2008.

Figure 2 – Percentage of firms indicating corruption is a problem

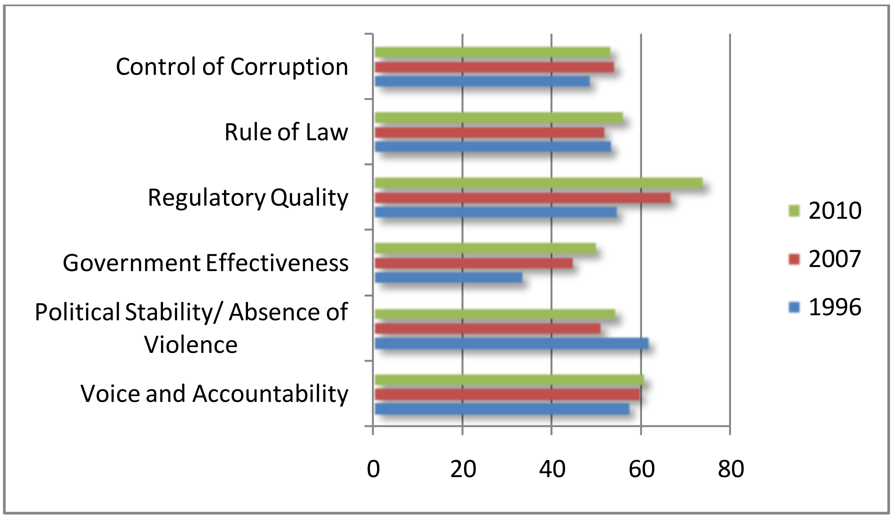


Source: Data collected from BEEPS At-A-Glance 2008, Romania

Even more worrying is the comparison to the Eastern and Central Europe and Central Asia (ECA) countries and the EU-10 states, only 18% of the companies interviewed believing that corruption is not a problem in Romania compared to an average of 35% in the ECA.

The data presented up to this point is concentrated only on corruption but in order to elaborate a correct image on the phenomenon we need to have a clear perspective and see an evolution in time. The WGI includes a list of 6 indicators that give insight into the social development of the surveyed countries. From the abundance of data we will take only the indices that present the situation for Romania. Also, in order to get an idea on the historic evolution we will present data from the first survey of 1996, seen here as a benchmark for the early transition period, 2007 and 2010.

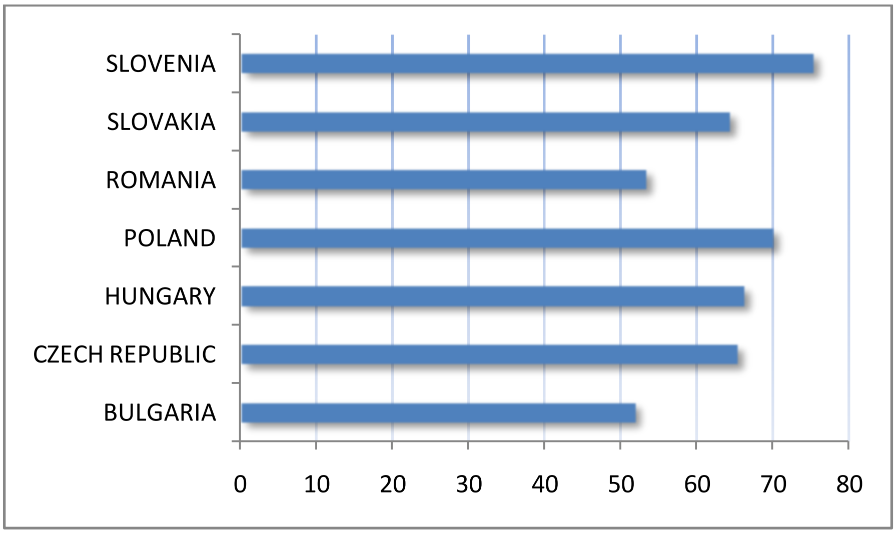
Figure 3 – WGI indicators for Romania



Source: Data collected from WGI, http://info.worldbank.org/governance/wgi/

As we can see Romania has made substantial progress in regulatory quality and government effectiveness but the rule of law and the control of corruption are still at low levels and little has changed.

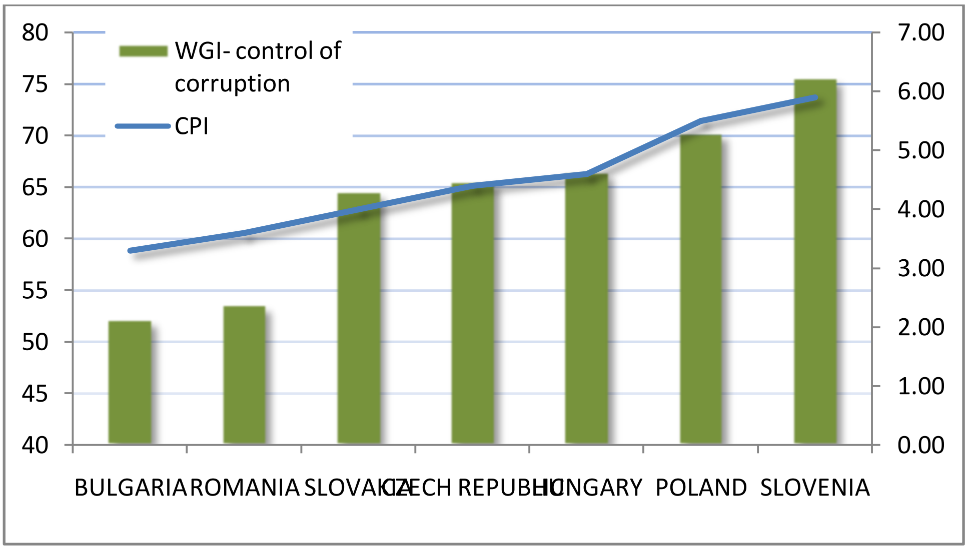
Figure 4 - Control of corruption in Central and Eastern European new member states



Source: Data collected from WGI, http://info.worldbank.org/governance/wgi/

When looking at a regional level, the WGI results on the topic of corruption are very similar to the ones presented by the CPI: Bulgaria and Romania are lagging behind the other CEE countries.

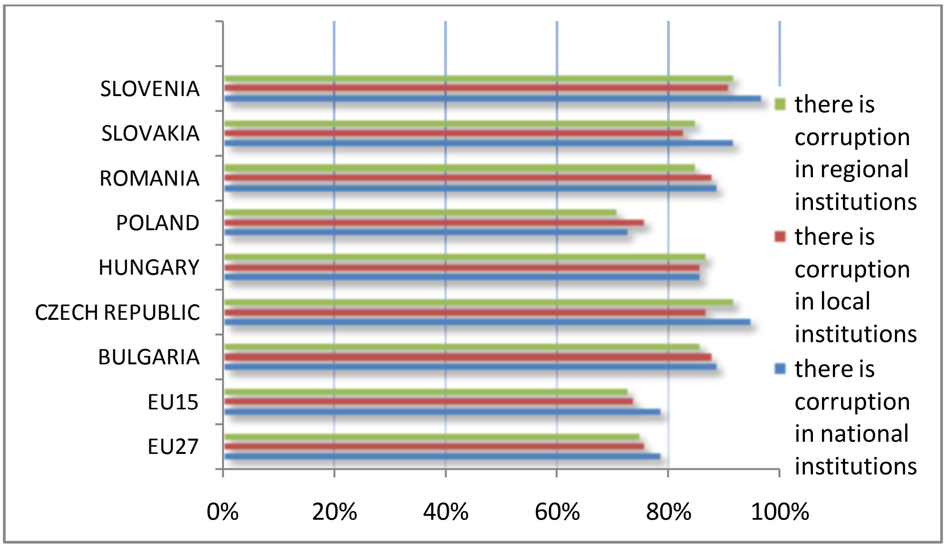
Figure 5 - Comparison of WGI control of corruption and CPI



Source: Data collected from WGI, http://info.worldbank.org/governance/wgi and Corruption Perceptions Index 2011, Transparency international/

At the EU level the subject of corruption has been evaluated most recently in two special Eurobarometers: EB72.2 Attitudes of Europeans towards Corruption (2009) and EB374 Corruption (2011). The differences at the EU27 level in assessments between the two polls are small but they show a slight improvement over the period but there are significant variations at the national level.

Figure 6 - Corruption levels in CEE states institutions



Source: Data collected from Eurobarometer 374

The methodology used is different from the CPI, WGI or BEEPS, the EB being a simpler opinion poll. This, together with a difference of one year between the global reports and the EB (EB covers 2009 while the data presented from the CPI or WGI cover 2010), has led to a change in the hierarchy of corruption levels.

In regard to the most affected areas, the majority (57%) of Europeans believe that bribery and the abuse of positions of power for personal gain are most widespread amongst national politicians, followed by regional and local politicians (48% and 46% respectively), officials awarding public tenders (47%) and building permits (46%) (Eurobarometer 374).

The most worrying issue is that an overwhelming majority of European citizens view all institutions as being corrupt. This fact shows that there is corruption at all levels and that the image of the local, regional and national institutions is especially tarnished.

A well-functioning national integrity system (NIS) is seen as the foundation of anti-corruption activities. However, when these institutions are characterised by a lack of appropriate regulations and by unaccountable behaviour, corruption is likely to thrive with negative ripple effects for the societal goals of equitable growth, sustainable development and social cohesion (National Integrity System Assessment Romania).

As we have previously seen, corruption in Romania is widespread and very little progress has been made in combating this phenomenon. Having illustrated the amplitude of corruption in Romania, placing it in a regional context and having seen its evolution we can now move forward to see what the effects on the implementation of structural funds are.

3. THE IMPLICATION OF CORRUPTION ON STRUCTURAL FUNDS IN ROMANIA

The problem regarding the integration of Romania and Bulgaria in the EU fuelled fierce debates mainly concerning the great gap in economic development and the problems that this issue would raise in the integration process. As the two countries were at less than one third of the GDP per capita of the EU it was believed that this would bring divergence and a super national union could not survive with such a lack of economic and social cohesion. In order to put these fears at rest a development strategy was elaborated that formed the National Development Plans (NDP) for 2007-2013 and the National Strategic Reference Framework 2007-2013 (NSRF), based on funding from structural and cohesion funds. For Romania the objective set through the NSRF was "to reduce the economic and social development disparities between Romania and the EU Member States, by generating a 15-20% additional growth of the GDP by 2015" (National Strategic Reference Framework 2007-2013).

The centre stage was taken by the structural and cohesion funds that fed the 7 operational plans defined in the strategies. Up to mid-2012, passed the middle of the implementation period, the results delivered are below the original expectations. The simplest and most used indicator in evaluating the implementation stage is the absorption rate. Although mid-term evaluations would give a more detailed picture, such reports have not been elaborated on all the operational plans. Thus, the absorption rate reveals the stage of implementation and is a good indicator on how the plans are progressing.

Table 1 – Absorption rate in CEE countries

Country	Absorption rate
Romania	16,54%
Poland	37,23%
Hungary	35,25%
Bulgaria	23,55%
Slovenia	37,01%
Czech Republic	26,14%
Slovakia	27,76%

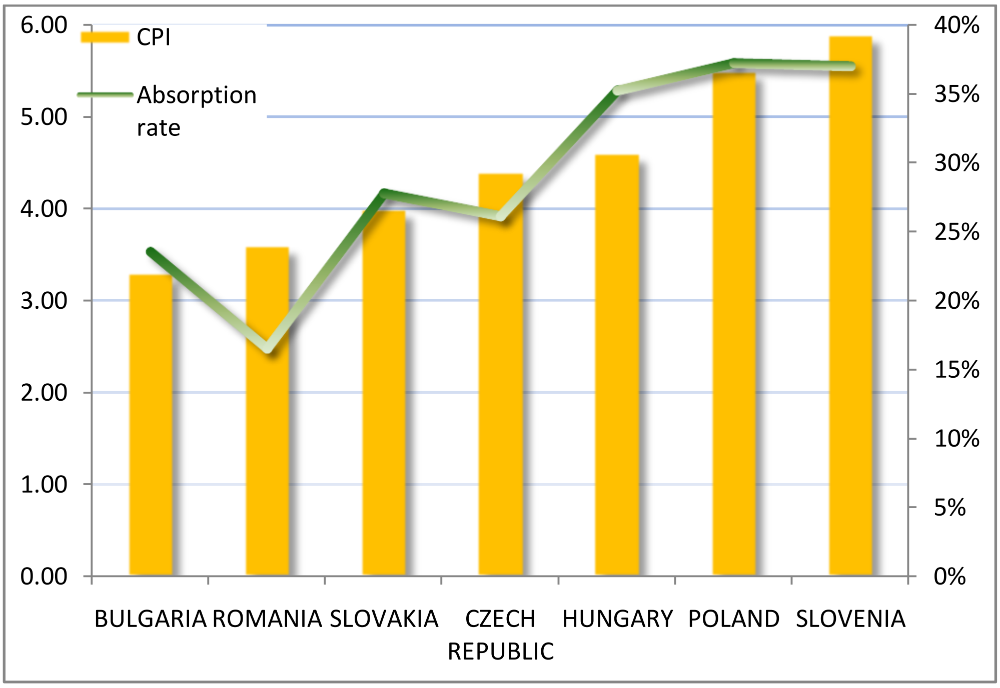
Source: European Commission, Commission payments getting EU Cohesion Policy working on the ground, Absorption rate at the end of 2011 (European Regional Development Fund, European Social Fund, Cohesion Fund) calculated out of the total programming period 2007-2013

The data shown in the table above only gives information on the most important indicator of absorption: the amount reimbursed by the EC to member states as a result of approved reimbursements. As we can see Romania has the lowest absorption rate out of all CEE countries and also the lowest in the EU27.

This low absorption rate has been empirically linked to poor institutions, the lack of specialists and expertise in project and program management and most of all corruption. These opinions are further confirmed by a study published in 2006 by Ederveen et al. that set out to identify the factors that influence the results attained by the spending of structural funds in the EU15. Analysing data from the ex-post evaluation the researchers found that *only member states with solid institutions, low levels of corruption and high degree of openness benefit from the* *spending of structural funds* while states with high corruption and weak institutions will not only have reduced results but may even suffer real losses (Ederveen *et al*., 2006).

As the implementation is still on-going and there are still at least 4 years untill the ex-post reports are released, we tried to see if there was a link between corruption, measured by corruption indexes described above and the absorption rate.

Figure 7 - Corruption and absorption rates in CEE states



Source: Data collected from Corruption Perceptions Index 2011 and Inforegio, Commission payments getting EU Cohesion Policy working on the ground

Thus, we can see a strong link between corruption levels and the absorption rate: the countries with the lowest levels of corruption have the highest absorption rates. The anomaly that appears to be between Romania and Bulgaria can be attributed to a better government strategy that put emphasis on competitivity and business development. Romania concentrated its efforts more on human resources development and although a large number of projects have been implemented or are currently on-going, few payment requests have been made leading to a lower absorption rate. Other institutional causes may have had decisive effects on this state of facts. As the WGI indicator “control of corruption” has a very similar relative values to CPI (as seen in graph X), the trend is the same.

CONCLUSIONS

As we have seen in the previous chapters, countries with high corruption have lower absorption rates. Corruption, which is usually correlated with inefficient institutions and low accountability, is a significant factor in the implementation of structural funds. In the field of project management this translates into long periods of time for the elaboration of funding programs (many of the Ops have started late, in 2008 or even 2009), weaknesses in the project evaluation processes, long reimbursement periods for beneficiaries, a high amount of red-tape and ultimately a low number of reimbursements made by the European Commission.

This fact has serious consequences on socio-economic development as those countries, such as Romania and Bulgaria, have also the lowest GDP per capita levels in the EU. Thus, although they have allocated a substantial amount of funds to promote growth and reduce disparities, these countries are only going to be able to use a small portion of their allocation. The inability to absorb structural and cohesion funds means that the development objectives set through the NDPs and the NSRFs will be met only in a small measure. Along with a slow economic growth this implies that disparities between countries of the EU will at the very least remain high or even grow.

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METHOD OF SYSTEMATIZING THE EUROPEAN UNION STATES IN CATEGORIES ACCORDING TO THEIR ADMINISTRATIVE CAPACITY

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Abstract: *During times of severe budget reductions and limitations, it becomes necessary to conduct an evaluation of the ability of the States to carry out the administrative process and to provide useful solutions developed through common policies at European level, necessary for costs abatement, towards maintaing the productivity and the innovative potential of organizations and in order to secure employment. Evaluation at the European Union level is essential to the identification of the weak elements for each state and in order to effectively provide a broad palette of services focused towards the citizens.*

The idea of developing an evaluation system was instituted after the establishment of a common framework of quantitative assessment, Common Assessment Framework (CAF). CAF is a tool used to help public sector organizations in Europe in the use of quality management techniques sintended to improve performance. This tool wants to be a global tool for comparative analysis of administrative performance. As described on the official website of the program, the model is based on the premise that excellent results of organizational performance, of the citizens/customers and of the society are achieved through leadership and planning strategy, people, partnerships, resources and processes.

At the end of the research, the analysis of the main components will confirm the results, shown by European Union States progress in sustainable development of public sector.

Keywords: administrative capacity, decentralization, public services development, sector public progress

JEL Classification: H4, F3, D73

INTRODUCTION

We have prefaced the accomplishment of this model, with the main purposes of the CAF, namely the introduction of public administrations to the principles of total quality management and facilitating self-assessment of public organizations, in order to arrive at a diagnosis and propose improvement actions. Therefore, the idea of assessment of the countries administrative capacity is based on evaluating, grouping and comparing them according to ten indicators. CAF is a tool used to help public sector organizations in Europe in the use of quality management techniques in order to improve performance.

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Due to a necessity for the administrative development, on account of its impact on the institutions activity, on the evolution of public services, out of need to improve perceptiveness to the needs of citizens and thereby raising the confidence of citizens in the public administration, the article considered adequate a classification of the 27 States of the European Union in *administrative capacity defining classes*. This method arranges, at state level, the defining elements of administrative capacity in terms of decentralization and public services, in three classes: Administrative Capacity Above Average (ACAA), Average Administrative Capacity (AAC) and Administrative Capacity Below Average (ACBA).

The procedure sets up for debate states categorised based on administrative capacity and highlights the common features of the States that possess the same score. Identification of differences and categories distribution is used to obtain a classification and to monitor and develop segments with low scores.

1. RESEARCH METHODOLOGY USED FOR THE DETERMINATION OF THE ADMINISTRATIVE CAPACITY

In order to obtain scientific results, we used qualitative and quantitative research through monitoring and gathering facts, analyzing empirical material, in order to obtain the results matching the indicators used in the method. The process of research and interpretation of qualitative analysis consists in the ability to comprise and understand the indicators defining the data.

After studying the literature concepts about the administrative capacity, we have chosen to make the assay from the perspective of human resource development, public services, education and health, social protection, ability to abort European funds, the capacity of local authorities to provide online services to citizens.

Using the data from 2010, the author selected ten indicators for this method, as follows: GDP per capita, population density, unemployment rate, state employees/1000 inhabitants, change in GDP compared with the previous year (%), inflation rate (average annual change %), education expenditures GDP%, expenditure allocated to health GDP%, expenditure allocated for social protection GDP% and public expenditure indicator GDP% .

2. IMPLEMENTATION OF THE STATISTICAL ANALYSIS METHOD (KNOWN AS PRINCIPAL COMPONENT ANALYSIS)

In order to classify the countries of the European Union (EU27) according to their administrative capacity, we opted for a miscellaneous statistical analysis method known as principal component analysis. To begin the analysis, we resorted to the standardization of the results. This procedure leads to getting new variables of zero average and one variance. The Communalities table contains high variance values (over 0.5) after extraction of factors which shows that the variables are correlated and strongly colligated with the factorial axes.

Table 1 - The statistical variance of the variables

Communalities

	Initial	Extraction
GDP per capita	1.000	.525
Population density	1.000	.620
Unemployment rate	1.000	.776
State employees/1000 inhabitants	1.000	.614
Change in GDP compared with the previous year (%)	1.000	.390
Inflation rate (average annual change %)	1.000	.606
Education expenditures GDP%	1.000	.661
Expenditure allocated to health GDP%	1.000	.515
Expenditure allocated for social protection GDP%	1.000	.830
Public expenditure indicator GDP%	1.000	.759

Extraction Method: Principal Component Analysis

Source: own processing

SPSS offers the possibility of sorting the values by size and hiding values lower than 0,3, in such a way that the table below shows the values in descending order and, where values are lower than 0,3, blank spaces appear.

Table 2 - The variables coordinate on the first 3 extracted factorial axes

Component Matrix[a]

	Component		
	1	2	3
Expenditure allocated for social protection GDP%	.837		
Expenditure allocated to health GDP%	.789		
Public expenditure indicator GDP%	.770	-.403	
GDP per capita	.667		
Education expenditures GDP%	.653		
Change in GDP compared with the previous year (%)	.405		
Population density		.749	.374
Unemployment rate	-.539	-.647	
State employees/1000 inhabitants			.691
Inflation rate (average annual change %)		.355	-.662

Extraction Method: Principal Component Analysis

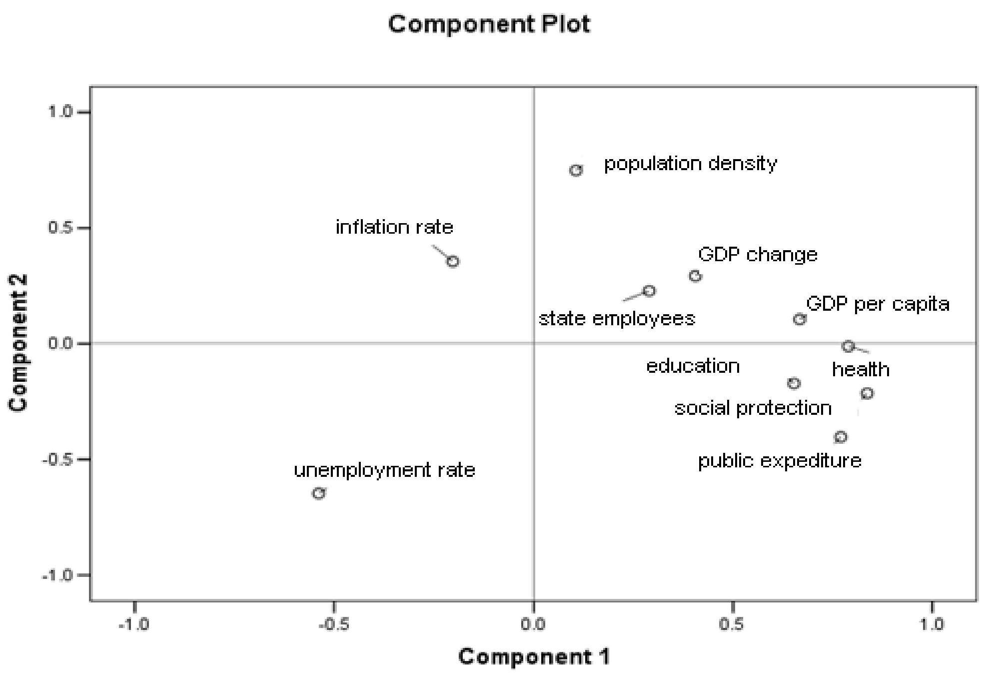
a. 3 components extracted

Source: own processing

Five of the ten statistical variables which correlate strongly with the first factorial values exceeding 0,65 (expenditure allocated to social security - GDP%, expenditure allocated to health-protection- GDP%, the amount of public expenditure - GDP%, gross domestic product per capita and expenditure allocated to protection of education - GDP%). Variables that correlate with the second factorial axe are population density and rate of unemployment and variables that correlate with the third factorial axe are: employees in the public system per 1000 inhabitants and inflation rate expressed as an average annual change.

First factorial axis refers to the administrative capacity and the second factorial axis refers to the density of the population while the third factorial axis refers to the budget system development.

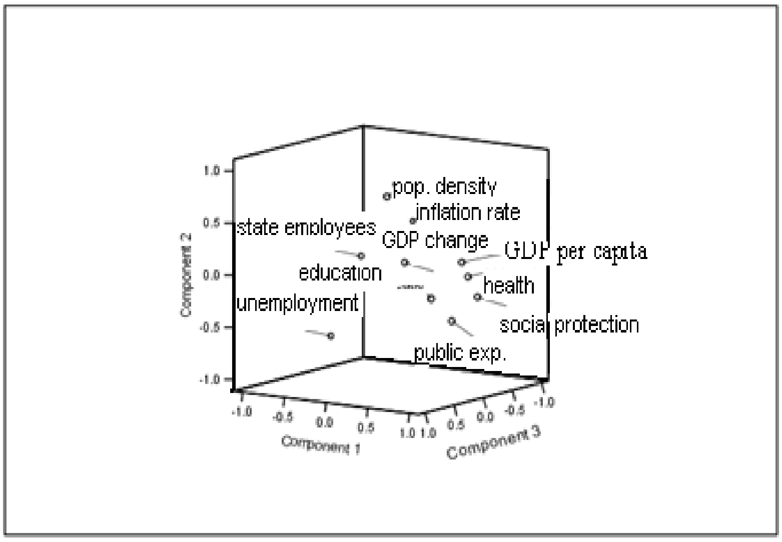
Figure 1 - Graphical representation of variables in the first two factorial axes system



Source: own processing

The graphic above allows positioning of the variables in the factorial axis system, based on the direction and intensity of the links between the ten statistical variables. Considering the second axe as a partition between the variables, a direct and negative link becomes distinguishable between variables in quadrant II and quadrant III.

Figure 2 - Graphical representation of variables into the first three factorial axes system



Source: own processing

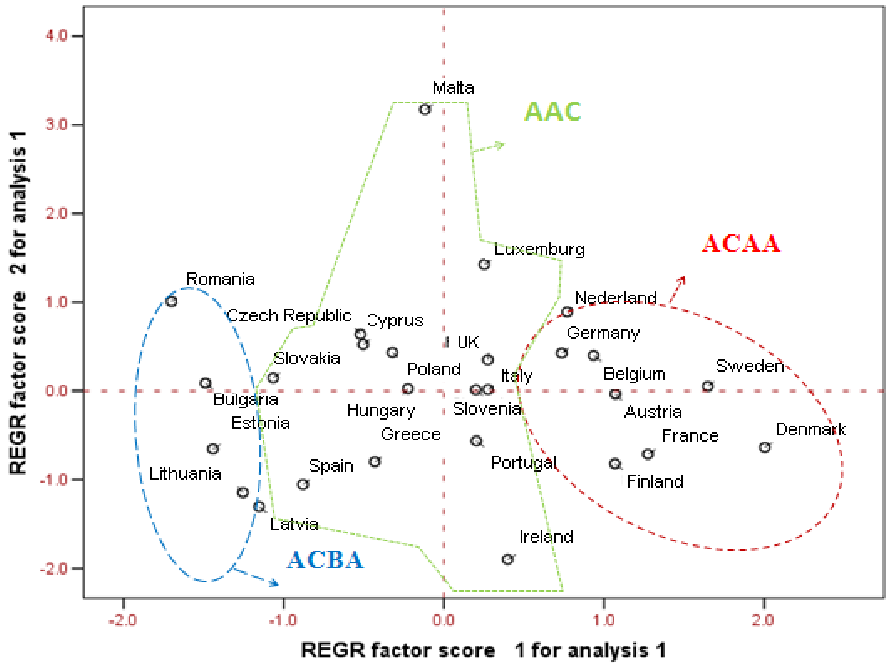
Since it is difficult to interpret the position of the graphic variables in the first three factorial axe system, we assay the values of variables coordinates in the third factorial axis (the extracted variables coordinate on the first three extracted factorial axis (Component Matrix output). Analyzing the values from this table shows that variables public employees per 1000 inhabitants and inflation rate - average annual change explain most differences between the statistical units for the third factorial axis Component column 3.

According to the table variables, contributions to the 3extracted factorial axis inertia (Component Score Coefficient Matrix) the variables that contribute to the first factorial axis are: GDP per capita, expenditure allocated to health protection -% GDP, amounts allocated to the education protection - % GDP, the quantum of public expenditure -% of GDP.

The variables that contribute to the formation of the second factorial axis are population density and unemployment rate and the variables that contribute to the formation of the third factorial axis are public system employees reported per 1000 inhabitants and inflation rate as an annual average.

The following will render the graphic positioning of the countries on the two factorial axes resulting from the application of miscellaneous statistical analysis method principal component analysis. The first factorial axis refers to administrative capacity, the second factorial axis refers to congestion of population and the third factorial axis refers to the development of the budgetary system. The first two groups of countries are highlighted by the first factorial axis. Dependent on the first factorial axis, must be noted, on the right side, the following countries: Austria, Belgium, Denmark, Finland, France, Netherlands and Sweden which can be assigned to the countries with above average administrative capacity group, while the left side shows Bulgaria, Estonia, Latvia, Lithuania, Romania which may be placed in the countries with below average administrative capacity group. EU 27 countries for which values are represented close to the first factorial axis origin, can be assigned to the countries with average administrative capacity group and include: the Czech Republic, Cyprus, Greece, Italy, Ireland, etc.

Figure 3 - Classification of EU 27 countries in categories of administrative capacity



Source: own processing

According to the second factorial axis positioning, we can identify a peak position for Malta, with very high values for the population density and an average value for the unemployment rate and, at the other end, Ireland, where population density is very low, but the unemployment rate is high. The third factorial highlights the EU27 countries with elevated values for the number of public system employees per 1000 inhabitants as well as Ireland, Latvia, Netherlands, Slovakia, countries with a low inflation rate expressed as an annual average. To assess the characteristics of the countries, classified in the three classes based on the administrative capacity, we will take into consideration the characteristics used by Adam, Elhiraika, Bahl and Martinez-Vasquez, Daniel Traisman, to determine the financial decentralization: the structure of the state, the levels of governance, the establishment of local taxes and levies (fiscal autonomy), the indebtedness the balance of in-house revenues from local budgets, transfers from the State budget to local budgets. We will correlate these features with the amount of public expenditure (% of GDP), expenditure on health (% of GDP), on education (% of GDP), on social protection (% of GDP), with population density and GDP per capita.

Below average administrative capacity

Hence we begin the analysis with the countries assigned to the below average administrative capacity category: Bulgaria, Estonia, Latvia, Lithuania, Romania and Slovakia. Concerning the state structure, the six states are uniform and organized, except for Romania and Slovakia, on the three levels of Government (Romania is divided into regions free from legally controlled statute even if, according to the nomenclature of statistical territorial units, is situated at NUTS2, with the developmental area according to the number of individuals and to the surface as a territorial unit. Latvia has an area of 64.500 km^2, a total of 26 districts, being a member state of the European Union since 2004. It also has classification advantages due to a smaller surface and fewer people. By comparison Romania has an area of 237.500 km^2.

The gross domestic product shows that these six states have the lowest GDP in the European Union. It varies from 4,800 euro per capita for Bulgaria to 12.100 EUR per capita for Slovakia. Romania, in 2009, had a 5800 EUR GDP per capita. Also, the percentages of GDP allocated to the financing of public expenditure are low. The lowest percentage allocated to health (5.1% of GDP), in 2009, belonged to Romania, at the opposite pole was Slovakia with 7.3% of GDP. A minimum percentage has been granted to education by Romania surpassed by 0.4% by the following: Bulgaria, Slovakia, Estonia, Latvia and Lithuania fluctuating between 3.5% and 3.9%. For social protection, Slovakia has granted a small percentage of 12.2% of GDP, compared to the other countries included in the same category that have allocated for social protection 13.6% and 16.7% of GDP. Romania has assigned a rate of 14.2%.

Average administrative capacity

The thirteen countries placed in the average administrative capacity category, as shown in Figure 4.4, are the EU27 countries with values represented very close to the first factorial axis origin: the Czech Republic, Cyprus, Greece, Ireland, Italy, Luxembourg, Malta, Poland, Portugal, United Kingdom, Slovenia, Spain and Hungary. In terms of state structure, the thirteen states are consistent and most are structured on three levels of government, except for Slovenia, Malta and Luxembourg, organized on two levels of government. Slovenia has an area of 20.300 km^2. At a decentralized level, municipalities have proven competent, concerning primary health care, mandatory education, water and local public transport. The exception of this category is Malta; since the state is small, it is reasonable for human resources available to be low and the expenditures on public services as well. This contributes to determining the GDP per capita, situated well above the GDP of countries in the below average administrative capacity category. Also, in percentage terms, the allocated amounts for public services are higher.

Above average administrative capacity

According to the graph results from the SPSS analysis, Figure 3, and depending on the first factorial axis, these countries are distinguishable on the right side: Austria, Belgium, Denmark, Finland, France, the Netherlands and Sweden, that can be classified in the above average administrative capacity group. In terms of state structure, five out of eight states are uniform and three are federal: Austria, Germany and Belgium (a significant element for this analysis). According to research, state structure influences the degree of decentralization and the public services. Their advanced stage of decentralization has positive effects on the administrative capacity, managing to outrun the average administrative capacity limit.

The GDP value is higher than that of the States belonging to the below average and average administrative capacity category. The share of public expenditure of GDP is different from these eight Member States. Thus, the relegation of these countries, at the end of 2009, was influenced by the level of development of each one, but also by the proportions of the public sector. In 2009, the highest GDP/capita is 42.500 euro recorded in Denmark as well as the largest percentage allocated for education, which reaches the value of 8.3% of GDP.

CONCLUSIONS

The financial crisis hit the global economy in September 2008. The crisis led to new economic cooperation agreements between the EU by the Treaty of Lisbon. Along with the investment in new technologies and public sector, improvement of the quality of life for all EU citizens, employment, together regard the end of the crisis, economic growth and long-term stability as well as a leveling in terms of economy and services in the European area. It is also targeted the abatement of the economic and social disparities. The analysis of the Union states common traits helps us evaluate and enclose them in classes according to their administrative capacity. This exercise is necessary to observe, on the whole, the details that bring to attention the differences between states.

In our perspective, referencing the ten types of indicators with indicators used in determining patterns of financial decentralization leads to a full analysis of the states included in the three classes and confirms that the analysis is carried out without mistake.

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CONSIDERATIONS REGARDING THE CURRENT DIMENSIONS OF HUMAN TRAFFICK IN ROMANIA*

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Abstract: *This research is focused on realizing a better understanding of the aspects and the conditions that facilitate human traffick in a full transition society, such as the Romanian society. To highlight the characteristics of human trafficking and the actual dimensions of this phenomenon in Romania, the paper used both quantitative methods involving interpretation of statistics compiled by the competent institutions and the qualitative research methods, involving the analysis of reports, articles or case studies presented in the literature.*

Keywords: human traffick, Romania, dynamics, illegal markets
JEL Classification: E 26

INTRODUCTION

We appreciate that the recruitment and the exploitation techniques entered the last period in a permanent process of change, increasingly becoming more subtle and harder to identify by the enforcement authorities.

The dynamics of human traffick in Romania is influenced by a number of risk factors, in close relationship with social institutions (such as the family) or with the law institutions, among which may be mentioned:

- Family and communication between members;
- Local community issues, particularly the young people unemployment problem;
- Low social capital;
- Decreased confidence in state institutions, as a consequence of a lack in education;
- Violation of laws concerning emigration and the risks involved.

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1. THE DYNAMICS OF HUMAN TRAFFICK IN ROMANIA

In Romania, the human traffick recorded a steady growth from 163 victims reported in 2000 (Surtees, 2005, p. 438) to an average of 449 victims in 2003. An upward trend is also visible in the updated data from 2004. We appreciate this is a reflection upon the termination of criminal penalties for prostitution, in the case of people who confess and cooperate with the authorities in order to prosecute the traffickers (ICMPD, 2010, p. 236). In 2006 the highest number of victims (2428 persons) was recorded, according to data provided by the Customs and the General Inspectorate of the Romanian Police. Since 2007 a general downward trend has been observed, being identified 1890 victims, a trend which has been also maintained in the years 2008 and 2009 (ANITP, 2009, p. 10). In the first semester of 2011, the number of identified victims exceeded by 29% the figure reported for the same period of the year 2010 (ANITP, 2011, p. 3).

Currently, from the exploitation methods, *the sexual exploitation* takes first place in our country. In this respect, in the first semester of 2011 were identified 264 victims (of which 253 female victims and 11 male victims, according to data provided by ANITP), unlike previous years when the exploitation through forced labor was the main way for trafficking vulnerable persons. Most of the victims are women abducted in private homes, on the streets or in clubs (ANITP, 2011, p. 9). According to data provided by the National Agency against Human Traffick, for the first half of 2010, female victims have originated mainly from the counties of Dolj, Argeş, Bistriţa Năsăud, Timiş and Bihor. In the case of male victims, for the same period, the main counties source were Timiş, Bihor, Satu Mare, Covasna and Bistriţa Năsăud, their recruitment being achieved through the promise of a job abroad (IGPR and ANITP, 2010, pp. 8-9). Unlike the first half of 2008 and 2009, when there were identified 109 respectively, 63 victims, in the same period of 2010 there has been a slight increase in the number of victims, both in quantitative terms and as a percentage of the total population of victims, being identified 126 victims, of whom 99 girls and 27 boys. In this respect, the main five counties of origin were Timiş, Dolj Hunedoara, Braşov and Bistriţa Năsăud (IGPR and ANITP, 2010, p. 10).

The labour exploitation recorded in the first half of 2011, 148 victims of which 107 male victims and 41 female victims, according to data provided by ANITP. Compared to the same period of the previous year, there are an increased number of people trafficked for labour exploitation. This trend has been also preserved in the case of other forms of exploitation (ANITP, 2011, p. 7), as shown in the table below.

Table 1 - Methods to exploit the victims during 2007-2010

Interval	The exploitation methods			
	The sexual exploitation	The exploitation through forced labour	Forced begging	Child pornography
First semester of 2007	406	425	74	2
First semester of 2008	214	483	56	2
First semester of 2009	121	150	59	1
First semester of 2010	175	144	41	0
First semester of 2011	264	148	47	8

Source: The National Agency against Trafficking in Persons

According to experts, human traffick for forced labor exists in almost any business or industry. However, mostly in all countries, it has been highlighted several main sectors of interest for the labour exploitation purpose have been identified, such as the agriculture, constructions and the tourism/restaurant industry. They do not fall into the category of attractive employment to the local labour force, being usually characterized by heavy physical work and low income (CCME, 2011, p. 11).

Forced begging and pornography are types of exploitation with low prevalence in Romania, the victims usually being elderly persons or minors.

There are a number of causes generating and supporting the phenomenon of trafficking in persons, of which the most important are (European Commission, 2010, pp. 4-5):

- *Low social and economic standards* - poor economic conditions expose more people to human traffick and the lack of means for ensuring a minimum standard of existence turn them into victims of traffick, regardless of the form of exploitation.
- *Unemployment/lack of opportunities in terms of employment* – the economic crisis leads to inflation, the loss of markets and therefore to unemployment. In the Romanian current economic context, many people and especially those with a low level of education experience difficulties in identifying jobs in their residence places. For this reason they prefer the employment market from abroad. At the same time, when they find a job abroad, without an appropriate employment contract, they are usually paid minimum wage and subjected to various forms of discrimination by employers.
- *Low level of education* – the institutions of education form the necessary professional skills for the labour market, while contributing to the social integration and membership in professional groups to certain persons. In this context, it is obvious that the level of education is an

important factor for protection against human traffick. In Romania, most of the victims never attended highschool (62% of the total number of victims) (IGPR and ANITP, 2010, p. 7).

- *Globalization* - involves the free movement of goods, services and people who have the possibility of travelling worldwide in a very short time. This situation has led to the elimination of financial and political boundaries and it is characterized by international agreements and significant alliances. Organized crime networks have exploited this context by dividing the areas of influence and improving their mobility.
- *Lack of information* – is another factor that fosters human traffick for the purpose of exploitation, in particular by reference to the methods used by traffickers to recruit victims. Although trafficking in human beings has become increasingly more visible through large-scale awareness campaigns, however, we can speak of a lack of information in the case of the most vulnerable persons, exposed to the risk of being trafficked. The method of recruiting the most commonly used is the false promise of a legal and secure job abroad, because the persons recruited have a low level of knowledge and cannot perceive or understand the motivations offered by traffickers which have no interest in providing relevant information.

2. COMPONENTS OF HUMAN TRAFFICK

2.1. Recruitment of victims

In Romania, in the first semester of 2010, recruitment through false promises can be found in more than 50% of cases, a percentage much lower than that recorded in the same period of 2009, when traffickers have used this method in 75% of the cases (IGPR and ANITP, 2010, p. 6). Recruitment may be achieved by one or more persons, either through direct contact or through mass-media and Internet. However, in most of the cases, the victims are recruited directly by the traffickers who usually are friends, neighbors or relatives without an employment agency as an intermediate (ANITP, 2011, p. 5).

Recruitment methods and techniques are different, depending on the victim vulnerability, the level of education, the economic context (poor economic standard), the lack of life experience, or the naivety of such persons. They also differ from dealer to dealer, from a group to another, or from a specific region to another (ANITP, 2011, p. 4). Therefore, the potential victims may be attracted by the trafficking networks through the following means (European Commission, 2010, p. 6):

- Underlining the success stories of other people whom the traffickers allege they have helped and who have returned from abroad with large sums of money in a relatively short period of time;
- The promise of a honorably and well paid job (modeling, jobs in bars, clubs, or baby sitting, housekeeper); It can refer to the nature of the work, travel destination of the victim, working conditions and the work to be carried out;
- Ads in newspapers for jobs abroad, attractive in terms of revenue;
- Private marriage agencies. Victims are lured by the prospect of marriage with foreign citizens, unique opportunity to escape from poverty and to help their families remaining in the country.

For the first semester of 2010, it has been noticed an increase in the percentage of victims who have accepted recruitment for prostitution, 15% percentage of the total number of victims. Other conditions for convincing victims to accept the offer represented 27% (this percentage concerns the following conditions of recruitment: promise of a job in the country, travel, treatment, kidnapping, pornography, begging or other conditions not specified or determined) (IGPR and ANITP, 2010, p. 6).

Although, according the reports provided by the competent institutions, most of the victims come from rural areas or from poor families (UNICEF, p. 63), however people in urban areas are also vulnerable to trafficking. Thus, if in the case of victims in rural areas, lack of information, lack of experience or lack of education are among the main factors of vulnerability, victims in urban areas are unable to filter out the abundance of information, requests or incoming vacancies presented on various channels or sources (ANITP, 2011, p. 6).

In Romania, women from 14 to 25 years are the main targets of sexual exploitation, while men from 25 to 40 years are predominantly the victims of forced labor (ANITP, 2011, p. 6). Therefore, victims of human traffick are vulnerable as a result of gender, age and social environment in which they live. To these factors, the International Labour Organisation has added the desire to seek a job abroad (IOM, 2003, p. 56).

Concerning the traffickers profile, they are individuals or groups of individuals, unemployed men who sometimes works with women, former prostitutes, as intermediaries. Most of them were previously involved in other criminal activities such as theft, smuggling, pimping or illegal crossing of the border, etc (Fulea, 2006, p. 13). In the latest period the traffickers' mobility increased significantly, their adaptation to new routes or means of trafficking as well as their connections with the recruitment environment.

2.2. Operational patterns

Operating patterns seem to take increasingly subtle form often operating at the same time. One of these patterns is *the abuse focused on trafficked person vulnerability* to force the victim do something by false promise or threat. In this respect, it is often mentioned as an example, the case of the employer who promises to obtain legal status or work permit for migrants without identity cards. In exchange the migrants have to accept a reduced payment or to work without any pay or to accept illegal or inappropriate working conditions (CCME, 2011, p. 12).

The condition of vulnerability is determined by many socio-demographic factors, geographical or otherwise and may include the following (OSCE, 2011):

- The person has the status of illegal migrant or is in the territory of another state without appropriate residence documents;
- The person is pregnant or has a learning disability or mental illness;
- The person is dependent on drugs or other substances;
- The person has a limited capacity of discernment due to age or medical conditions;
- Disability, person with mental or physical disabilities;
- The person is in a poor social situation.

Another pattern is to balance the worker salary with the significant costs for "services" which the employer or the trafficker offers to the "employee." Such costs may include accommodation, meals, utilities (water, electricity), or even a job. In some cases, people exploited can reach "work" having already accumulated a huge debt to the traffickers (for example, covering the costs of transport or the costs of false documents) and the victim must work to pay off these debts. This is a situation which usually involves the illegal crossing of the borders (CCME, 2011, p. 12).

The methods of constraint used among the victims of human traffick may be referred to (ANITP, 2011, p. 8):

- Sexual abuse and violence used by traffickers;
- Deprivation of water, food, or other means of livelihood;
- Claiming financial penalties;
- Isolation and deprivation of liberty;
- Arrest or even the destruction of documents, which causes at least immobility of the victims located abroad.

Table 2 - Methods of constraint among the victims of human traffick

Methods of constraint	%
emotional abuse	24
violence	23
sexual abuse	19
financial penalties	13
deprivation of water, food, or other means of livelihood	12
deprivation of liberty	6
destruction of documents	3

Source: Table adapted from the National Agency against Trafficking in Persons, Centre for Research and Public Information, *Analysis on the situation of victims identified in the first semester of 2011*, p. 8.

3. INDICATORS ON HUMAN TRAFFICKING

Like drug trafficking, we also believe that in human trafficking case it is necessary to develop a system of indicators allowing interpretation of existing data and improving the current methods of comparative analysis using information from various sources. We appreciate the initiative as appropriate, because nowadays, there is no system of indicators covering human trafficking and their identification and definition could lead, as the case of the illegal drug market, to accurately achieve estimates on the extent of the phenomenon.

For human traffick, the literature analyzes the socio-demographic indicators (gender, age, education) as well as the descriptive indicators in the pre-exploitation period (recruitment and origin) and the exploitation indicators. Statistical analysis on the identified victims is achieved through the socio-demographic indicators outlining the factors that generated the involvement in traffic.

3.1. Socio-demographic indicators[*]

The reported annual number of international migrants – designates the total number of people who emigrated during the reference year.

The relative proportion of international migrants from rural areas versus urban areas - designates the number of persons who have emigrated abroad from rural areas compared with the same indicator for the urban areas.

[*] http://webcache.googleusercontent.com/search?q=cache:R02Ha6n513QJ:www.demografie.md/files/7736_indicatori_pme_varianta_finala.xls+indicatori+demografici+in+traficul+de+persoane&cd=10&hl=ro&ct=clnk&gl=ro.

The annual international migrants number in relation with the education level - designates the total number of citizens who have emigrated in the reference year by level of education (secondary education, higher education, etc.).

The proportion of persons aged under 15 years - designates the number of persons aged under 15 years relative to the total number of stable population.

The number of trafficked persons, identified and assisted - designates the annual number of citizens' victims of human traffick, identified and assisted, including number of people identified as victims of traffick in criminal cases.

Countries where the the victims were exploited - designates the number of citizens, victims of traffick, in accordance with the recipient countries.

The number of potential victims of trafficking assisted - designates the number of people identified as potential victims of human traffick and assisted during the year of reference, which were found as beneficiaries of social assistance (coming from poor families in rural areas, have a low level of education and not have a job, are the victims of violence, do not have identity cards, etc.).

The extent of human traffick is also assessed through the descriptive indicators of the pre-exploitation period (recruitment and origin) and through the exploitation indicators. According to the International Labour Organization[*], regarding the exploitation purpose, the categories of indicators designating the forced labour and the sexual exploitation cases can be monitored.

3.2. Indicators of trafficking for the purpose of forced labour and sexual exploitation

Indicators of recruitment through cheating - the victim is deceived about the nature of work, place of work and the employer; the conditions of work; about the legality of an employment contract; about the living conditions and accommodation; about the legal documents or obtaining a legal migrant status; about the conditions of recruitment and travel; with respect to salary/winnings; by false promises of marriage or adoption.

Indicators of forced recruitment - use of violence (the victim is kidnapped); forced marriage cases; confiscation of documents, dependence caused by debts; isolation, sequestration and supervising the victim; the threat of denunciation to the authorities;

[*]http://www.ilo.org/global/lang--en/index.htm.

Indicators of recruitment through the abuse of vulnerability position - abuse considering the illegal status of the victim, lack of education, lack of information, the control exercised by the traffickers, false information about legislation, false information on the success of other migrants, family circumstances or mental dependency, relationship with the authorities/victim status.

Exploitation indicators - hours and days of excessive labour, bad living conditions, hazardous working conditions, low income or lack of income, failure to comply with the labour legislation or lack of social protection, very bad working conditions.

Indicators concerning the use of force in the country of destination - confiscation of documents, dependence caused by debts, isolation or victim sequestration, use of violence, forcing the victim to act against law, forcing the victim to provide certain services, forcing the victim to act against other victims, forcing the victim to lie his family and the authorities, threat with worse labour conditions, threat with violence, victim is under trafficker's strong influence.

Indicators of the abuse on the vulnerability position in the state of destination: difficulty to live in an unknown area, family circumstances, standard of living, relationship with the authorities/victim status (Ortner , 2011, pp. 10-14)..

CONCLUSIONS

In Romania, there is currently a significantly gap on the level of awareness of human traffick among the inhabitants of urban and rural areas. Thus, we appreciate that in order to make the phenomenon of trafficking in persons more visible and to dismantle prejudices related to the victims it is necessary to intensify the information campaigns.

We consider the authorities and the research institutes should deeply involve in identifying the general coordinates that govern the activities carried on these illegal markets, analyzing its dynamics in Europe, the mechanisms and the volume of financial flows and assessing the association of these markets with the financing of the Europe-based and operating extremist groups.

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BUSINESS STRATEGIES OF THE MULTINATIONAL CORPORATIONS*

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Abstract: *The international strategic management facilitates the development of the international strategies that shape a large context for reaching the main goals of a multinational company. At a conceptual level, there are many similarities between designing a strategy that could be used only in one country and drawing up a strategy for a number of markets. Yet, it has to be mentioned that the development of an international strategy involves a more complex process than in the case of a national one. All these aspects, together with the determinants of the internationalization, will be largely argued in the present paper.*

Keywords: multinational corporations, international strategies, business internationalization
JEL Classification: F23

INTRODUCTION

The international operations management consists in those transforming activities, inside an international firm, meant to process different types of inputs in order to create final goods and services. This type of management involves the development of various international strategies that shape a large context in which a firm reaches its main objectives. At a conceptual level, there are many similarities between designing a strategy that could be used only in one country and creating a strategy for a number of markets. In both situations, those that make the strategic planning have to answer some fundamental questions related to what kind of products or services does the firm intend to sell, where and how will it make these products, where and how it will sell them, where it will obtain the necessary resources or how does it expect the competitors to react.

Considering all these aspects, it has to be mentioned that the development of an international strategy involves a much more complex process than the development of a national one. First of all, the managers responsible with the development of an international strategy will have to face many types of political and/or legal systems, various accounting regulations, cultures or languages and even many payment systems. Moreover, the managers of an international business have to

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coordinate and implement the firm's strategy in all its subsidiaries, located in different parts of the world, with different economic, social and cultural contexts. Despite all of these, the managers usually say that the aspects mentioned above are only some inherent problems when considering the opportunities of the global expansion.

The paper presents, with the help of some relevant examples from the Romanian and world-wide practice, the essential aspects that should be considered when choosing an international strategy. In the end, some characteristics are pointed out for the strategies implemented by the multinationals that have entered the Romanian market.

1. CHOOSING AN INTERNATIONAL STRATEGY

As B. Lovas and S. Goshal noted, the international business offers the possibility of exploiting three sources of the competitive advantage, unavailable for the national companies: global efficiencies, the multinational flexibility and worldwide learning process (Lovas and Ghoshal, 2000, pp. 875-896). The multinational firm can improve its efficiency either through its location advantages, or through the scope or scale economies. The first ones appear when locating the production subsidiaries in any place of the world, in order to have the lowest cost of production or distribution, or the highest quality of goods and services. For example, the production of toys is intensive in the labor factor and this is why Wal-Mart, as well as many other companies, has established its production in those countries where there is low-cost labor force. The same happened with Nokia that has chosen to locate in 2008 one of its production subsidiaries in a rural area of Romania, closed to Cluj, or with the American company Selectron, which has invested 20 million dollars in building a plant in Timişoara in 2003-2004. In a similar way, the multinationals may reduce their costs achieving scale economies. Moreover, by expanding the production lines in every country they enter, the companies may also enjoy scope economies. In this situation, not only do they cut the production and marketing costs, but also they intensify the lowest line-levels.

The international business might require a deeper degree of flexibility due to the fact that the political, economic, legal or cultural environment of a state is continually changing. For example, let us think about the case of Romania that, since 1989, is passing through a long and difficult transition process; during these 22 years, the economy was marked by many political and legislative changes and only the firms that were able to face these transformations have survived.

The various environments in which the multinationals choose to do their business may also improve the organizational learning process. The differences between the environments in which companies act may determine them to match their behavior to the specific of the host country. A good example for this is United States where there are various sub-cultures that belong to different ethnic and religious groups, each of them influencing the manner in which the businesses develop. This is why Campbell sells different types of tomato soup, according to the region it addresses: in Montana, for example, the soup is less spiced than that sold in Texas. Following the same reason, in order to penetrate various countries the well-known multinational firm, McDonald's, had to adapt its menu to the local food preferences and customs. In Israel, for example, the company uses "kosher" menus, while in the Arab countries the restaurants' chain is preparing "Halal" menus. In India, McDonald's offersthe Big Mac made with lamb, called the Maharaja Mac.

The practice shows that it is difficult to exploit simultaneously all these three factors. Yet, in order to reach equilibrium between the three objectives, the multinationals often adopts one of the four alternative strategies: the national, multidomestic, transnational or global strategy. In the case of the national strategy, the firm uses its specific advantages, obtained in the home country, in order to compete on the foreign markets it enters. For example, Chrysler counts on its well-known name and reputation when producing sport or elegant cars, well equipped and very safe at high speed. This is the niche that the company has chosen to exploit at an international level, although there are only few countries that have the infrastructure, the level of incomes and the speed required by these cars and permitted by law.

A second option for a company may be the multidomestic strategy. The multidomestic corporation is considered to be a sum of relative independent subsidiaries, each of them focusing on a well determined market. This multidomestic approach is advisable when there are significant differences between national markets, when the scale economies are reduced, or when the cost of coordinating the activity among the parent firm and the subsidiary is high. A multidomestic approach can be found in the case of the firm RSB-Roundtech that produces industrial material necessary for circular structures, for water, gas or telecommunications. The company, with headquarter closed to the Constance Lake, in the industrial area between Austria, Germany and Switzerland, has opened subsidiaries in Germany, Hungary, Japan and Switzerland. Due to the fact that it has only 20 people working into headquarter, it was vital for the firm to choose the proper strategy to enter each country. The main problem the managers confronted with was the fact that each market had its own specific characteristics, according to which each subsidiary of the company has lately developed its strategy and designed its products.

Adopting the global strategy, the firm approaches the world as a single market, the main scope being the development of standardized goods and services that answer the needs of the world-wide consumers. The company tries to achieve scale economies in marketing and production by concentrating its production activities in its most efficient subsidiaries and then, by developing some global marketing campaigns in order to sell them. Due to the fact that the global company has to coordinate the world-wide production and marketing strategies, it focuses the power and decisions' responsibility in the central location. At the beginning of the 1980, Ford wanted to create a car for all the tastes, from Detroit to Hong-Kong. So, it started to produce the Ford Escort model, which did not have a great success. This is why, after a few years, they created two versions of this model: Mondeo for Europe and Tempo in USA, which differed one from the other in a proportion of 25%. These new versions, due to the fact that they were more focused on the characteristics of the two continents, have brought a great success to the firm.

Ghoshal identifies three strategic objectives into any global strategy and also three main aspects of the competitive advantages, involved by the global strategy (Ghoshal, 1987, pp. 425-440). The results of such an approach are shown in the table 1.

Table 1 - Global strategy: organizational framework

	Sources of the competitive advantage		
Strategic objectives	**Differences between countries**	**Scale economies**	**Scope economies**
Efficiency in current operations	Differences in the cost of the factors of production	Scale economies in each activity	Common use of the resources and the capacities of markets or products
Risk management	Establishing the risk according to the country	Equilibrium between the strategic, operational and scale flexibility	Portfolio diversification
Learning and innovation	Learning from the cultural variety	Opportunities for reducing the technological costs	Spreading out the organizational learning process

Source**:** Ghoshal (1987)

As it results from the above table, the three main objectives of a global strategy – the efficiency, the risk management, learning and innovation – are correlated to three essential sources of the competitive advantage:

- Differences between nations: the competitive advantage may result from the exploitation of the differences related to the input and output market from various countries; the countries with low-wages are the most eloquent for this.
- The scale economies are a source of the competitive advantage if the firm is able to adopt a configuration of its activities which allows the lowest unitary cost per each activity.
- The scope economies appear when the resources used to produce or to sell a good in a country may be used for the same purpose in the case of other goods, from other countries.

Some analysts, like Theodore Levitt, consider that the globalization of the products will be the successful strategy for the future international business (Levitt, 1986). They give examples of global products such as Coca-Cola drinks, Sony TVs or McDonald's restaurants. But, it has to be mentioned that even these global products, with almost the same characteristics, were somehow changed before being sold on foreign markets. For example, in Germany, the McDonald's restaurants include beer in the menu and in France they offer wine.

The fourth strategic alternative for a multinational firm consists in the transnational strategy. In this situation, the firm tries to combine the benefits of the global efficiencies – also obtained by the global corporation – with the local advantages – a purpose also specific for the multidomestic firm. So, the transnational corporation does not centralize or decentralize the authority, but it settles responsibilities, for each organizational task, to that unit of the organization that could be able to reach out the purpose of efficiency and flexibility. A good example for this type of strategy can be found in the case of the Harley-Davidson, which has as a motto "Think global but act local". According to this marketing principle, Harley-Davidson not only adapts its products to the different continents, but also it operates changes when addressing different countries from the same continent.

2. IMPLEMENTING AN INTERNATIONAL STRATEGY

No matter what is the decision regarding the type of the international strategy, the managers have to point out the four main elements in the development of a strategy: the distinctive competences, the purpose of the operations, the resource development and the synergy (Griffin and Pustay, 2005, p. 490). The first aspect of an international strategy – the distinctive competences – may refer either to the last-minute technology, to the efficient red of distributors, to better organizational practices, or to the well-known brand name. Having a distinctive competence –

called by Dunning, in his eclectic theory, the “ownership advantage” – is considered, by many experts, a necessary condition for a firm to have success on a foreign market.

The second component of an international strategy – the scope of operations – generally refers to geographical regions such as countries, parts of a country of even a group of states. At the same time, the scope has to be focused on some markets or product’s niches from one or many regions. The scope is also related to the distinctive competences: if a firm has an advantage only in a specific region or only for a certain product line, then the scope has to be focused on that region where the company enjoys the distinctive competence.

The resource development process involves setting the priorities, especially in the case of firms with limited resources. Some multinationals, such as Nike, Wal-Mart or General Electrics, choose acting all-over the world. On contrary, other companies establish their production only in one country. It is the case of Boeing Company that does the final assembly of the commercial planes only in Seattle.

The role of synergy – the fourth component of an international strategy – is to create that situation when the whole is more profitably than the sum of the parts. A global synergy also occurs when the inputs of the multinational firm are shared between many activities. For example, Dolce&Gabbana used its global brand name from the fashion industry in order to produce, under the same name, perfumes and other cosmetics.

These four aspects, considered by Pustay and Griffin (2005) to be the main components of an international strategy, may also be found in the approach of Anil Gupta and Eleanor Westney (2003), but under a different name. They call them “countries’ comparative advantages” and “firms’ competitive advantages”.

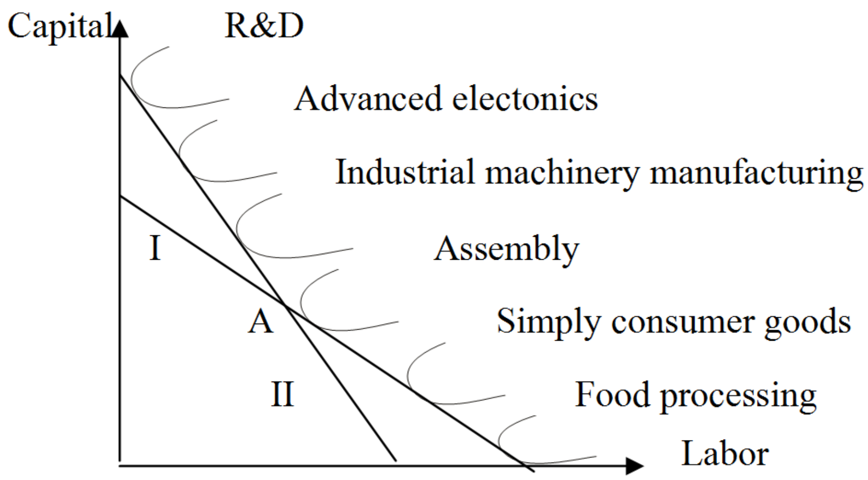
The comparative advantage, also called “location advantage”, is influencing the decision related to the position of the production subsidiaries because it underlines the low-cost factor of production from one country compared to that from another country. So, due to these differences between the costs of factors of production, the activities intensive in labor are located in the places where the cost of less qualified work is low, while the activities intensive in capital – including human capital – will be placed in those countries where the capital is cheap. Yet, there is one country – China – that hosts both types of production subsidiaries: labor intensive – it is the case of the subsidiaries of small and medium sized enterprises from the recently industrialized countries – and capital intensive – multinationals’ subsidiaries (Shi, 2001).

The competitive advantage, also known as "ownership advantage" of a firm, is influencing the decision regarding those activities and technologies on which the firm should concentrate its managerial resources and investments. The value-added chain is the process through which the technology is combined with the inputs - raw materials and labor - in order to create the final product that, lately, will be packed and delivered. A firm may have only one link of the process or it might be vertically integrated, having more links.

The competitive and comparative advantages are not totally independent one from the other. The firms may differ from the point of view of the location of the production subsidiaries and, in this way, they can obtain a competitive advantage with a superior exploitation of the comparative advantages that exists inside the states. Consequently, the differences between companies regarding the location of the subsidiaries may foster strategic advantages. So, it is important to distinguish between the strategies based on a comparative advantage and those based on a competitive advantage.

Some consequences of adopting international strategies may be observed into the model of comparative advantage and in the positioning of the economic activity, analyzed for the first time by Deardorff (1979). When talking about this model it is necessary to assume that there are competitive markets and all the firms have implemented the same technological process which is not characterized by scale economies. Moreover, it has to be mentioned that the model analyzes only two factors of production: labor and capital. In the figure 1 the countries are grouped according to a chain of competitive advantage, along the isocost line. This line shows the proportion of inputs of factors that are equal with one dollar (this is why it is also called "one-dollar cost line" (Deardorff, 1979, p. 9). For the country I, where the labor cost is relatively low, it is drawn the first isocost line. The country II, in which the capital is relatively cheap, has the second isocost line. So, the isocost lines for these countries are different because the cost of labor and capital is different in the two states. The isoquants, tangent to the isocost lines, show the proportions of labor and capital that can generate the same value of the output; this value is settled to be equal to one dollar, according to the figure no. 1 (this is why Deardorff calls the isoquants „one-dollar production curves" (Brown, Deardorff and Sterm, 2003).

Figure 1 - The value-added chain of comparative advantage



Source: Gupta and Westney (2003, p. 21)

The tangency of the isoquants to the isocost line implies the fact that the firms gain market returns. When the isoquant is inside the isocost line there is an excess of profits since the unitary cost of the factors of production is less than the unitary value of production, in dollars. Exceeding profits, also called “economic rents”, generate an increase in the competitiveness and a cost reduction; the lower the costs are, the higher must be the production in order to earn the same revenue, fact that involves an increase in the inputs amount. If the isoquants are outside the isocost line, than the cost of the production exceeds its value and, consequently, it is not profitable. The conclusion of this analysis is that, for the competitive products, the isoquants have to be tangent to the isocost line farthest from the origin. In the above figure the isoquants are drawn only for few economic activities, raw materials or intermediate products – such as research and development, intensive in human capital, or assembly, intensive in labor. Analyzing the value-added chain it may be established what kind of activity has to be placed where the comparative advantage is the most favorable. Only the goods for which the isoquants are situated below the point A will be produced in countries where the cheap, less qualified labor is abundant. On contrary, the goods that have the isoquants above the point A will be produced in countries with an advantage for the capital intensive production. Arranging the isoquants along the isocost line it can be obtained the so-called “chain of comparative advantage for countries” (Gupta and Westney, 2003). This chain reflects the differences in costs of the factors between countries and the differences in the intensities of the factors in the intermediary and final production.

Due to a large dispersion of the production activities of the American, Japanese and European firms, the competition on the international markets involves a mixture between the competitive advantages and the comparative ones. In a global industry, firms differ in the bets they place on different production locations and in the networks they create along the value-added chain. Moreover, due to the unfamiliarity between the main firms that act in these industries, there is often a lack of regulation for the competition. The competitive signals, if they are transmitted, are hardly detected when firms have to confront with different kinds of consumption models from various markets (Leechor, Kohli and Hur, 1983).

CONCLUSIONS

The process of designing the international strategies is a very complex one that has to consider the difficulty of its implementation and coordination in the different subsidiaries of the multinational firm, located in different parts of the world. Yet, once elaborated and implemented, the strategy offers the opportunity of exploiting some advantages that are not available for the national firms: the global efficiencies, the multinational flexibility and the world-wide learning process. As shown before, all these aspects have been fully exploited by the multinational firms that entered the Romanian market, starting with the supermarkets such as Carrefour, Plus, Metro, Kaufland etc. and finishing with services providers – Pricewatterhouse Coopers, KPMG, Ernst&Young etc. – or with goods suppliers – Nokia, Renault, Selectron etc.

Depending on the resources, objectives and the risk assumed, a firm may choose between the four types of strategies – national, multidomestic, global or transnational strategy. If we think about the multinational companies that have entered the Romanian market, we may see that most of them have adopted a transnational strategy, trying to benefit not only from the global efficiencies but also from the local advantages.

An essential element in formulating an international strategy consists in creating the incentives able to respond to the changes that occur in the economic parameters between countries. Moreover, it is critical to know that a successful international strategy requires a proper coordination and control framework, in accordance with the firm's objectives.

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EURO ADOPTION – THE ILLUSION OF THE MONETARY INTEGRATION OF ROMANIA*

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Abstract: *The accession to the European Union for Central and Eastern Europe countries involved their requirement to start the process of the European Monetary Union integration. The desire to enjoy the benefits of EU membership has made both the 10 countries that joined EU in 2004 and Romania and Bulgaria which became EU member in 2007 to engage on the path to join the European single currency endeavoring to meet not only the nominal convergence criteria but also real convergence. This paper makes an analysis of the Romania's capacity to achieve the nominal convergence criteria in the current context. The change of the financial and economic conditions due to the crisis that spread worldwide during 2007 - 2008 changed the issue from "Romania can fulfill the nominal convergence criteria?" in "Is it advisable for Romania to adopt the Euro, given the uncertainty clouds over the currency's future?" The analysis is made by considering the comparative situation of other countries that are in the process of joining the single currency. The objective of the research undertaken in this paper is to investigate Romania's capacity to approach the nominal convergence criteria and so realistic goal of joining the Euro it is.*

Keywords: Euro, European Monetary Union, Romania, nominal convergence, convergence criteria, Euro adoption
JEL Classification: E43, G01, F36

INTRODUCTION

The Romania's EU accession involves the adoption of the European single currency in a timeframe that depended on the degree of the economic integration with the euro area since adoption of the euro is part of the requirement for EU accession. Adopting the euro is a crucial step for the economy of a Member State, mainly because the power of the monetary decision, the monetary policy is transferred to the European Central Bank acting independently through a single monetary policy for the entire euro area.

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The European Central Bank's monetary policy targets a supposedly homogenous group of economies, not being possible to take into account the peculiarities of each. Therefore, an effective single monetary policy is subject to achieving a high level of homogeneity between national economies.

The Maastricht Treaty established several nominal convergence criteria to be achieved by every candidate intending to join the euro area. The criteria refer to the price stability (the evolution and the level of the inflation rate), the sustainability of the public finances and the indebtedness, the exchange rate stability and the long-term interest rates. In addition and maybe more important, determining the sustainability of the convergence process is possible by analyzing a series of structural alignment indicators as GDP per capita, the openness of the economy, the sectorial composition of the economy, the financing of the current account deficit, the wage developments, the degree of financial intermediation – all these indicators representing the level of real convergence achieved by a Member State.

Although the adoption of the euro is part of the requirement for EU accession the candidates from 2004 and 2007 waves of accession are considered member states with derogation.The status as Member State with a derogation gives the new Member States some leeway in setting the target date since there is no fixed timetable for the adoption of the euro. Of particular importance for setting the target date is the requirement for participation in the Exchange Rate Mechanism II (ERM) for at least two years and within a 15 per cent fluctuation range against the euro before adopting the single currency (Allam, 2009).

The analysis of these indicators helps to emphasize the rigidities in the economy and to assess its capacity to function effectively in conditions of the economic shocks.

Since 2007, Romania began the process of reaching the nominal convergence criteria for adopting the euro but after 5 year the current state of the assessment process of the nominal and real convergence to the euro area indicates the need for Romania to implement further measures to adopt the single currency.

Reaching this goal will involve greater efforts especially since the economic conditions and regional and global geopolitical are significantly different from those existing before the start of economic and financial crisis. Thus, in this period, a significant number of countries within the European Union are engaged in efforts to restore public finance sustainability, while paying attention to the evolution of the inflation rate.

In the year prior to EU Romania's accession, the monetary authority declares that "For the Romanian economy, joining the euro area is an extremely important strategic objective, the timetable for implementation was developed taking into account the benefits and costs that this process entailed (National Bank of Romania - Annual Report 2006).

In 2006, regarding the process of setting the convergence program, the NBR officials estimated that Romania will not join the ERM II earlierthan 2012. In terms of entry into ERM II in 2012 and minimize the duration of participation in this mechanism, the euro was seen as possible in 2014.

The first edition of the Convergence Programme, completed and published in January 2007 - after previous months when this project was submitted to the public debate – was a very important step for Romania, being the first document to evaluate the possibilities of economic development while promoting policies to achieve nominal and real convergence.

Currently Romania has set 2015 as the date of the accession to the Euro area and the opinions of the political factor, the monetary policy decision makers and the economists are not converging: if the President said that 2015 should be a target, the Romanian National Bank believes that this horizon should not be forced and some economists believe that in the current political and economic conditions the accession to the euro should not be a topic of discussion.

The changing of the economic, financial and political climate has modified the attitude of the countries that are in process of adoption the euro: in July 2011 the only accession countries with firm dates were Latvia 01.01.2014 and Romania 01.01.2015, Bulgaria, Czech Republic, Hungary and Lithuania currently do not have a target date for adoption of the euro (European Commission 2011).

1. ROMANIA AND THE NOMINAL CONVERGENCE CRITERIA

In the year prior to accession to the European Union, the Romanian National Bank made an analysis of the Romania's capacity to meet the nominal convergence criteria considering that "the Romanian economy has no problems in terms of sustainability of public finances, shares in GDP of the public debt and budget deficit - these indicators in recent years (for the 2006 moment) are well below the thresholds set by the Maastricht Treaty"(National Bank of Romania - Annual Report 2006). However, despite the steady reduction of the inflation rate in the period 2000-2006, the annual average inflation rate in 2006 was 3.76 percentage points above the benchmark criterion. In terms of long-term interest the t-bonds with maturity of 10 years issued in August 2005 had 7.49% interest rate with 1.29 percentage points higher than the criterion and the exchange rate of the RON against the euro in 2005 -2006 had a margin of variation of +10%/-6,1% from the average of two years development is considered within the range of ERM II standard fluctuation.

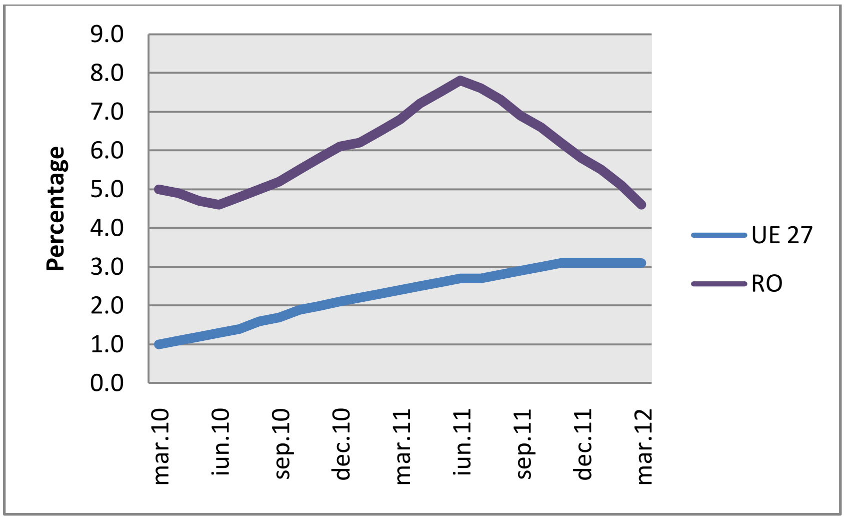
The positive economic developments in all European economies and Romania created optimism, not justified in our opinion, about Romania's ability to enter ERM II in 2012 and maintain the long term exchange rate stability followed by meeting all criteria of nominal convergence. In reality the fact that even in conditions of economic stability that began to characterize the Romanian economy in 2006 – 2007 it was difficult to approach the criteria should there be a warning sign in terms of achieving the nominal convergence and the situation was similar for other countries in process of accession to the Euro zone.

Generally speaking, prior to the financial crises, in most candidate countries, the inflation pressure was growing. Poland and Slovakia were the only new member states which recently have recorded a better inflation level (National Bank of Romania – Annual Report 2010)

The average annual inflation rate in Romania has dropped steadily during the period 2000-2007, up to values of about 4.5% in the secondhalf of 2007. During this period, inflation in the euro area remained around 2%. Since the second half of 2007 and during the first three quarters of next year, the inflation rate in Romania rose continuously, reaching 7.9% in September 2008. The determinants of that evolution have been: the increasing international prices of raw materials, the persistent surplus demand, the gap between wage growth and the labor productivity and a significant currency depreciation. In 2009 in condition of favorable agricultural production dynamic stabilization and administered prices, the annual average inflation rate in Romania fell by about 2.3%, while continuing to record a substantial gap (4.5%) than the reference value of the criterion on price stability. During 2010 a number of factors recorded significant inflationary pressures: increases in administered prices, continuing the series of increases in tobacco taxes, constraints arising mainly in the supply goods market, increasing the standard VAT rate by 5% (with effect from July 1st), and increased raw material quotations on the international markets. Thus, in 2010, the average annual inflation rate was 6.1%, the difference from reference level being 3.7%.

In April 2011 the inflation rate in Romania was 7.2% and the difference between this value and the reference value of the criterion rose at 4.3%.

Figure 1 - Annual average rate of Harmonised Index of Consumer Price



Source: National Bank of Romania data series and EUROSTAT

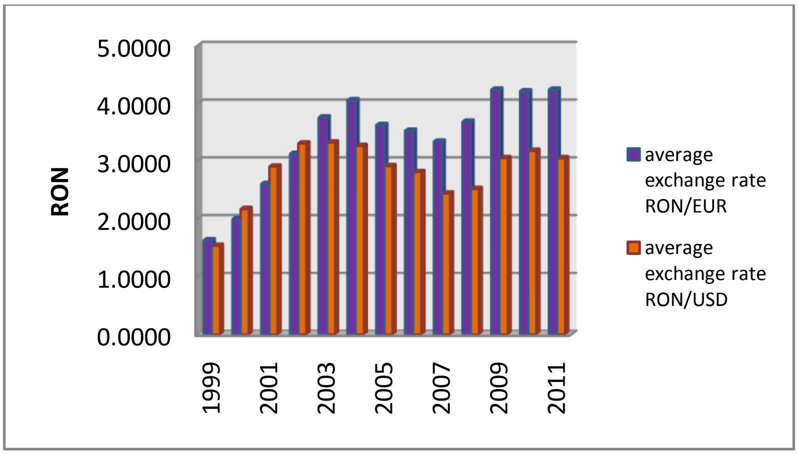
In the last three years, the share of the consolidated budget deficit to GDP has exceeded the limit imposed by the Maastricht Treaty. Thus, in July 2009, the ECOFIN Council adopted a decision having as object triggering the excessive deficit procedure for Romania and made recommendations for its correction. The compliance with commitments under international financing agreements between Romania and the international financial institutions initiated during 2009 and continued the next year involved substantial fiscal consolidation measures, both in revenues and budget expenditures (National Bank of Romania – Annual Report 2010).

The Government will maintain the policy of fiscal consolidation in line with the commitments under the new agreement with international institutions signed early 2011 and the Convergence Programme for 2011-2014, meeting the needs to close the excessive deficit procedure in 2012.

The second indicator of the sustainability of public finances (the ratio of government debt to GDP) has deteriorated compared to 2009 but its value at the end of 2010 still respecting a substantial margin comparing with the nominal criterion.

Since the second half of 2007 amid global financial crisis and the deterioration process of the foreign investors' perception on the Romanian economy and on the risks associated with the Central and Eastern Europe economies, the national currency depreciated significantly against the euro. The evolution of currency exchange rate can be characterized as having moderate volatility. Thus, from 2009-2010, the variation of currency exchange rate against the euro was not exceeded the standard band of ± 15% from the benchmark.

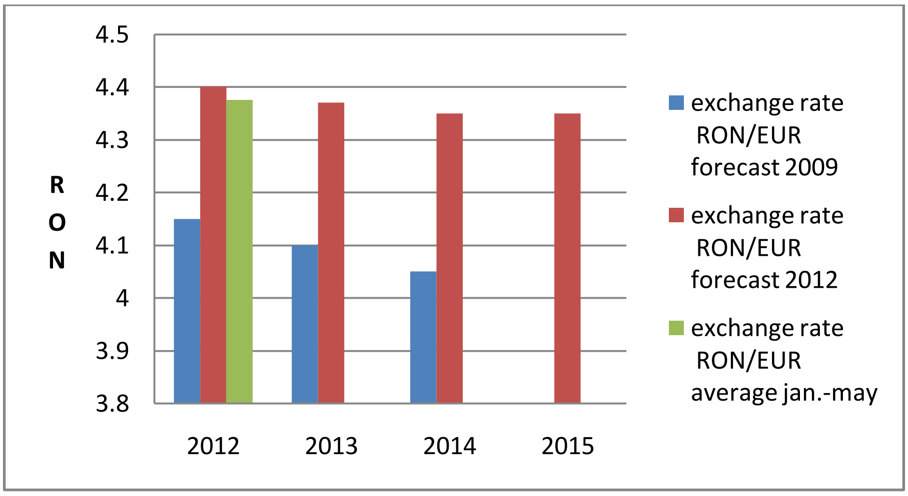
Figure 2 - Annual average of RON exchange rate



Source: National Bank of Romania data series

In the autumn of 2009 the National Commission of Forecasting in Romania estimated that the national currency will appreciate slightly against the euro and U.S. dollar but in spring 2012 forecast revision was made to dampen it. Even so, forecasts for 2012 are exceeded by actual developments on the currency market like the figure no.3 shows.

Figure 3 - Exchange rate RON/EUR forecast

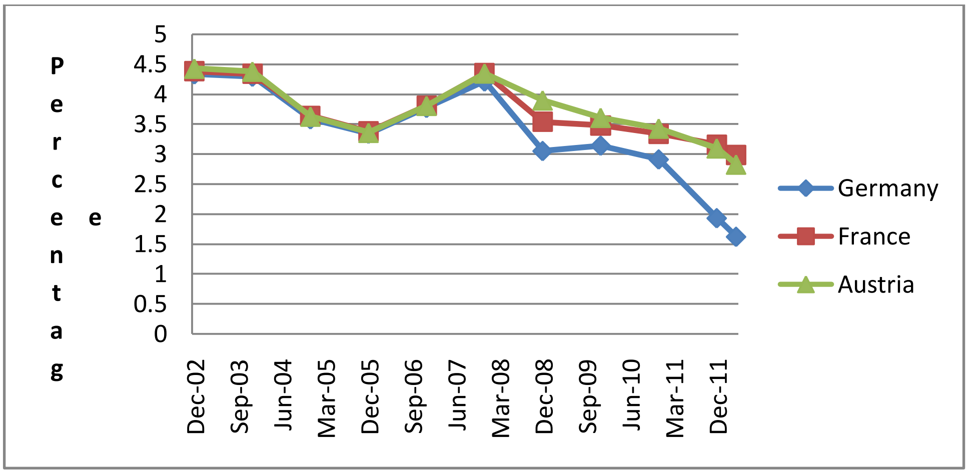


Source: National Commission of Forecasting, National Bank of Romania

The cost of the long-term borrowing (measured by the long-term interest rate) was, in last three years, higher than the benchmark, the maximum spread is recorded in 2009 (3.7%). In 2010, the gap was 2.1% and has reduced to 0.3% in April 2011.

Comparing the long-term interest rate in European Union countries we find three different situations as shown in following three graphs.

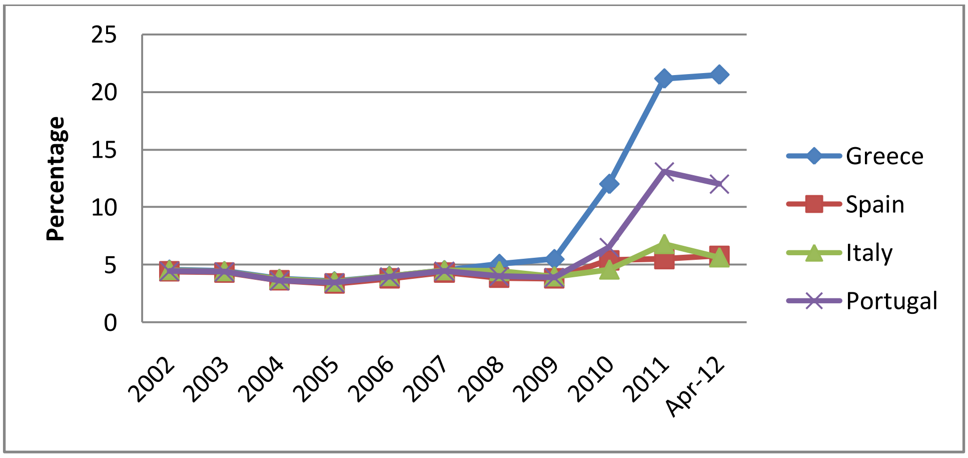
Figure 4 - Harmonised long-term interest rates for convergence assessment purposes



Source: European Central Bank statistics

Following the evolution of the long-term interest rate in three euro area countries that have implemented anti-crisis programs with positive effects on the evolution of the national economies we find that after a peak in 2007 this long term interest rate has declined steadily until 2012 as shown in Figure 4.

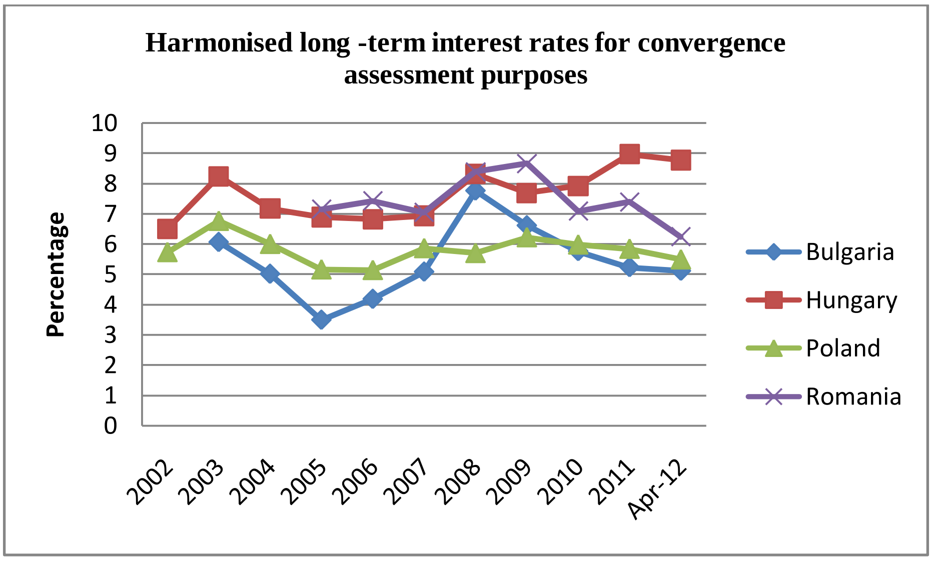
Figure 5 - Harmonised long-term interest rates for convergence assessment purposes



Source: European Central Bank statistics

On the other hand, analyzing the evolution of the cost of borrow in euro area countries facing a deepening of the financial and economic crisis in the last three years it's been a dramatic increase especially for Greece and Portugal. If Portugal has exceeded 10% in 2011 Greece passed in 2011 by the 20% as showed in Figure 5.

Figure 6 - Harmonised long -term interest rates for convergence assessment purposes



Source: European Central Bank statistics

Considering the countries of Central and Eastern Europe which were enrolled in the process of adopting the euro after joining the European Union we find that, although affected by the global financial crisis they did no dramatic changes to the long-term interest rate securities government with a maturity of 10 years proving themselves more attractive financial on the markets than the other group. Of the four countries considered in Figure 6 we notice that only one has seen an increase in this indicator is Hungary, the other 3, Romania, Poland and Bulgaria, have registered a decrease slightly after 2009.

Table 1 - Maastricht Criteria for Romania before and after the crisis

			Romania					
Indicators of nominal convergence	Level of the Maastricht Criteria	How it is measured	2006	2007	2008	2009	2010	April 2011
Inflation rate (HICP*)	Not more than 1.5% above the rate of the 3 best performing Member States	Inflation rate	6.56	4.9	7.9	5.5	6.1	7.2
		Maastricht Criteria (%)	2.8†	2.8	4	1.1	2.4	2.9
Sound public finances‡	Reference value: not more than 3%	Government deficit as % of GDP	1.9	2.5	5.4	8.3	6.4	-
Sustainable public finances	Reference value: not more than 60%	Government debt as % of GDP	12.4	13	13.6	23.7	30.8	-
Exchange rate stability (maximum % of appreciation/ depreciation for 2 years §)	+/- 15%	Participation in ERM II for at least 2 years without severe tensions (%)	+10/ -6.1	+10.8/ -9.6	+9.7/ -14.6	+1.6/ -18.7	…/ -10.4**	-
Durability of convergence	Not more than 2% above the rate of the 3 best performing Member States in terms of price stability	Long-term interest rate	7.49	7.1	7.7	9.7	7.3	7.1
		Maastricht Criteria (%)	6.2††	6.4‡‡	6.2	6	5.2	6.8

Source: Annual Report of NBR – 2006, 2007, 2008, 2009, 2009, 2010, EUROSTAT, National Institute of Statistics, authors estimations

2. THE REAL CONVERGENCE OF THE ROMANIAN ECONOMY

Although the real convergence criteria are not specified in the Maastricht Treaty and are not specifically tracked by the European Commission, they have a high predictive content in terms of the success by adopting a common currency, and achievement of a favorable report between benefits and costs. The single monetary policy, developed by the European Central Bank cannot and should not cover features of each economy, it addressing a supposedly homogenous group of economies that reached prior to accession a real convergence.

In this context, the premature abandonment of its national monetary policy by a country with still an insufficiently restructured economy can generate more costs than benefits. For this reason,

* the Harmonized Index of Consumer Price

† According to ECB Convergence report Conform, December 2006

‡ According to ESA 95 methodology

§ It has been taken into account the maximum appreciation/depreciation for the period of 24 months of the national currency exchange rate comparing with the average exchange rate for the month prior to the period considered.

** Maximum percentage deviations of the exchange rate against the euro for the period January 1st 2009 - December 31st 2010. Calculations are performed in series with daily frequency and reported to December 2008. In the reference period were not recorded positive deviations compared to the average exchange rate of December 2008.

†† According to ECB Convergence report Conform, December 2006

‡‡ According to ECB Convergence report Conform, December 2006

policy makers should pay attention to real convergence criteria. Meeting these real convergence criteria ensure a high degree of cohesion for member state 'economies of a monetary union. The main real convergence criteria are:

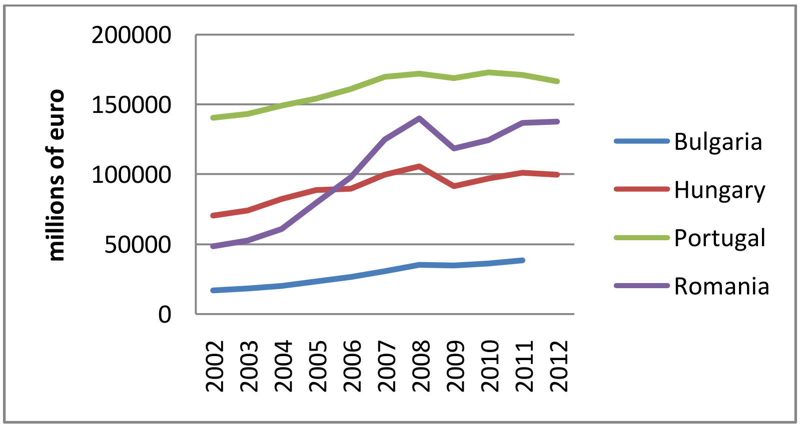
- GDP / capita, both nominal and purchasing power parity;
- Structure of economic sectors;
- Openness of the economy;
- The share of EU trade in total foreign trade.

In terms of GDP per capita Romania has made a significant progress over the past 11 years increasing from 20% in the euro area in 2001 to 43% in 2008 and then a slight decrease from 40.6% in the euro area year 2010.

Analyzing the gross domestic product for the 27 EU member countries and comparing with Romania, Bulgaria, Hungary and Portugal is seems that there is a very big difference between the values of this indicator for two situations: the Union and the euro zone's values are incomparable higher and on the other hand, including in the comparison Portugal, which in terms of nominal convergence criteria is exceeded by Romania and Bulgaria in terms of long-term interest rate, we find that in terms of a criterion real convergence Romania, Bulgaria and Hungary have recorded much lower values.

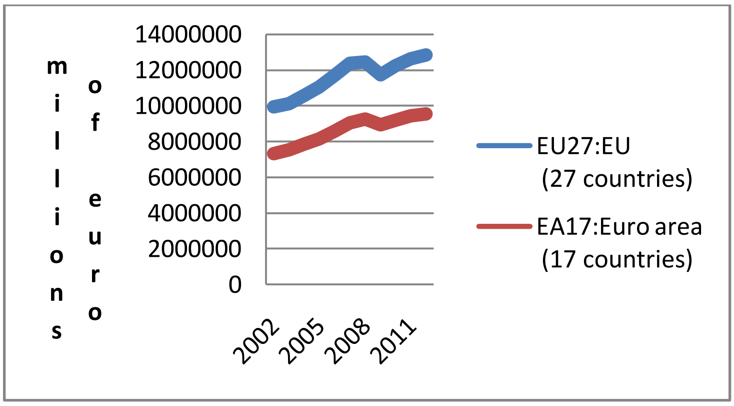
This shows that in order to correctly assess the ability of a candidate country into the euro area we cannot ignore its ability to achieve real convergence. Moreover, in our opinion, it would be dangerous for a country to meet the nominal convergence criteria only because the euro introduction will grow that economy's vulnerability if not fulfill the real convergence too.

Figure 7 - Gross domestic product at market prices



Source: EUROSTAT database

Figure 8 - Gross domestic product at market prices



Source: EUROSTAT database

The sectorial structure of the national economy during 2000 - 2010 was convergent with the euro area representing a guarantee of the possibility of shock attenuation.

The openness of the economy recovered in 2010 to over 75%, after a minimum in the last 10 years of 67.6% in 2009. Integration in terms of trade with the European Union, quantified by the share of trade with other EU countries in total foreign trade of Romania remained at a high level of over 70% in 2010.

Until the end of 2006, the necessary financing current account deficit was covered in a high proportion by the net FDI inflows, the majority share being provided by the privatization operations and the profits reinvesting process.

The situation has significantly changed since 2007, mainly because the deficit through the foreign direct investment stood at lower levels, up around 50%, initially as a result of substantial growth of the current account deficit then as a result of the massive reduction of the capital inflows determined by the propagation of international crisis on the Romanian economy.

CONCLUSIONS

In conclusion we can say that the analysis proves, in our opinion, two things:

- On the one hand both before the start of the international financial crisis in 2007 and in the next period the Romanian economy could not meet the convergence criteria in their entirety and the unfavorable conditions have affected the two indicators which fit in the benchmark values;

- On the other hand, in the context of a high uncertainty on the future of the euro but also the real convergence that Romania fails to reach should slow the Euro adoption process taking the example of the states that are also in the process of accession, more likely to fulfill criteria of nominal convergence and certainly a more solid real convergence as Poland and which were delayed this decision for 2020.

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ILLEGAL DRUG MARKETS IN EUROPE: THE NEGATIVE CONSEQUENCES OF GLOBALIZATION

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Abstract: *Globalizing processes have profoundly shaped the European drugs situation. The illegal drug markets have reached to evolve and to transform all the advantages of this phenomenon, in their favor. Based on globalization aspects, the paper purpose is to present the main characteristics of illicit drugs market within European countries, from the last years. Furthermore the article is focused on the analysis of theoretical and empirical drugs literature, especially on the current reports and studies of EMCDDA and UNODC, which indicated certain drug sectors. Due to its richness, position and high demand of illegal drugs, Europe is viewed by criminal organizations as a transit area for heroin, cocaine, cannabis and synthetic drugs, and a big customer which continued to sustain this profitable enterprise, over the last decades. Regarding the drug problem, the governance needs to be reframed and to take account of economical, social and moral character. The simple connection of illegal drug markets with globalization, gives the originality note of the paper, which leads to some important new insights for future research and policy.*

Keywords: illegal drug markets, cannabis, cocaine, heroin, synthetic drugs, drug prices
JEL Classification: E26, O17

INTRODUCTION

Globalization, known as a refreshing wave of our times and a process of society transformation, turned out into a serious phenomenon that brought in the past decades, new dimensions to this world, which caused at the same level, real challenges for this current "global village". Due to this buzzword, the entire image of our world has changed into a big system, where the economies are being increasingly integrated, and where the new technology and communication demonstrated that humankind has reached for sure a new stage of evolution.

A developed world is not a safe world at all, therefore a global evolution means also a global society that poses new dangerous threats. Following this phrase, the heart of globalization is reflected by the idea that humans, food, products, technology can be allowed to travel freely across borders, a drop of freedom which has led unfortunately to evil intentions and also to great opportunities that helped on the other side terrorists and criminals.

The sweet feeling of freedom has destroyed the conventional barriers of justice, making possible to develop within the society many powerful illegal markets, which are helped in a huge dose by the international transportation, the movement of persons, the bank facilities, and also by the fast communication around the globe, a set of globalization benefits which undoubtedly paved the path to success for many criminal groups in the last years. The ugly truth is given by the fact that globalization hit organized crime and terrorist groups over the last period, and today is known to be one of those pillars that are responsible to its most profitable business - the international narcotics traffic.

Before money laundering system, the illegal drug industry is considered today to be a worldwide enterprise with a customer base of millions of hard core consumers of cocaine, marijuana, opiates as well as other drugs, and also with a huge profit estimated at hundreds of billions of dollars. The most important customer today and the largest marketplace for illegal drugs continue to be United States, followed closely by Europe. A global black market dedicated primarily to cultivation, manufacturing, distribution and sale, has deep roots in the old continent of the world, Europe. Being a part of shadow economy, the illegal drug industry has found in the economic potential and in the cradle of European tourism, a vital source of financing. Considered as a destination of choice for international drug traffickers, both U.S.A. and EU members are economically affected by the increasing of their citizens addiction, the rising of crime and violence, and by the black money circulation.

Situated at the crossroads of drugs routes, Europe is a particular target of drugs trafficking from the East (opium-Afghanistan), from the West (cocaine-Colombia, Peru, Bolivia), and from the South (cannabis-Morocco, North Africa). According with UNODC World Drug Report, 2008, Europe absorbed about one fifth of the global heroin, cocaine and cannabis supply, as well as one third of ecstasy production over the last years. Definitely a hot spot for illicit drugs consumers, with a variety of entry points, the European countries are identified as a financing link between criminal activities, governmental corruption and the low income of hundreds of poor families originated from Asia, Latin America and Africa, who basically are the first suppliers, that are dealing in general with cultivation of cannabis or heroin. However, there are many Europeans that never tried illicit substance thanks to the general popular perception, that drugs represent alien cultures, encouraging on the other hand the consumption of alcoholic beverages. Considered an evil in itself and regarded as a serious transgression of social norms, in most European countries the illegal drug trade and consumption is hardly penalized.

As described above, the international illicit drug market is to be considered an underground commercial system of communicating vessels (van Duyne and Levi, 2005, p.42), political or economical changes being reflected in the market stability. The crucial issue, is that this trade will never be ended, and this system interconnected on various levels, will be always linked to terrorism financing and the spread of AIDS. Furthermore Milton Friedman, Tullock and other economists are in favor of free market. They argue for a full legalization of the market of drugs stating : "So long as large sums of money are involved-and they are bound to be if drugs are illegal-it is literally hopeless to expect to end the traffic or even to reduce seriously its scope. In drugs, as in other areas, persuasion and example are likely to be far more effective than the use of force to shape others in our image" (Sarrica, 2002, p. 8).

1. THE CANNABIS MARKET IN EUROPE

Cannabis is the illicit drug most widely available in Europe, which can be cultivated in a wide range of environments and grows wild in many parts of the world. It has been estimated that cannabis is cultivated in 172 countries and territories (EMCDDA, 2011a, p. n40). Also cannabis production in Europe is believed to be increasing mostly in indoor settings. Twenty-nine European countries reported domestic cultivation of cannabis herb in 2008 (UNODC, 2011, p. 38).

Divided in resins and herbs, this kind of drug is usually available in the forms hash, marijuana, weed or grass, products that are considered to be the peak of drugs. Although marijuana is gaining in popularity, hash is still predominant in Europe. A substantial part of hash on the European market originates from Morocco (Boekhout van Solinge, 1998, p. 2). Roughly the most cannabis herb trafficking is intra-regional, is locally produced and locally consumed while the cannabis resin produced in Morocco, is typically smuggled into Europe primarily through the Iberian Peninsula, with the Netherlands and Belgium having a role as a secondary distribution and storage centre (Europol, 2011a).

According with EMCDDA 2011, the International Narcotics Control Board mentioned Albania, Bulgaria, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and Ukraine as sources of the cannabis used in central and eastern Europe. Although Morocco is an important supplier, herbal cannabis continues to be imported mostly from Africa (Ghana, South Africa, Egypt) then from the Americas (Caribbean Islands) Middle East (Lebanon) and Asia (Thailand). Considering these aspects, a recent market trend has displaced Morocco as the largest producer of cannabis resin, Afghanistan being identified as a strong supplier even in European countries.

1.1. Production, consumption and trafficking

Roughly equivalent to the global trade in coffee or tea, the illegal drugs production is very difficult to estimate, but in this same context the prices are substantially more expensive than coffee or tea, and are based in general by the prosperity of geographic location. Some economists researchers have noted that prices vary because of changes in the relationship between supply and demand. Over time it has been demonstrated that prices are high because most of this drugs are scarce, but not in sense that diamonds are, and also because the market presented a considerably high demand. Despite the fact that most of them can easily be cultivated in many different regions of the world, they are still scarce because they are legally prohibited.

Labeled as the most popular illicit drug, cannabis is consumed almost daily by at least 4 million Europeans. According with European Parliament, 2010, a total of 23 million Europeans used cannabis in 2009. Seizures of cannabis resin in Europe continued to exceed herbal cannabis seizures, both in number and amount seized (EMCDDA, 2011a). The available data, pointed out that in the period 2004-2009, the mean retail price of both, cannabis resin and herb increased in several countries with the exceptions of Latvia, Hungary and Poland, where the price of resin decreased. In the case of cannabis resin, in 2009, the mean retail price, ranged from 3€ to 19€ per gram, but at the same time several countries reported prices between 7€ and 10€, while the mean retail price of herbal cannabis ranged between 2€ and 70€ per gram (see Table 1).

Furthermore the major cities of the Europe, crossed and marked by cannabis transportation and consumption are Spain (a bridge to Morocco), the Netherlands, the United Kingdom, Greece, Portugal, the Czech Republic, Estonia, Slovakia, Denmark, Sweden, Latvia and so on. As a gateway to Europe, Spain continued to report the annual seizures of cannabis resin worldwide, followed by France, Portugal, Italy and Belgium.

Table 1 - Seizures, price and potency of herbal cannabis and resin during 2009

	Cannabis resin	Herbal cannabis	Cannabis plants
Global quantity seized	1 261 tonnes	6 022 tonnes	-
Quantity seized EU and Norway	584 tonnes	57 tonnes	1.4 million plants and 42 tonnes
Number of seizures EU and Norway	400 000	324 000	25 000
Mean retail price (EUR per gram) Range	3-19	2-70	-

Source: Table adapted from EMCDDA 2011, www.emcdda.europa.eu

Along with Spain, the Netherlands is also recognized as a hot spot of entry for cannabis. Since there is no surprise at all that Spain is the main port of entry for hash, where boats, cars and lorries are used to cross the Street of Gibraltar, the Netherlands is reflected especially through the image of Amsterdam, the Venice of North. Helped by the biggest and busiest port, Rotterdam, cannabis is easily moved by ships and distributed further in Amsterdam and then in the European countries. Despite this two major entry points, Turkey is considered to be another important cannabis supplier of Europe, linked with the Middle East and Asia production.

In Barcelona, both hashish and marihuana are usually sold on the street, particularly in those areas close to clubs, pubs and other meeting places. In Amsterdam cannabis is predominantly sold in "coffee shops" (Massari, 2005, p. 3) that are considered semi-tolerated retail outlets, which are permitted to operate if they comply with a number of strict conditions (van Duyne and Levi, 2005, p. 45).

Regarding the total income generated by illegal production of cannabis for commercial purposes, the current literature exposed the general difficulty to obtain such a number. Although the European authorities suggests that the cannabis production would have generated profits of millions of Euros, funds that definitely helped organized criminals to carry one with their criminal activities.

2. THE IMPACT OF OPIUM/HEROIN ON THE EUROPEAN ILLEGAL MARKETS

One of the most commonly abused illicit drug in European society is heroin, recognized as "the white death" due to the white powder that presents dangerous effects. Associated with public health and social problems since the 1970s, this powerful and multifaceted drug is related with the greatest share of morbidity and mortality in the European Union.

Two form of imported heroin have historically been offered on the illicit drugs market in Europe: the commonly available brown heroin, which comes mainly from Afghanistan; and white heroin (a salt form), which typically originates from south-east Asia, though this form is considerably less common (EMCDDA, 2011a, p. 72). Made on the basis of opium poppies, heroin is produced mainly in the Golden Triangle (Burma, Laos and Thailand) and in the Golden Crescent (Afghanistan, Iran, Pakistan). Reported as a stable market, Western Europe is the single biggest market, in general supplied by the Golden Crescent. Arrived mainly by two trafficking routes, roughly 37% of the heroin produced in Afghanistan takes the "Balkan Route" through Iran, Turkey, and then towards the final destination, the western and southern Europe. Despite this popular path, heroin is also trafficked via the "Silk route" through central Asia and then smuggled through Belarus, Poland, Ukraine, Lithuania and so on.

In European Union the key consumption is clearly defined by the United Kingdom, Ireland, Italy, France, Germany, and Sweden. With an estimated 59 000 seizures resulted in the interception of 24 tonnes of heroin in 2009, two thirds of which (16.1 tones) was reported by Turkey, United Kingdom and Spain being situated on the second place, regarding the highest number of seizures (EMCDDA, 2011a). Overall, some experts started in their recent studies, the highest opioid use prevalence rates presented in West and Central Europe, with the 350 000 users of United Kingdom, 216 000 users of Italy and 190 000 users of France.

Table 2 - Production, seizures, price and purity of heroin

Production and seizures	**Heroin**
Global production estimate (tonnes)	396
Global quantity sized (tonnes)	76
Quantity seized (tonnes) EU and Norway (Including Croatia and Turkey)	8 (24)
Number of seizures EU and Norway (Including Croatia and Turkey)	56 000 (59 000)
Price and purity in Europe	**Heroin base ("brown")**
Mean retail price (EUR per gram) Range (Interquartile range)	23-135 (37.5-67.9)
Mean purity (%) Range (Interquartile range)	13-37 (16.8-33.2)

Source: EMCDDA (2011) adapted from UNODC (2011)

The price of heroin continued to be considerably higher on the European streets, especially in the Nordic countries than in the rest of Europe. Over time, Sweden presented a price of 135 € per gram (see Table 2) while Denmark reported a price of 95€ per gram, regarding 2009. Thus, this complex price picture is situated between 40€ and 62€ per gram, although over the period 2004-2009, the retail price of brown heroin decreased in some European countries (EMCDDA, 2011a).

There is a limited literature available which provides some insight into factors that may have had a part to play in the 2010/2011 heroin shortage in some European countries. Firstly, it has been suggested that reduced production of opium in Afghanistan, due to poppy blight in the spring 2010, may be responsible (EMCDDA, 2011b, p. 6). Another argument that influenced the European drugs market, pointed out that the quantities of heroin destined for Western Europe were diverted to the Russian market. Finally, other developments in Afghanistan, such as heavy fighting in the south of country, and law enforcement actions against heroin laboratories and opium stockpiles, may also be influencing heroin supply to Europe (Mansfield, 2011).

In addition, heroin has tended to be replaced by substances that were in the past home-made, such as methylamphetamine (methamphetamine) in the Czech Republic, and "kompot" in Poland, which has obliged local producers and traffickers to seek alternative outlets in neighbouring countries. At the same time, heroin use has gradually spread from urban to rural areas (Estievenart, 2005, p. 55). Given two examples, of two major cities of Europe (Amsterdam and Barcelona), it may be considered that heroin is predominantly associated with the street market. In Amsterdam is usually sold without any concern in the streets (Zeedijk and Bijlmermeer area) or apartments of lower class, by ethnic minorities dealers, particularly Moroccans and Surinamese, while in Barcelona is sold in the city centre and periphery.

3. COCAINE SITUATION ON THE EUROPEAN ILLEGAL MARKET

Reported as the second most problematic drug after heroin, in terms of negative health consequences and high violence, cocaine is known as one of the most consumed illicit drug in Europe. It is estimated that about 14.5 million Europeans have used cocaine at least once in their life (EMCDDA, 2011a). The volume of cocaine consumed in Europe, however, has doubled in the last decade, even though data for the last few years show signs of stabilization at the higher levels (UNODC, 2011).

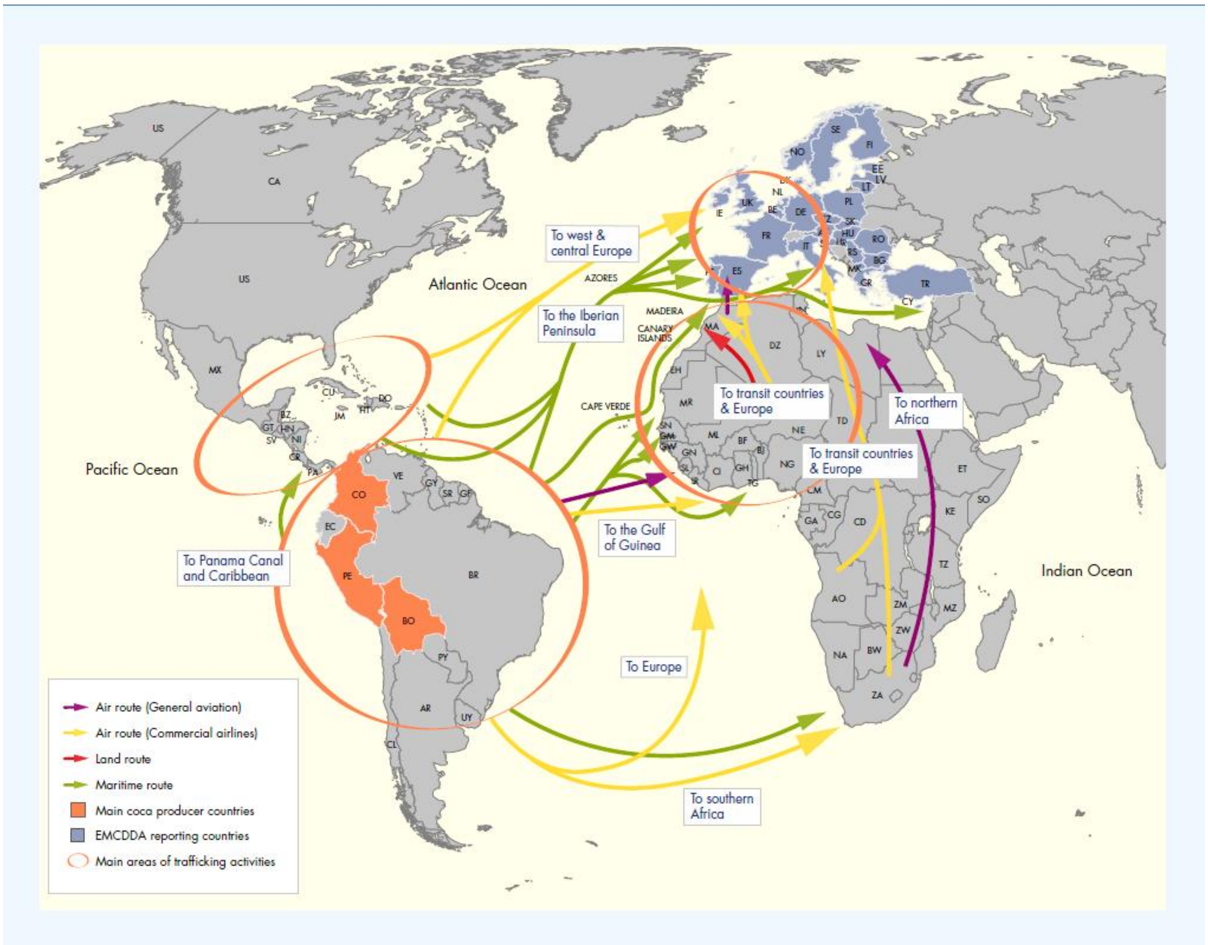
Cocaine is almost exclusively produced in the Andean-Amazonian region of South America and it is believed that during the 1980s and early 1990s the vast majority of the production remained on the American continent (EMCDDA, 2008, p. 3). With the United States as the biggest customer of cocaine (157 tonnes in 2009), Western and Central Europe, were second in terms of market share (123 tonnes in 2009). Recent surveys highlighted the increased consumption of Europe over the past decade, the total profit being estimated at $36 billion a year.

Europol has identified three dominant sea routes (see figure 1) over which cocaine is trafficked to Europe, along which numerous variations in route and mode of transportation are possible:

- The Northern Route: Caribbean-Azores-Portugal/Spain;

- The Central Route: South America-Cape Verde/Madeira/Canary Islands-Europe;
- The African Route: South America-West Africa-Portugal/Spain (Brombacher and Maihold, 2009, p.9).

Figure 1 - Main cocaine trafficking flows from Central and South America and Africa to Europe



Source: EMCDDA, 2008

As described above, the most important gateways that are linked with Europe are Spain, Portugal and the Netherlands, followed closely by Germany, Belgium, France and Great Britain. Currently the Southwest Region, the Iberian Peninsula and offshore islands represent the hot spots of action and entry points for cocaine. With all transportation advantages in their hands, mulas, the human couriers from Latin American countries, have succeeded to move forward cocaine especially through their luggage and clothing on flights to Europe, and also with the help of fisher boats, speedboats or even submarines especially to evade detection*.

Along with the Colombian cocaine, that is well-known on the Old Continent, the total number of cocaine seizures in Europe was estimated at 49 tonnes in 2009. Also, in the same year, Spain continued to be the country reporting both the highest number of seizures of cocaine and the largest quantity of the drug seized in Europe, about half the total in both cases (EMCDDA, 2011a, p. 63).

Regarding the wholesale and retail cocaine prices, some recent data collected by the EMCDDA, show that 1 kg of cocaine can be estimated at between 31 000€ and 58 000€ while the mean retail price, ranged between 50€ and 80€. Overall United Kingdom reported the lowest mean price, 45 €, while Luxembourg reported the highest, 104€. Spain, together with Italy and the United Kingdom are considered to be the ring of Europe, regarding the highest cocaine consumption. Although is a strong transit point, Spain was found guilty in January 2011 by "a large cocaine processing laboratory", a really smart way that produced 300 kilograms of the drug and 33 tonnes of chemical precursors†. Despite the Spanish drug environment, the general view is quite concerning, because too many Europeans still consider cocaine use as a relatively harmless accompaniment to successful lifestyle, and a easy way of escape.

4. SYNTHETIC DRUGS - A NEW WAVE OF MODERN DRUGS WITHIN EUROPE

Amphetamine, methaphetamine, ecstasy or LSD, are synthetic drugs with various effects, manufactured illegally in Europe from imported precursor chemicals, who continued to pose a significant worldwide problem. Born practically in the heart of Western and Central Europe, amphetamines were synthesized in 1887 in U.K and Sweden for the first time, LSD was launched in 1943 by Switzerland, while the MDA was synthesized in Germany‡. Based on medical experiments and purposes, this kind of modern drugs has evolved surprisingly over time.

Europol suggested through a recent report, that amphetamine can be termed a "European drug", followed by the idea that Europe is consider to be the world number one producer of the substance and a major consumer market. Manufactured in small "kitchen" laboratories, the vast

* see ,,*Drug Traffickers "using submarines" to ship cocaine to Europe*" 2011 - www.thejournal.ie/drug-traffickers-using-submarines-to-ship-cocaine-to-europe-160384-Jun2011/

† see ,,*Spain one of countries with the highest cocaine use*", February 2012 - www.thinkspain.com/news-spain/20846/spain-one-of-countries-with-highest-cocaine-use

‡ see Delprat T. - ,,*Synthetic drugs in Europe: A standardized and widespread phenomenon*", online publication www.ofdt.fr/BDD/publications/docs/tend3gb.pdf, accessed on May 2012.

majority is still produced in middle to large or "industrial size" facilities run by criminals operating across Europe and beyond (EUROPOL, 2011b). More than that, 16 clandestine drug laboratories were dismantled in Poland 2010, 14 of them being used for the illicit manufacture of amphetamine (INCB, 2011).

Most amphetamine seized in Europe is produced, in order of importance, in the Netherlands, Poland, Belgium, Bulgaria and Turkey (EMCDDA, 2011a, p. 52). For example in 2009, over 34.000 seizures resulted in the interception of an estimated 8 tones of amphetamine powder and 3 million amphetamine tablets (EUROPOL, 2011b).

On the other side, the development showed by ecstasy was reflected in the image of Italian seaside resorts as Rimini, and in the image of Spanish destinations like Ibiza in the Baleares, both characterized by a massive tourism. Referred to as a European drug and associated with clubs, fun, techno music and young people, ecstasy registered a huge success, especially in the United Kingdom, Netherlands, Belgium, France and Germany.

Labeled as the "dance drugs" for the recreational market, ecstasy, amphetamines and other synthetic drugs are not so expensive like heroin or cocaine. The mean retail price of amphetamine ranged between 10€ and 23€ in 2009, while for ecstasy the price situation has changed very much, now being considered much cheaper than it was in the 1990s, the price being situated between 4€ and 9€ per tablet (see Table 3). In Amsterdam, in particular, the ecstasy market has recently become more "reliable" (at beginning of the 2000s pills contained an average of 90 mg of MDMA), while the retail price has dropped very significantly (one pill currently costs from around 4-5€ to 2.5€) (Massari, 2005, p. 7).

Table 3 - Seizures, price and purity of amphetamine, methamphetamine, ecstasy and LSD (2009)

	Amphetamine	**Methamphetamine**	**Ecstasy**	**LSD**
Global quantity seized (tonnes)	33	31	5.4	0.1
Quantity seized EU and Norway (Including Croatia and Turkey)	5.3 tonnes (6.5 tonnes)	500 kg (600 kg)	Tablets 1.9 million (2.4 million)	Units 59 700 (59 700)
Number of seizures EU and Norway (Including Croatia and Turkey)	34 000 (34 200)	7 400 (7 400)	10 300 (11 000)	960 (970)
Mean retail price (EUR) Range	Gram 8-42	Gram 9-71	Tablets 3-16	Dose 4-29
Mean purity or MDMA content Range	1-29%	10-76%	3-108 mg	-

Source: EMCDDA, 2011 - *The State of the Drugs Problem in Europe*

Over the last few years, the ecstasy market has suffered a change in the context of quantities seized. The available data from 2009 showed that about 11 000 ecstasy seizures were reported in Europe, as a result after the interception of over 2.4 million ecstasy tablets (EMCDDA, 2011a). Commonly consumed by young people, the trafficking problem it is not major at all, becaus ecstasy is found very easily among young groups, fact that suggests a reasonable demand regarding this synthetic drug.

Overall, both amphetamine and ecstasy, are consumed in a high quantity by the population from West and Central Europe, compared with the other part of Europe, the East and South-East. At least 4 million of annual users with age between 15 and 64 (UNODC, 2011) fall into the arms of synthetic drugs, especially from the desire to find relaxation.

CONCLUSIONS

A black market, with no particular national identity and no frontiers, has become over time a truly global business and a source of billions of dollars per year, which is exceeded at the first sight by the arms industry. Metamorphosed into a big profitable "multinational", this ”awful” and vast enterprise is supported from behind by a huge capital, smart employees, influence, power, technology and transportation. With all the necessary resources provided also by the influence of globalization, this trafficking organizations turned out into the ugly face of the modern era, with many deep roots all over the world, from the cocaine cartels from Colombia and Mexico to the organized crime groups such as Yakuza from Japan.

Thus, despite its illegality, drug production and distribution has become a major source of revenue for many countries: revenue which can be used to round out national budget deficits, or to make individuals groups, businesses and even whole countries richer through the financing of "legitimate" industries and enterprises (UNESCO, 1999, p. 4). The tentacles of the drug industry have reached in the end all sectors of society, from those peasants producers to state institutions, being connected very often with corruption, human trafficking and smuggling. Although this topic has economical and political consequences, above all is placed the moral consequence, which is hard to cover or to solve it.

Situated at the drug trafficking crossroad, the Old Continent has become an important customer of this enterprise, being caught in the addiction system. In the past decades, Europe presented a high consumption level regarding cannabis, synthetic drugs, heroin or cocaine, facing in this way, real difficulties in the health sector. Viewed as the second market of illegal drugs, behind United States, Europe has become a bridge between West and East, shifting from one place to another, large quantities of drugs. Despite this, the major concern within European countries remains the drug consumption among young people that increased considerably in the last years, the problem of drug entry points, the security in the airports and ports and the wave of immigrants, suspects in drug transportation.

Perhaps the archetypal contemporary social problem, the narcotics trade is helped in a serious way by the richness of European countries reflected in the flourishing tourism or in the business area, which influenced at the same time, the price position on the market. More than that, being a current challenge of the entire world, the European authorities' efforts are placed between law enforcement, and specialized organizations in reducing the drug flow. Finally the whole big picture regarding Europe covers a simple truth, the constant position of international drug trade that perhaps will never know the end.

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THE ROLE OF THE ENERGY COMMUNITY WITHIN THE EU REGIONAL COOPERATION

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Abstract: *In the last decade we have seen the creation process of a common Energy Policy, which was gradually adopted by all Community countries, and has promoted an integrated competitive European energy market, increased security of supply and supported the use renewable energy sources. But in order for this policy to work efficiently, it also had to promote international cooperation with its neighbors and energy suppliers. With the view of establishing an Integrated Energy Market Organization in South-Eastern Europe, the European Community, along with nine other countries, has signed on 25 October 2005 the treaty establishing the Energy Community. Our research aims to investigate the potential of the European Union to promote security of energy supply and energy markets integration through the Energy Community. The article uses data from theoretical and empirical research on the economic and politic relations between the members of the Energy Community in order to establish the positive and negative outcomes of six year of collaboration.*

Keywords: European Energy Community, EU energy policy, EU external relations, market integration, Europeanization, Regional integration, Neo-functionalism, Stability Pact for South East Europe
JEL Classification: F15, F59, N74, O19, O31

INTRODUCTION

The last decade of the 20th century was characterized by a series of conflicts in the South Eastern European (SEE) region generated by the process of break up of Yugoslavian Republic.

In order to promote peace, prosperity and stability in the region, the European Union, along with other international organizations, met with the representatives of all the countries from the region on 10th of June 1999 in Cologne, and adopted a Stability Pact for South Eastern Europe. To achieve the set objective, it was agreed to set up a South Eastern Europe Regional Table divided in three Working Tables. During the discussions of the Working Table II, which focused on economic reconstruction, co-operation and development matters, the idea of a South-East Europe Regional Energy Market for electricity and natural gas was born, as a key to economic reconstruction of the region. The idea was further developed by the Athens Memorandums of Understanding on Electricity and Gas, and finally a legal framework was created and signed in 2005. Thus came into existence the European Energy Community (EEC) (Stability Pact for South Eastern Europe 1999).

The general objective of the Energy Community is to create a stable regulatory and market framework at national, regional and pan-European level in the area of electricity, gas, oil, environment and renewable energy. The treaty recognizes that the objective will be achieved only if the parties involved attract investment in power generation and networks, enhance competition, support the creation of an integrated energy market, promote security of supply and energy efficiency, and implement energy-sector specific social actions (DG COMM, 2005).

In order to achieve the set objective, the parties have taken the legally binding obligation to implement the relevant acquis communautaire, to set up regulatory structures and to liberalize their energy markets. It is considered that a single stable regulatory framework in the region will create a more attractive market for investors, will encourage the creation of new jobs for the skilled labor force, and will generate a positive spill-over effect to other sectors of the economy. Another factor that should not be underestimated is the political one. By signing the treaty, the countries of SEE have committed to regional cooperation in the energy sector, therefore it encourages communication and integration between countries that might otherwise be hesitant to co-operate (Energy Community, 2005).

The approach of maintaining peace and promoting economic recovery through the creation of a common energy market is not a new one. In fact, it dates back to the creation of the European Coal and Steel Community (ECSC) in 1951, the treaty that lead to the foundation of the European Union. The founding father of that treaty, Robert Schuman, believed that war can be prevented and unification can be achieved if the enemy states combine their economies in just one important economic sector. He followed the neofunctionalist school of thought which considered that the integration of an individual sector of the economy would generate a positive spill-over effect to other sectors of the economy and further the process of integration until a full economical and political integration of the region will be achieved. The neo-functionalism theory explains that as the economic interdependence between nations grows; only a supranational organization will have the capacity to resolve disputes and build international legal regimes, therefore the supranational market rules will ultimately replace the national regulatory regimes and thus, the nations will integrate not only economically but also politically.

The proof of a spill over effect can already be seen in the period of existence of the EEC, which started with the integration of the energy markets of gas and electricity and in the last years has added to its scope the dimension of social responsibility and the integration of the oil market as well. As one of the commission official stated a reform in the energy sector will have an effect on transport, environment and social policy (Renner, 2009).

However there is a big difference between the Energy Community and the European Coal and Steel Community, and that is the greater influence of one of its members, namely the European Union, in the decision making process. EU uses a conditionality mechanism, promising the possibility of joining EU, in urging the adoption and implementation of the aquis. On one side, this can be viewed as a good thing, since it encourages faster reform and greater cooperation between member states within the Community. After all, ECSC was considered as a failure in its first thirty years of existence, since the member states were reluctant to work on supranational level and preferred to put national interests before Community ones (the founder of the neofunctionalist theory Ernest Haas has even stated in 1975 that regional integration theories are obsolete in Western Europe). Due to the authority EU, and as we can observe from the progress achieved up until now, this might not be the case within the Energy Community. But, on another side, the reforms are often followed by painful consequences on the short run (such as rise in prices) and these consequences may lead to reluctance from the people, and subsequently the elected officials, of the SEE member states to desire further integration and reform. Therefore, if positive effects will not prevail the negative ones by 2016 (when the treaty expires) the EEC might cease to exist.

1. CONTRACTING PARTIES OVERVIEW PRE AND POST EUROPEAN ENERGY COMMUNITY

Besides the European Union, the nine Contracting Parties of the European Energy Community are: Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia, Ukraine and UNMIK.

Since Moldova and Ukraine have joined the community only recently, and are geographically separate from the other member states, we will evaluate their progress independently from the countries of South Eastern Europe.

The seven countries of SEE share a common dreadful history since they all were formed by the break-up of the Socialist Federal Republic (SFR) of Yugoslavia in the 1990s characterized by its violent conflicts. Since the main tactics of the war were to destroy key infrastructures, in order to weaken the opponent’s economies, after the conflicts finally came to an end the region’s economies and much of its energy infrastructure was almost completely devastated. Adding that to the fact that key energy infrastructure was built in the 1960 and the 1970 with standard Soviet technology, it becomes obvious that the energy market in the region requires significant investment to rehabilitate existing infrastructure and to build new more technologically advanced facilities. Due to lack of domestic investment, the SEE region countries should aim to attract foreign investments, but hardly any investors are attracted to small individual markets characterized by political instability. Another key element of the SEE countries is that they are greatly interdependent in their energy market generation and transmission: they are all connected to the same electricity grid and share common pipelines for oil and gas. This interdependency represents the impetus of creating a common energy market rather than aim for self-sufficiency in power generation at national level. A study carried out by World Bank in 2005 has estimated that the creation of a single, fully interconnected power network in the SEE would save around 10% of total electricity expenses during the period 2005-2020, savings derived from reduction of the need for new power generating capacity (International Energy Agency, 2008).

Some results in market integration and rehabilitation were already achieved before the creation of the Energy Community in 2005, namely the reconnection of the two sub-regional electricity transmission networks and their resynchronization with the Union for the Coordination of the Transmission of Electricity in 2004. Some of the oil infrastructure was also rehabilitated, 40% of oil refineries were operational by 2005, but with low energy performance and high environmental impact. Much work remained to be done in the next years, work that required large investment funding. As an International Energy Agency report on the region stated, in order for the market to attract investment, a comprehensive and coherent national and regional energy policy must be put in place as soon as possible. And this will be best achieved through a coordinated effort within the Energy Community (International Energy Agency, 2008).

The Energy Community has been in force since July 2006, and in six years of existence many favorable results were achieved with respect to the implementation of the acquis communautaire into national energy policies. As an Energy Community Secretariat report from 2011 shows, the member states from SEE have largely transposed the relevant aquis on Electricity and Gas into national policies even though they did so not within the set timeframe. The leader within the region is Croatia, which transposed all required legislation and is currently working on aligning its energy legislation with the so-called Third Package (a voluntary legislative package adopted in 2009 that focuses on the on the promotion of renewable energy within the internal market in electricity and gas). Montenegro and UNMIK have largely changed their national legislation in 2010; and FYR of

Macedonia, Serbia have followed them in 2011. Albania is currently in progress of amending its primary legislation, while Bosnia and Herzegovina is lagging behind and requires a coordinated effort of diverse authorities along with EEC secretariat support in order to achieve progress (Energy Community Secretariat, 2011).

The competition acquis is transposed in all contracting parties' national policies; however Montenegro still has to make improvements of its legislation. A significant progress was achieved in 2010-2011 in the transposition of the energy efficiency directives, Croatia, FYR of Macedonia, Montenegro and UNMIK have already adopted energy efficiency laws, whereas Albania and Serbia have advanced draft laws that are expected to be adopted as soon as possible. Once again Bosnia and Herzegovina is lagging behind, and is only preparing energy efficiency legislation.

Another area that recorded considerable development in the last few years was the one on implementation of environmental impact assessment directives and renewable energy directives. The strong motivation of the contracting parties to adopt the required legislation is high because it is strongly related to low interest investments granted by public donors in the area. That is why the parties have not only reached the formal requirements of the treaty, but also have developed energy strategy plans for the promotion of renewable energy in order to provide additional security to investor might want to finance hydro, biomass, wind and solar projects in the region.

According to the Memorandum of Understanding on Social Issues, the Contracting Parties have prepared Social Action Plans and have started to transpose them in their national legislation. However, as the EEC Secretariat report states, a lot of work still has to be done, since the Action Plans do not present detailed measures, operational tasks and timetables at implementing the social goals and objectives. Also a lack in follow-up and monitoring activities is observed, whereas the main problem of implementation is considered by all Social Action Plans as the lack of funding (Energy Community Secretariat, 2011).

Another directive that is currently under work, is the one related to the crude oil and petroleum stockholding system. Most contracting parties have to comply to the directive by 2020, and as the EEC Secretariat report from 2011 states that all countries have a realistic chance of meeting that target.

Moldova and Ukraine have only recently joined the EEC, however in accordance with their Accession Protocols, plans for the implementation of the acquis on electricity and gas were developed and most of the directives were transposed into national legislation. With respect to competition law, Ukraine is ahead if Moldova since its competition legislation adequately transposes the acquis and has created a fairly independent Antimonopoly Committee, whereas Moldovan legislation is not in compliance with the requirements of the EEC treaty. The deadlines for the implementation of aquis on environment, renewable energy, energy efficiency and oil have not yet expired and plans of implementation are currently in development. The Memorandum of Understanding on Social Issues was signed by both parties in October 2011; therefore a Social Action Plan has not been yet submitted to the secretary of EEC (Energy Community Secretariat, 2011).

Although the overall progress achieved by all contracting parties in the transposition of the acquis communautaire is satisfactory, the development and enforcement of secondary legislation is also needed. In some cases the legal acts comply with the acquis but are not consistently applied into practice. This case is greatly observed with regards to market opening and competition, most of the energy companies are state owned (or the state is a major shareholder) or significant concentration in the retail market is detected. On a regional level, a continuous obstruction by a number of countries of allowing UNMIK to fully participate in regional mechanisms damages cooperation in market integration programs.

The Electricity transmission and distribution networks in the contracting parties show evidence of relatively high distribution losses and the electricity suppliers still struggle with bad debts and low collection rates. In 2009 all countries accounting for more than 12% of the total output and Albania and Moldova have reported more than 50% of distribution losses out of total output in 2008. Although this numbers considerably decline in the following years, taking into consideration that only 5%-6% of the distribution losses are generated by technical reasons, it becomes obvious that it impedes actual and potential investment in the region (World Bank, 2012).

In conclusion we might state that in the last six years a lot of progress has been achieved within the contracting parties' legislative reforms and in the following years a greater focus should be put on the implementation of the law so as to create an integrated market attractive for foreign investment from private sources. The EEC secretariat has already pushed forward a Community funded initiative in analyzing key investment projects, but it is up to the member states (with the full support of the Secretariat) to find the most favorable funding possibilities.

2. THE EUROPEAN UNION'S AGENDA

The countries from the South Eastern Europe (for which the European Energy Community Treaty was originally intended), along with Moldova and Ukraine are strategically located between the European Union and the hydrocarbon-rich regions of the East (Russia, the Caspian basin and Middle East), and therefore, play an important role in the transit of energy resources to Europe. EU is extremely interested in maintaining a high degree of cooperation with these countries in order to ensure a safer security of supply of hydrocarbons that transit their territories. Furthermore, as EU places a strategic role on energy resource diversification and seeks to create new transport corridors from the Caspian Region to the member states, a stable, secure and EU integrated energy market in the SEE countries is not only desirable but also cost effective.

A study elaborated within the REACCESS project (Risk of Energy Availability - Common Corridors for Europe Supply Security) has recently performed a comparative assessment of two natural gas pipeline projects: Interconnector Turkey-Greece-Italy (ITGI) and Trans Adriatic Pipeline (TAP), in terms of their social, economical and political risks. The two projects are developed in the context of the Southern Gas Corridor – an important element of European Union's energy policy that plans to determine the most advantageous routes of long-term gas transports from the Caspian Region to EU. The REACCESS methodology attributes to each country that will participate in the process of energy supply, a socio-economic energy risk determined by an interactive factor analysis of various economic, politic social and energy variables, and afterwards aggregates the risk indices of the countries involved in the corridor in order to determine the overall risk of that specific corridor. The main difference between the two energy corridors is that TAP includes Albania as a transit country, whereas ITGI passes through Greece directly to Italy avoiding Albania. It is obvious that TAP project would be more cost effective because it decreases the length of the pipeline, but as the REACCESS study determined it would be also riskier since Albania has the highest socio-economic energy risk within the countries participating in the TAP pipeline (National Technical University of Athens, 2011).

Through the EEC, the EU not only promotes good cooperation on energy matters within the region but also aims to achieve better (more cost effective) ways of accessing energy resources from abroad for itself. By cooperating within the EEC, Albania will decrease its country's risk (especially since it is mostly affected by the energy variables of the index) and therefore would become a transit country through the TAP pipeline, benefiting itself and the EU as well. Other countries that are also involved in the development of Southern Gas Corridor projects and also desire to become EEC member are Turkey and Georgia. As compared to Albania, EU does not have the option to exclude these countries out of the transiting countries list; therefore cooperation on energy maters within the EEC will be greatly beneficial in ensuring security of supply for EU.

European Union holds great responsibility for the long-term stability and sustainable development of the SEE region since it was one of the parties involved in the development of the Stability Pact. By doing so, EU has emerged as a global player in maintaining peace and promoting democracy in the world, therefore the way that progress is reached in SEE region directly reflects on EU external abilities as a global player. This became even more important as EU created an External Action Service in order to promote itself as one entity on the global market.

In recently developed Europeanization theories, researchers try to establish the goals EU pursues in its external relations in the world and how positive results are achieved. First of all, EU promotes its model of regionalism and market integration as a pathway to peace and welfare in other parts of the world. Secondly, it encourages commitment to market-building and economic liberalization through the creation of a multilaterally managed regulatory framework for liberal markets. And third, EU supports the endorsement of such constitutional norms as human rights, rule of law and democracy. As these studies have shown, the positive endorsement of such goals, at the current moment, is strongly related to the accession mechanism, countries that seek to become a part of the EU are more likely to endorse EU goals (Schimmelfennig, 2007). But since the current economic situation in Europe does not give hope for a fast accession to the SEE states, the way they form their own regional market and develop independently from EU, might give incentives for other regions in the world to follow.

As a conclusion we might state that the way EU handles its external relations with the SEE countries through the EEC and how fast positive results are achieved, will have a great influence on how the External Action Service is viewed as a key player in promoting EU external relations in the world.

CONCLUSIONS

The European Energy Community plays an important role for all the parties involved. For the contracting parties of SEE, Moldova and Ukraine represent the main institution through which their internal energy markets are integrated with the EU energy market, thus granting access to so much needed investments that would be otherwise difficult to obtain. And for the European Union, EEC represents an institution through which it can achieve political stability in a region with great proximity to its member states, and by doing so decreasing the risks involved in the process of transiting vital hydrocarbons from the Caspian region to EU countries.

So far good results were achieved by the contracting parties in terms of transposing the aquis communautaire in national legislative frameworks, but much more effort must be put in the actual compliance to these laws. Unfortunately, since the main focus of the EEC in the last six years was put on the transposition of the acquis, not many crucial investments were made in energy infrastructure, and therefore the end-users were not able to actually see the benefits of joining the EEC, such as the creation of new job opportunities or easier access to energy resources. What they actually experienced was a rise in prices, due to increases in energy tariffs and market integration (researches show that market integration leads to short-term price increases), loss of credibility that their county might soon join the EU and corruption related to the privatization of state owned energy infrastructures.

In order for the cooperation to be more effective in the next years, the EEC along with the donors (World Bank, EBRD, EIR and others) has to actually bring investment into the region and act as guarantor for businesses that want to finance in energy infrastructure. In this way, the people of the countries will see first hand the benefits of being an EEC member and will endorse, through elections, those political parties that favor international cooperation above nationalistic interests.

By doing so, the European Union will place itself as e key player in the world, as a promoter of peace, stability and democracy; will illustrate the benefits of joining the EEC to Turkey and Georgia; and therefore, will have the ability to improve its own security of supply by the creation of new energy corridors that will pass through the South Eastern European Region.

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EUROPEAN EXPERIENCE OF SOCIAL PARTNERSHIP IN THE LABOUR FIELD: PERSPECTIVES FOR THE REPUBLIC OF MOLDOVA

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Abstract: *European integration is not a slogan, a political discourse or a foundation for the political platform of political parties. European integration includes concrete directives of action to be taken into account by all states. One of the most important of them might be considered the social partnership in the labour field. Under current circumstances, the need to study relations established within social partnership, factors contributing to social dialogue development and fulfillment of social partnership potential within existing political and socio-economic reforms increased. Analysis of European dimension of Moldovan social partnership evolution is essential for further democratization of labour field and European perspectives of the country.*

Keywords: social partnership, trade unions, labour market, new social partnership, employers, employees, labour conflict.
JEL Classification: J5

INTRODUCTION

The history of formation of social partnership and its role in the development and execution of tripartite agreements has been shaped earlier. The necessity to attract main social partners to discuss and settle significant problems relative to social life and establishment of tripartite structures (Government, entrepreneurs, trade unions) to achieve such goals, started to be perceived and realized both at national and international levels at the beginning of the last century. Although the first attempts to solve labor conflicts through negotiations between employers and employees have been reported since the XIXth century, only after the World War One, along with the establishment of the International Labour Organization, one may talk about the genesis of the principles of social partnership and collective negotiations as a means to solve problems specific to labour relations (Dombre, Feldengut and Weinspach, 2005).

In its contemporary sense, social partnership was consolidated at the middle of the XXth century, along with the outburst of the economic crisis, which had a severe impact not only on small business, but also on big corporations. The economic crisis led to intensification of the employees struggle for their rights and interests. Thus, strikes broke out across the whole Europe. In 1948 in France, for instance, over 6 million people took part in strikes and demonstrations (Lutohina, 2003). This strain created within the society forced employers to change their strategy and tactics of cooperation with trade unions. As a result, a bipartite partnership was created, which over the years evolved into a tripartite arrangement. At the beginning of the XXIst century, some researches made by the ILO set forth a multipartite partnership.

Researchers in the field highlight three basic models of social partnership (Mikheev, 2001). *The first model* was established in the northern Europe - Sweden, Finland, Norway and Belgium. It is characterized by active intervention of the state in labour relations and their subsequent regulation. Within the framework of this model, establishment of partnership at three levels: national-state, sectoral and primary (the enterprise), is highly important. For example, the National Labour Council was set up in Belgium. The three partners are equally represented within the Council. The state is also vested with legislative function. At the sectoral level, parity commissions are established. As to the enterprises, all problems are solved within a bipartite collaboration - employer-employee.

The second model of social partnership is characterized by existence of a single level. It is limited to the execution of collective agreements only at the enterprise level. This model is typical for Canada, U.S.A. and Japan. In these states, trade unions and patronages, through their delegates, make every reasonable effort to influence the legislative branch. Relations among social partners are characterized by existence of such links.

The third model is characteristic for the Central Europe (Germany, Austria, etc.). In this intermediary model, relations among social partners are placed at the sectoral level. At the state level no tripartite agreements are signed, there being held only consultations, which are not mandatory.

1. NEW APPROACHES TO EUROPEAN SOCIAL PARTNERSHIP

Upon enlargement of the European Union, the problem of a new social partnership (Nelson and Zadek, 2010) arose, which turned into "a cross-sector alliance in which individuals, groups or organizations agree to: work together to fulfill an obligation or undertake a specific task; share the risks as well as the benefits; and review the relationship regularly, revising their agreement as necessary." (Prince of Wales Business Leaders Forum)

Social partnership is also "…. a voluntary and collaborative effort among businesses, nonprofit groups, and government agencies working on a sustained basis to address a…challenge that is important to all the parties." (World Resources Institute)

As a foundation of a multipartite social partnership, it is worth mentioning that it may represent „ Three or more organizations – representing the public, private and voluntary sector – acting together by contributing their diverse resources to pursue a common vision with clearly defined goals and objectives. The objective of a partnership should be to deliver more than the sum of the individual parts." (Ashridge Centre for Business and Society)

Within the unite Europe, the role of people and organizations is also emphasized from some combination of public, business and civil constituencies which engage in voluntary, mutually beneficial, innovative relationships to address common societal aims through combining their resources and competencies." (Nelson and Zadek, 2010)

Challenges of new social partnership:

- ✓ *Reconciling economic competitiveness with social cohesion.*
- ✓ *Balancing labour market flexibility with personal security and employment.*
- ✓ *Investing in integration within the existing European Union and enlargement beyond it to embrace new member states.*
- ✓ *Finding the right balance between state provision of social services and fully privatised approaches.*
- ✓ *Promoting regional interdependence with respecting national cultures and local identities.*
- ✓ *Reconciling the need for fiscal constraint with the costs of social security.*
- ✓ *Incentivising and supporting the "have-nots" (people who are suffering as a result of socio-economic change) without demotivating or creating obstacles for the "haves" (people who are benefiting from such change).*
- ✓ *Adapting Europe's institutions to meet the needs of today's global economy without destroying the social value on which these institutions were built.*
- ✓ *Power sharing between supranational, national and local government structures and between these structures and non-governmental actors.*

Based on the new tendencies within the European Union, the Copenhagen Centre developed the following principles of the new social partnership:

- Societal aims – motivation to participate is being determined by achievement of some societal benefits by inclusion of disadvantaged individuals or groups.
- Innovation – social partnership organized with the view to support the integrated model of economic and social development.
- Multi-constituency – participation of two and more representatives of public and private sectors, civil society, attention being paid to the local level.
- Voluntary – participation is voluntary, in the sense that it is being based on the active decision, rather than the imperative compliance, which is subject to the risk of non-participation.
- Mutual benefit and shared investment - transparent delimitation of roles and contribution of each part both in investment and costs (Nelson and Zadek, 2010).

2. EUROPEAN DIMENSION OF THE PERSPECTIVES OF THE SOCIAL PARTNERSHIP IN LABOUR FIELD OF THE REPUBLIC OF MOLDOVA

Analysis of the Western experience, along with still insignificant experience of the Republic of Moldova within social partnership, outlines that relations are evolving based on fundamental principles and norms, such as those proper for social and labour fields, on interaction between state bodies and civil society, as well as on universal principles, such as social equity. Social partnership is based solely on mutual recognition of equality among partners in deciding upon the steps and methods to be used to attain their common goal, while maintaining independence and non-interference in the affairs of the other partners. Such relations are built on trust, mutual respect and goodwill.

Pursuant to Article 17 of the Labour Code of the Republic of Moldova, the main principles of social partnership in the Republic of Moldova are as follows (Labour Code, 2003):

1) Lawfulness;
2) Parties' equality;
3) Parity of parties' representation;
4) Interest of the parties for participation in the contractual relations;
5) Respecting by the parties of the norms of laws in force;

6) Mutual trust between parties;

7) Assessment of real possibilities of fulfillment of obligations undertaken by the parties;

8) Priority of methods and procedures of conciliation and the obligatory consultation with the parties on the issues related to labour field and social policies;

9) Obligatory execution of the collective labour contracts, collective conventions and other agreements;

10) Taking decisions and undertaking actions within the limits of the rules and procedures coordinated by parties.

Establishment of principles of social partnership in law does not necessarily imply their observance. For this purpose, social partners and society as a whole shall apply all reasonable efforts. In its practical activity, social partnership is being guided by the international standards and expresses itself through mutual consultations, discussions and taking of joint decisions. The Republic of Moldova, being a member of the ILO, follows the international labour standards. Our country has already ratified several international conventions, developed by the foregoing international body, quite important to the implementation of social partnership in the Republic of Moldova.

Thus, among the Conventions ratified by our country, two of them - no.144, approved by the International Labour Organization in 1976 and no.154, approved in 1981 - are developed under the international law, in order to regulate the relations in the sphere of social partnership.

The Republic of Moldova offers real conditions for the social partnership to contribute to socio-political stability, coordinating various aspects of socio-economic policy of the state. References to the policy of tripartite collaboration are being made in many legislative acts, through which the state has expressed its willingness to promote relations, other than authoritarian, including in the social sphere of labour. Thus, the existing legal framework is composed of:

- *Decision of the Government of the Republic of Moldova no. 356 dated 26th April 1999 on Concept confirmation of the social dialogue system development;*
- *Law on Patronage no.976-XIV dated 11th May 2000;*
- *Law on Trade Unions no. 1129-XIV dated 07th July2000;*
- *The Labour Code of the Republic of Moldova;*
- *Organic law no. 245 dated 21st July 2006 on the way of organization and functioning of the National Commission for collective consultations and negotiations, of Commissions for collective consultations and negotiations at territorial and primary levels.*

A key document that regulates relations among the social partners is the Labour Code of the Republic of Moldova (Labour Code, 2003), which in Title II „ SOCIAL PARTNERSHIP IN THE FIELD OF LABOUR”, Chapter I, describes the term of social partnership, as well as lists the parties of social partnership. Thus, subject to it, Social Partnership represents a system of relations established between employees (employee representatives), employers (representatives of the employers) and the respective public authorities in the process of determining and fulfilling the social and economic interests and rights of the parties, which are:

(1) The parties of social partnership at entity level are employees and employers as representatives empowered in the established manner.

(2) The parties of social partnership at national, sectoral and territorial levels are trade unions, patronages and the corresponding public authorities, as representatives empowered in the established manner.

(3) Public authorities are a party of the social partnership in the cases when they act as employers or as their representatives empowered by law or by other employers.

In Article 19 of the Labour Code of the Republic of Moldova (Labour Code, 2003), the local legislators provide for the following forms of social partnership: collective negotiations regarding elaboration of drafts of collective labour contracts and collective conventions and their conclusion on bi- or tripartite bases, through representatives of the social partnership parties; participation in the examination of drafts of the normative documents and proposals regarding the social-economic reforms, in the improvement of labour legislation, assurance of civil conciliation, settlement of collective labour conflicts; mutual consultations (negotiations) on issues related to regulation of work relations and relations directly related to them; participation of employees (their representatives) in the entity administration. (Labour Code, 2003)

CONCLUSIONS

Based on the above, we can conclude the following with the view to make social dialogue more efficient. Social dialogue is a democratic mechanism within the European Community. Trade unions are indisputable and binding partners within this partnership mechanism. Therefore, the primary task of the trade unions in the Republic of Moldova is to review the mechanism of social partnership in terms of European integration. It is also clearly necessary to realize that without this mechanism we cannot integrate efficiently. As a result, the partners shall change from inside their attitude towards this mechanism and shall start a mutual collaboration.

Understanding of the special role that the mechanism of social partnership has within the European Union is vital to review the strategy of social partnership trough Europeanization of the existing system:

- Shift from formal approach and participation to establishment of an effective mechanism and participation of all interested partners;

- Assessment of existing social problems in the labour field of the Republic of Moldova based on European standards, as well as through objective evaluation of difficult situation created on the labour market in the country.

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EU ENLARGEMENT AT A CROSSROADS*

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Abstract: *The present article aims to explore the general theme of the EU enlargement strategy in the new 2012 European context. Until now, the EU's enlargement strategy has yielded impressive results. It succeeded in transforming ten central and eastern European countries from post-communism confusion into open-market, mature and effective systems of democratic governments, and even on the economic front, they have also made astonishing progress. It is no doubt that people in the new EU countries live better then before. In this context, the EU must continue the enlargement process to help stabilize the Balkan region that lie beyond its expanded eastern border. No one can deny that major issues concerning western Balkan countries' accession are still on the table, and they even exert a geopolitical influence of sorts. This makes it all the more important to see stability and regional co-operation there are strategically vital. An all-out effort must now be made to complete the enlargement process and ensure there is no strategic vacuum. This article provides the framework of analyses for the EU problems and the challenges for the Balkans governments as for Brussels.*

Keywords: enlargement, EU, Balkans, reforms.
JEL Classification: D72, D73, D78, D81, D84

The EU's enlargement policy, as enshrined in the Treaty on European Union, is the response to the legitimate aspiration of people of our continent to join the endeavor of a unified Europe. The integration of the countries of Central and Eastern Europe over the past decade has shown that enlargement benefits the EU as a whole and allows it to be better positioned to address global challenges (Communication from the Commission to the European Parliament and the Council, 2011). Eastward enlargement has been one of the EU's greatest successes. By opening its doors and stretching out a helping hand, the EU has contributed to transforming 10 central and eastern European countries from post-communist confusion into open market, well functioning democracies (Barysch, 2010, p. 95). Seven years is still a comparatively short time in which to draw conclusions, and todays apparent successes can still turn into failures almost overnight (Laar, 2010). Yet the enlargement that took EU membership from 15 to 25 countries and later 27 was among the most important events in the European Union's history, and changed Europe beyond recognition.

The situation in central and Eastern Europe following the collapse of communism was far from easy. The chaos that ensued served to underscore the many problems that had previously been

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hidden behind the façade of communism. The tragic events that soon followed in former Yugoslavia and parts of the former Soviet Union were the bitter fruits of freedom. So for central and Eastern Europe the prospect of eventually being able to join the European Union was of enormous importance. Although the applicant countries would have to embrace certain rules and values-democracy, the rule of law and an open market economy-and looking back it would have been hard, if not impossible, for them to do so without the magnet of EU membership (Laar, 2010). The truth is that the EU's enlargement strategy has yielded impressive results. In the area of democracy, despite all the pessimistic forecasts at the beginning of the transition process, the central and Eastern European countries have created mature and effective systems of democratic government (Laar, 2010).

Of course the EU's new members are not perfect. The 2008-2009 global financial crisis has laid bare their economic weaknesses. The fight against corruption, cronyism and crime has slowed in some places, and massive investments in skills, technology and infrastructure are still needed to bring the eastern Europeans up to western European living standards. Despite of all this, there is no doubt that people in the new EU countries live longer, healthier, happier and more secure lives than they would otherwise enjoy (Barysch, 2010). The clear conclusion is that the EU must continue enlargement to help stabilize the regions that lie beyond its expanded eastern border. Yet the accession process is widely perceived to be in trouble, with would-be members queuing for decades while the EU is busy gazing at its own navel.

The enlargement policy has proven to be a powerful tool for societal transformation. Countries that have already acceded to the EU and those on the road to join have undergone impressive changes through accession-driven democratic and economic reforms. Commitment, conditionality and credibility have been situated at the core of the accession process and its success. The renewed consensus on enlargement, agreed by the December 2006 European Council, and based on the principles of consolidation of commitments, fair and rigorous conditionality and good communication with the public, combined with the EU's capacity to integrate new members, remains the framework for the EU enlargement policy (Communication from the Commission to the European Parliament and the Council, 2011).

This picture is not quite accurate because enlargement is still progressing. Croatia is likely to be a member next year and Iceland could soon follow. Serbia has handed its official applications for membership, following applications from Albania and Montenegro. Serbians, together with Macedonians and Montenegrins, now travel to EU visa-free: a hugely important change for the people of the western Balkans. Turkey has beefed up its machinery for managing the accession process and has started negotiations in the tricky area of EU environmental rules. Some observers still hope that movement towards a Cyprus settlement could unblock other negotiations chapters (Barysch, 2010). The enlargement process is progressing more slowly that in the run up to the 2004-2007 “big bang” enlargement. One of the reasons is that the current group of candidates is less well prepared and in many ways much harder to absorb then the 2004 intake. Another reason is that the countries of the western Balkans suffer from dodgy business environments, structurally high unemployment, weak and corrupt state administrations and, in some places, organized crime. Some people in the western Balkans say that the EU should not be too tough: after all Bulgaria and Romania did not match EU standards in many areas when they joined. That is true, but many EU politicians and officials have since regretted allowing those two countries to join in 2007 because once in they further relaxed their reform efforts. So the argument is now that for the EU to have made a mistake once is not a good enough reason to repeat it (Barysch, 2010). Turkey, although better prepared than most western Balkan applicants, poses a different set of challenges. Turkey is a proud country with a dynamic economy and growing expectations of regional leadership. It does not fit so easily into the EU’s accession paradigm, whereby the EU sets the rules and each candidate must demurely apply them to prove its suitability as a member of the club (Barysch, 2010).

Through the enlargement policy, the EU extends its zone of peace, stability, democracy, and prosperity; concepts that have gained renewed relevance, in the light of recent developments:

●The dramatic events in the Southern Mediterranean and the Middle East, as well as the fragility of the ensuing situations, underline the importance of a pole of stability and democracy in South-East Europe, solidly anchored in the EU’s enlargement process.

●The recent global financial crisis and the present difficulties in the Euro zone have highlighted the interdependence of national economies both within and beyond the EU.

These events underline the importance of further consolidating economic and financial stability and fostering growth, also in the enlargement countries. The enlargement process is a powerful tool to that end (Communication from the Commission to the European Parliament and the Council, 2011, p. 2).

The impediments on the part of the candidate countries are met by a sense of enlargement fatigue on the part of the EU. Rising unemployment within the EU will reinforce the skepticism as many Europeans associate enlargement with influxes of cheap labor. The kind of political leadership needed to defuse such fears is lacking. Berlin and Paris have toned down their calls for a "privileged partnership" with Turkey, but they are still openly dubious about admitting so populous and predominantly Muslim a country. Though, the EU cannot afford to be ringed to the east by countries that are poor, disgruntled and unstable. It is not only the currant candidates that need the EU as an anchor, so too do the EU's other eastern neighbors: Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan. The EU's "Eastern Partnership" is designed to draw these countries closer, but its attractiveness will be much reduced if the EU cannot offer a membership perspective, however faint. The relative prosperity and democratic stability of its new members should serve as a constant reminder of what the EU can and must achieve in its neighborhood (Barysch, 2010).

The EU must succeed in Balkans. It must keep the accession process moving steadily forward enough to motivate the south east European countries, but not so fast that EU leaders complain and threaten to block it. EU has to promise membership is just around the corner to motivate the would-be members, but cannot offer a date or promise short-cuts because conditionality would lose then its credibility. And yet, if these countries consistently fail to meet the conditions, Brussels cannot just walk away from the Balkans. The region is in many respects already part of the EU-it is an enclave within the EU, sharing borders with member states like Greece, Bulgaria and Italy that have been o source of much inward investment. The European single market is the Balkan region's most important trade partner, and problems in the region spill over into the EU very quickly: literally, in the case of environmental accidents on the Danube, and metaphorically with organized crime using the Balkans as a major route for the trafficking of weapons, drugs and people. So Balkan and EU leaders alike are stuck with the increasingly unpopular policy. Enlargement has consistently lost support in public opinion surveys around the EU as it is seen as expensive and as the potential source of more migration and crime. But what policy could the EU offer that could resolve the region's problem if not eventual membership, with conditions to encourage reforms along way. It is the strongest political incentive and most substantive support the EU can offer to any country (Grabbe, 2010).

But enlargement policy has steadily lost credibility and public support in the Balkans too. The process is slow and bureaucratic by nature and the EU has had to add conditions to deal with the legacies of war. Many Serbians blame the EU for giving independence to Kosovo (even though not many states recognized it) and for demanding the delivery of indicted war criminals to the Hague Tribunal. Some Bosnian and Macedonians feel that the EU has failed to deliver on promises made around the peace deals at Dayton and Ohrid. Across the region, reform fatigue and the sense that living conditions are not getting better have made people jaded about promises of a brighter European future.

Between 1989 and 2004, the same formula of a membership promise plus tough conditions helped post-communist central and Eastern Europe to achieve a massive transformation. In the countries that were emerging from central to planning and authoritarian rule, the EU's conditions for 15 years provided both an anchor and a catalyst. The anchor of EU-focused reforms gave a sense stability and direction to the public administration even when governments changed every year, while the promise of accession was a catalyst that made reforms go faster because the rewards of membership were only a few years away (Grabbe, 2010).

So why is not this formula working in the Balkans? The growing academic literature on enlargement suggests that conditionality needs favorable circumstances on both the supply and demand sides if the accession bargain is to work effectively. On the supply side, the EU has to be consistent, coherent and credible in the demands that it makes. It needs to be consistent in asking for the same reforms year after year, regardless of changes of government. This is a critical factor when party coalitions in Balkan countries are unstable and governments fall so often (Grabbe, 2010). The EU needs to be more coherent in the demands it makes, so that politicians and civil servants are pushed in the same direction instead of being given different messages from different parts of the EU. As to credibility, the EU needs to show it is capable of delivering on its commitments, with its political leaders genuinely offering membership at the end of the process. For conditionality to work, the EU has to be strong in both promises and its threats, with no special pleading from any of the member states. Unfortunately, the EU has in both cases frequently failed in the Balkans. Self-styled "friends of the Balkans" have too often argued that one country or another is so important and so European that the Commission should not demand such difficult tasks as reform of the judiciary or delivery of indictees to The Hague. Other EU leaders have questioned the enlargement process, arguing for a "digestion period" after Croatia's accession, during which no more new members should join. Both proposals would undermine the conditionality that helps would-be member countries to transform themselves. On the demands side, conditionality transforms countries most effectively when would-be members have strong states, a cross-party consensus giving priority to accession and substantial inflows of foreign direct investments. The central European countries that had the most capable national administrations made the fastest progress towards EU membership. But in the Balkans, states are weak (Grabbe, 2010). But political leaders in the region also need to recognize their share of responsibility for dealing with and resolving the remaining issues. They need to uphold the present pace of reform and to enhance the rule of law. Above all, perhaps, they must genuinely embrace regional co-operation because it holds the key to economic integration and thus to their EU accession. They should pool resources in a new regional platform and in multilateral large-scale projects that can accelerate their economic development (Biščević, 2010).

After the fall of Berlin wall in 1989, there was a strong push towards the reunification of Europe through the EU accession process. This united mainstream parties in favour of undertaking any reforms that the EU demanded, with euroscepticism generally setting in only after these countries had achieved membership. But in Balkans some nationalist leaders are already questioning whether it is worth meeting the EU's demands (Grabbe, 2010).

EU enlargement and neighborhood policies in Europe have also been mired in contradictions and ambiguities. EU enlargement policies are mainly aimed at preparing the ground for the expansion of West European business and making the candidate countries adopt EU norms. Among the candidate countries, Turkey has the longest contractual relationship with the EU. At the same time, it is the most controversial of the candidate countries. EU accession negotiations are continuing with Turkey but they are of a rather token nature. Both sides tacitly behave as though these negotiations will lead nowhere (EuroMemorandum, 2012).

In most of former Yugoslavia, where the EU is hoping that the promise of EU integration will contribute to political stability, there are indications of a similar trend to Turkey. While Slovenia joined the EU in 2004 and negotiations with Croatia were concluded in 2011, the prospects of joining the EU are in jeopardy for the other countries of the region. In many EU member states there is an evident hesitation about a further enlargement of the Union and the remaining candidate countries face numerous obstacles, partly resulting from contradictory EU policies. Although the Former Yugoslav Republic of Macedonia (FYRM) signed a Stabilization and Association Agreement in April 2001, even before Croatia received the official status of a candidate country in 2005, negotiations on FYRM membership of the EU have not commenced because Greece objects to the name of Macedonia. The question of Serbia's EU membership is severely charged by the question of the status of Kosovo. In the 1990s the EU declared that it would only recognize the independence of former Yugoslav republics, but several EU member states supported Kosovo's secession from Serbia, even though Kosovo did not have the status of a republic in Yugoslavia. In all, 22 EU member states have recognized Kosovo's unilateral declaration of independence, while only five EU member states have, like most UN members, not done so. In spite of the divided opinion in the EU, the European Commission is pressuring the Serbian government to take steps towards the recognition of Kosovo. In October 2011, the European Commission announced that it was in favor of granting Serbia and Montenegro candidate status but, in the case of Serbia, it made the beginning of negotiations dependent on improved relations between Serbia and Kosovo. By contrast, the de-facto partition of Cyprus was not resolved before Cypriot EU membership and conflicts about Northern Cyprus are one of the points of contention in EU negotiations with Turkey (EuroMemorandum, 2012).

The Eastern Partnership initiative, which was launched in 2008 and supported especially by Poland, is aimed at opening up countries in the post-Soviet region to West European capital and at persuading them to adopt EU norms in key policy fields. For those countries of the EU, which have very cool (or even tense) relations with Russia, the Eastern Partnership is conceived as a means of reducing Russian influence in the region. Eastern Partnership policies are likewise faced with contradictions and conflicts. Ukraine and Belarus belong to the key countries of the initiative. The political relationship between the EU and the governments of the two countries are fraught with tensions. The EU wants to bind the two countries – like the other countries of the Eastern Neighbourhood – closer to the EU. For Poland and the Baltic states, it is a strategic foreign policy aim to reduce the two countries' dependence on Russia. However, there are strong reservations about the governments in Belarus and Ukraine because of their authoritarian tendencies, especially in the case of Belarus. The governments in Belarus and Ukraine follow a 'multi-vectoral' external policy between the EU and Russia. They try to exploit the competition between the EU and Russia to their own advantage. Ukrainian heavy industry, which is backing the present Ukrainian government, has economic interests in the EU and wants better access to EU markets. This constellation has resulted in ups and downs in the EU-Belarus and EU-Ukraine relationships. In the EU, attitudes towards the Eastern Partnership initiative are to a significant extent conditioned by attitudes towards Russia. The views on this issue are highly divergent, ranging from the desire for a strategic partnership in German governing circles to fundamental reservations in the Baltic States (EuroMemorandum, 2012).

CONCLUSIONS

The situation in Balkans is difficult, but the EU has to maintain its credibility and needs to keep working on state capacity-building in the region, by bringing in more foreign investment. By providing the support that the Balkans needs to become fully a part of the European mainstream, helps it escaping its ghetto of economic stagnation and organized crime. There is every reason to forge alliances with the many European leaders who support enlargement to make conditionality credible, consistent and coherent, and at the same time to strengthen the EU's promise to the Balkans that they really will join when they meet the conditions (Grabbe, 2010). With the Lisbon Treaty in force, the EU's efforts to play a more assertive role will hinge on its success or failure in creating a durable stability architecture in south east Europe. But in the same context, the western Balkans also has a clear historical responsibility for ensuring that it becomes an integral part of the European political economy, in other words part of the solution and not the problem.

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EU CONTRIBUTION TO SUPPORT DEVELOPING COUNTRIES*

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Abstract: *The paper deals with the EU aid concerning to improved the economic situation from developing countries. Therefore, the aim of this research is to identify how EU states contribute to helping poor countries, members of the World Trade Organization.*

For the beginning, we define the EU'position before, during and after the Doha Round – a round of WTO multilateral trade negotiations. Moreover, we analyse the development dimension, focusing on countries „marginalized" until early of XXI century in terms of international trade, because this represents the idea-axis of the Doha Round. In this context, the EU – one of the leading global commercial players and a key member of the institution mentioned above – has set several objectives to achieve the basic goal of negotiations and several ways to support developing countries. To conclude, we propose to define the key points of the European aid for least developed and developing countries.

Keywords: Doha Round, FDI flows, international trade, technical assistance, European Union, developing countries, Aid for trade

JEL Classification: F43, F53, F59, I31, O19

INTRODUCTION

Cooperation between the European Economic Community (now subsumed within the European Union) and developing countries is not new in the context of international economic relations. Moreover, this relationship was born, initially, as a result of colonial heritage of EEC founding countries. Later, it became a multilateral relation or even a universalist one, according to the literature. Analyzes and studies in this area confirm the connection between development aid, granted by Member States of the Union and developing countries, in particular the least developed of them.

In the second part, we present briefly the European Union's position before and after the WTO Doha Round. We will point out, especially the Community interests, objectives and measures taken to achieve the goal stated in November 2001 in the capital of Qatar.

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In the third part we discuss how the EU has contributed to increasing the level of development of countries, to poverty reduction and to providing necessary support to achieve an effective participation in the international trade of developing countries.

In other words, we can say that this paper aims, mainly, to cover a ***section of international trade***, focusing on the *relationship* between the EU and developing countries.

The problems of this study revolve around the ticklish questions with that the countries „marginalized" in trade negotiations under GATT, later WTO, collided over time. Unfortunately, these sore issues were noticed only at the beginning of XXI century; gradually, they had become quite important on the table of Doha Round negotiations. In these circumstances, the European Union and United States – the main actors in international – had the most difficult task, namely to solve as much as possible, the demands of the poorest nations. The importance of these problems is enhanced enhanced by the developing countries which are staking especially on the defining objectives of the EU and the goal of Doha Round. As a result, the ***research hypothesis***, on which the article is built, can be summarized as follows: the European Union is considered a model in promoting fair trade and sustainable development and through the latest round of multilateral trade negotiations, it aims to provide the opportunism of the economic growth to the developing countries by solving the needs and interests to 50 underdeveloped countries (according to a UNCTAD survey).

1. EU vs. DEVELOPING COUNTRIES. LITERATURE REVIEW

The very close connection between the EEC and developing countries is not new in the broader context of international economic relations. Moreover, EU relations with this group of countries are, above all, determined by the colonial legacy of the EEC founding countries, primarly of the French Republic. Referring to this, Bretherton and Vogler (2006) claimed the idea that cooperation between the European Union and the South was conceived, first of all, as a continuation of the French policy. The big challenge consisted in sharing at a Community level, the financial burden of decolonization, and the benefits resulting from trade links with former colonies. Gradually, relations with countries in the South had to undergo a transformation, obtaining simultaneously a multilateral nature. According to Delcour (2003, p. 79), being in such a situation, the Community had to create a series of tools designed to manage this relationship in a collective and decisive manner, at the same time. Among these, stands the **European Development Fund**

(EDF) – as a financial leverage of cooperation with former colonies. According to the literature (Bilal, 2002; Delcour, 2003), a second instrument would be represented, by the ***trade agreement***, signed, initially, in Yaoundé in 1963, through which a preference regim for the 18 signatory countries (from Francophone Africa and Madagascar) was instituted.

In this context, the relationship between the EEC and the African, Caribbean and Pacific (ACP) countries is outlined, too. According to analysts, this cooperation is not new in international economic relations. Furthermore, the literature considers that links between the two groups of countries were formed through three channels (Diallo, 2007; Delcour, 2003). Originally, these were outlined in terms of bilateral relations which some EU Member States have established with former colonies (British, Dutch, Belgian and French ones); then, the agreements on development cooperation and trade cooperation between the EU and ACP followed. And finally, more recently, the link between the Community and regional and subregional organizations in Africa has developed, as ***economic partnerships*** (Bilal, 2002).

Since the '60s, a fundamental feature of the European approach on cooperation has been outlined. It is about the recognition a closer link between trade and development dimension. According to Byrne (2006) and Delcour (2003), an opinion also shared by other researchers, cooperation between the two groups of countries must be accompanied by a liberalization of trade relations – a fact that will allow integration of developing countries into the global economy.

Based on this approach, the EEC would have to expand gradually its network of agreements and programs. According to Delcour (2003), since the 1970s, the EEC cooperation policy became an universal one. In this geographic expansion, successive enlargements of the Community play a fundamental role. These slowly move the center of gravity of European aid, initially identified in Francophone Africa, to other parts of the world (the former communist, the Mediterranean countries and so on).

According to Charlotte Bretherton and John Vogler (2006), with the admission of Britain in the EEC (1973), EU cooperation with African countries would suffer a change. This happened due to the refusal of former British colonies to sign the Yaoundé Agreement with francophone countries in Africa. Although, it is considered less advantageous economically and too intrusive, politically (Delcour, 2003), the enlargement has led to the signing of the Lomé Agreement, through which was introduced a new tool, ***Stabex***. Again, the principles that founded, in the past, the commercial relationship between the EEC and the South countries, were changed by imposing non-reciprocity principle.

Gradually, some specific tools have been created in the Community budget to aid countries in Asia and Latin America. This fact allowed the institutionalization of cooperation with a number of new states (Delcour, 2003, p. 80). Among these may be mentioned: an assistance program, PHARE support, and association agreements etc., tools that were used in other parts of the world.

In connection with this aspect, authors like Diallo (2007), Lee and Wilkinson (2007), Reinert (2007) and others noted that special relationship, as partnership between the EU and the ACP countries included all the features of a model incomparably. This link established a predictable and safe contractual cooperation between the first global donor of public assistance and 71 countries spread across three continents. Furthermore, this cooperation was established on a fair commercial relationship based on asymmetry of concessions and a device of oficial development assistance, through the EDF (Delcour, 2003). In the same vein, referring to the new form of cooperation between the two groups of states, represented by the ***Cotonou Agreement*** (June 2000), Diallo (2007, p. 10) believes that the importance of this deal is pretty significant from two perspectives. The first refers to the fact that the Agreement signed in 2000 would be notified by LDCs and their representatives in the WTO negotiations. The second perspective refers to the idea that the Cotonou Agreement would answer to the XXI century challenges (Delcour, 2003).

Although NGOs consider the EU-ACP cooperation spawned to several negative effects, its supporters believe that the EU should not abandon the spirit of partnership in which all philosophy is based on equity (Diallo, 2007; Delcour, 2003; Reinert, 2007). Collaboration between EU-ACP should be widened to incorporate, in regional terms the ACP States, to promote sustainable development, to help eradicate poverty in these countries as much as possible and not least, to rebuild the North-South relationship in accordance with WTO objectives. These actions are necessary not to raise undue barriers or not to create unnecessary difficulties for the trade of other members (the U.S. case and of some countries from Latin America with reference to the dispute on the import of bananas).

In these circumstances, we can say that the European cooperation acquires a truly universal character and the Union is an economic power and a global commercial player (Bretherton and Vogler, 2006), and a pillar of development (Delcour, 2003), at the same time.

2. THE EUROPEAN UNION AND THE DOHA ROUND

Like the U.S., the EU is one of the leading global players in trade. Original member of the WTO, European Union has been instrumental in the eight WTO ministerial meetings, including in multilateral trade negotiations begun at Doha. Beginning of the XXIst century would reveal another feature of the Member States and the European Union, in general.

2.1. The EU attitude before the Doha Round

International organizations, EU, NGOs and other legal persons were aware that poor countries need a more support of technical assistance. This aid was necessary both in the short term – in trade-related issues in the negotiation process with respect on the development dimension, to which LDCs were invited to participate (as members of the WTO) and the long term – for implementation the WTO rules. But however, the necessary steps were not taken in order to improve economic and living conditions of the less advanced nations.

According to Bayne (2003, p. 143), in the opening of the Third Ministerial Conference, the EU-15 approach was designed to meet the needs of developing countries. Moreover, European countries have shown through their desires and actions, the integrative attitude about which Eugenia da Conceição-Heldt spoke in her paper. From that approach, the EU used the strategy of harmonization of interests and views of poor countries. Finally, the EU had to offer a series of concessions materialized through the initiative "Everything But Arms", even in agriculture through CAP reform. The European Commission, also, held the role of intermediation between U.S. and developing countries, convincing them about the importance of a body of rules on investment and competition. As a result of these issues, several researchers have noted that the EU-15 is the first member of the WTO that took concrete measures for developing states. Unfortunately, they were marginalized and "left in queue" (Bayne, 2003) in terms of benefits expected from multilateral trade liberalization. Moreover, in May 2001 in Brussels, at the third UN Conference concerning the Least Developed Countries and reduce poverty among people in these countries, the European Union came up with a proposal based on three pillars[*]. This was refused by other industrialized countries

[*] There are: the cancellation of customs duties on the developing countries exports to industrialized countries, the technical encouraging of the LDCs accession to the WTO and the reducing non-tariff barriers (eg, the health standards).

(like the U.S., Canada or Japan) despite the perspective that would be followed through launching the Doha Development Agenda, two years later.

From the aspects mentioned, we can conclude by the idea that after the meeting in Seattle only a catalog of good intentions resulted regarding on a number of commitments that should be taken by each state developed in part for reducing the number of people living in extreme poverty and who suffer from hunger (Da Conceição-Heldt, 2011) (according to the UN, it's about 600 million people in 2001). Moreover, there was no signing of any agreement on LDCs debt reduction which increased by 150 billion dollars. With regard to the aids that came from the rich countries, it can be said that these fell from 0.7% of GDP to the value of 0.15%, at the end of the XXth century (Reinert, 2007). In these circumstances, the resolution of problems from developing states in particular, was transferred to the Doha Ministerial Conference and in future multilateral trade negotiations.

2.2. EU objectives in the Doha Development Agenda (DDA)

The development represents the basic concept of the round of negotiations started in Qatar. Moreover, the Ministerial Declaration calls on all Member States to contribute effectively to the development process initiated in favour of developing states and the Third World.

In this circumstance, the European Union – considered a model in promoting fair trade and sustainable development – follows through the new round of multilateral trade negotiations to provide the opportunism of economic growth (Young, 2007) to poor countries, aiming to solving the needs of 50 underdeveloped countries.

The Community commercial policy objectives in the DDA and subsequently in the Doha Round on international trade and development dimension are quite numerous. The table below contains just some of them, each having paramount importance for future trade relations of the Community with the world.

Table 1 - EU's key priorities in the DDA

Domain	*Measures to be taken*	*Expected result*
Market access for industrial goods	- setting flexibilities for developing countries;	- creating a new trade between North and South and between South-South; - "Round for free" for LDCs;
Development dimension	- improved access for agricultural, industrial products, services and other sectors of interest to developing countries; - trade facilitation (simplification of export-import procedures); - observance of the principle of special and differential treatment; - more support in trade for poor countries; - trade-related assistance → integration to the less wealthy states into the global trading system; - elimination of tariffs and export subsidies for products from LDCs;	- implementing the initiative "Everything But Arms" (EBA); - agreeing on a package of measures on development; - improved market access for developing countries; - more technical assistance on trade issues; - flexibility for least developed countries (LDCs); - providing social facilities; - endorsement of solutions that ensure environmental protection; - taking into account the concerns of developing countries;

Note: The sequence of treatment areas from the table refers, not nearly, to the order of their importance in the Doha Round negotiations.

Source: prepared by author based on European Commission (n.d.) EU & WTO: The Doha Round, available at http://ec.europa.eu/ trade/creating-opportunities/eu-and-wto/doha.

Analyzing Table 1, one can see that the vast majority of Community objectives lead directly or indirectly lead to Doha Round purpose through which follows to integrate the developing states in the global trading system. Moreover, in a press release of the European Commission President, Romano Prodi said that the Doha Round must assure the development of global trade in order to offer a balance between the three characteristics of *sustainable development*: economic growth, environmental protection and furtherance of social equity (European Commission, 2008), all directed to the requirements of developing countries.

2.3. EU position in the post-Doha ministerial meetings

After the moment - November 2001, EU actions have increased considerably. Moreover, due to failure of the Cancún meeting (2003) and after a series of tense consultations with the 15 EU Member States, European Parliament, commercial associations, business environment, civil society and the European Commission decided to enact, in November 2003, a strategy with the purpose to help relaunch negotiations begun in Doha (Reinert, 2007).

Two years later, in Hong Kong, it was observed that a number of results expected for 2003, in fields such as agriculture, market access of industrial products, trade and development, services, less advanced countries etc. Unfortunately, these results were insufficient. Although, the completion of Doha Round negotiations did not occur during the ministerial meeting in Hong Kong or in the meetings that followed, European Commission, on behalf of the EU, continues to perform its task, playing a leading role in the WTO to complete the Doha Round as soon as possible (Lee and Wilkinson, 2007). This aspect was due to the fact that the successful conclusion of negotiations, started in Qatar, would confirm the central role of multilateral liberalization, on the one hand and regulation, on the other hand. This finality would confirm, also, the power of the WTO that was missed due to delayed deadlines and repeated failures of the past six years, like a resistant shield against to the protectionism decay.

In conclusion, we can say that although the EU's key objectives in the Doha Round negotiations remain unchanged, the development of multilateral trade policy continues to be primordiality for the Community.

3. EUROPEAN UNION AND ITS SUPPORT FOR DEVELOPING COUNTRIES

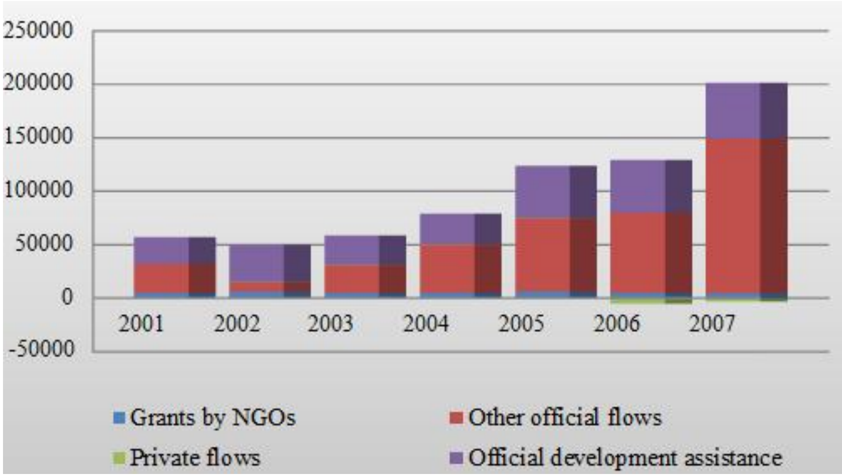
Since November 2001, EU financial aid for developing countries has increased considerably.

Most researchers believe that the international organizations, like UNCTAD, OECD, WTO and so on had an important role in shaping this context through the platforms created.

3.1. "Aid for trade" initiative

The syntagm "*aid for trade*" began to be increasingly debated immediately after the meeting in Hong Kong of WTO. The analyses made in this direction both by the competent institutions of the EU and by other specialists have lead to results more than modest. According to them, over half of global spending to support developing countries come from the European Union and its member states. In accordance with Eurostat, EU presents itself as one of the *largest donors of technical assistance on trade issues* that granted in the period 1996-2000, over 700 EUR million and additionally, for the bilateral and/or mulilateral initiatives in trade, another 300 EUR million (Commission Européenne, 2010, pp. 144-147). With regard to the next seven years, the EU financial support to developing countries has increased considerably (Figure 1), and this is due mainly to commitments under the Doha Conference, initially, continuing and in other WTO ministerial meetings.

Figure 1 - Total financing for developing countries, EU-15 (2001-2007) (EUR million)



Source: prepared by author based on processing data from Commission Européenne (2010), *L'Europe en chiffres: L'annuaire d'Eurostat 2010*, Office des publications de l'Union Européenne, p. 147

Analyzing data provided by Eurostat, there is a steady and sustained growth of the official development assistance provided to needy states, from 25.000 EUR million in 2001 to about 50.000 EUR million in 2007. One can also observed a big jump since 2005, from 40.000 EUR million (2004) to about 65.000 EUR million (2005) when the European Parliament, Council and Commission adopted "*European Consensus on Development*". In the same order of ideas, the *private funds*[*] granted to developing countries have experienced a steady growth until 2005, but later, recorded a decreasing jump from 400 EUR million (2005) till to 5 EUR billion debt (2007). In turn, the subsidies granted by NGOs to this category of countries ranged between values of 4.500-6.000 EUR million, in respect of the period analyzed.

The European Commission, in turn, believes that the "aid for trade" initiative supports the poor and vulnerable countries in development of basic economic infrastructure and tools they need to capitalize the commercial exchanges – as an engine of economic growth and development (European Commission, 2008, p. 3). On the other hand, Lee and Wilkinson (2007), and Reinert (2007) believes that Aid for trade can contribute to sustainable development and poverty reduction, only if it is aligned with a development political agenda much broader, exemplifying it on the European Union.

Regarding the EU, it makes tremendous efforts to achieve a more operational aid for trade by improving existing funding mechanisms and to increase this funding. Precisely because of these challenges, the EU was seen as the largest donor of trade related assistance and a leader in measures

[*] Actually, ***private flows*** include private export credits, direct investment and financing to multilateral institutions.

of financing, designed specifically to increase trade capacity of developing countries (European Comission, 2008, p. 3). Similarly, following the commitments made at the meeting in Hong Kong and subsequently through the adoption of its strategy on Aid for trade, the EU is fully committed to increasing the integrated framework of the least developed countries. Moreover, EU is pressing for a significant package of benefits in trade that are necessary to developing countries, as part of the final agreement in Doha. By way of example, the EU has offered in 2008 to increase its efforts with more than 2 EUR billion per year for projects aimed to stimulate the trade (excluding infrastructure).

The EU development strategy focuses mainly on technical and financial assistance in order to improve the basic social and psychical infrastructures and the production potential of poor countries, including here, their administrative and institutional capabilities.

As regards to African, Carribbean and Pacific countries, these show a very close relation with the European Union, following their financial support, particularly for the production of bananas that will be imported by the Community countries.

According to a study by the European Commission, so far, the EU is included among the largest donors of the **DDA Global Trust Fund** (*DDAGTF*) and **Loans Fund of the Integrated Framework** for least developed countries. For example, only in 2002, the European Union has donated an amount of about 10 EUR million from a total of 17.8 EUR million for the DDA Global Trust Fund (European Commission, 2008).

Other examples of technical assistance on trade issues, granted by the EU member states to the African, Caribbean and Pacific (ACP) countries are:

- Direct support programs with a value of 10 and 20 EUR million each to strengthen the relationship with the WTO;
- Economic Partnership Agreements;
- Support for the installation and maintenance of the LDCs offices in Geneva.

As a parenthesis, the European Commission claims that in 2008, more of 3/5 of the amount allocated to the development of poor countries has been shifted to the ACP states, and most part of this aid was distributed in the form of grants not repayable (Commission Européenne, 2010, p. 144).

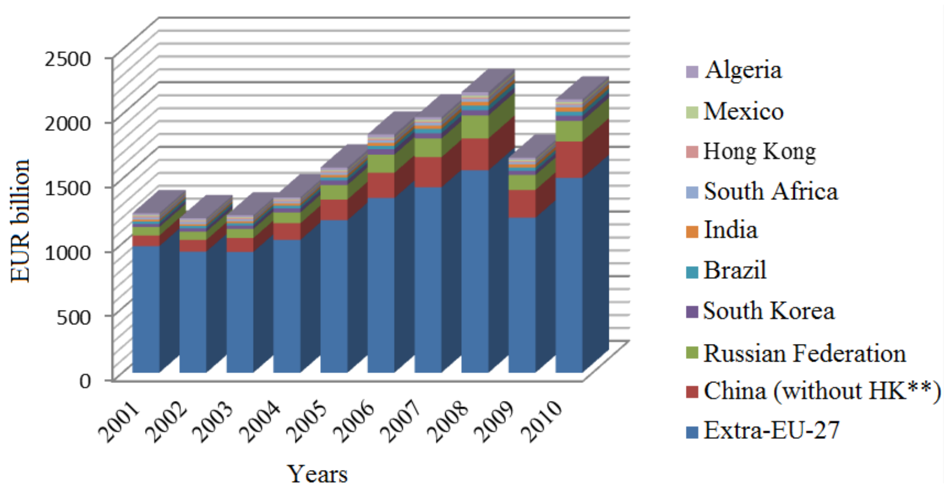
3.2. International trade – an engine of development

Besides financial support, trade itself represents an engine of development. The European market, for example, absorbs a large share of exports from developing countries and Figure 2 illustrates this aspect quite clearly.

Looking at the figure below, we can see that the highest share of EU imports came from Extra EU-27 (1.199,2 EUR billion in 2009 and 1.506,9 EUR billion in 2010). However, it should not be overlooked the overwhelming share of China (excluding Kong Kong) and Russia that totalizes over 440 EUR billion in the year 2010. The EU-27 imports from the other three BRICS Member States have amounted to 104.7 EUR billion in 2008 and 2010, respectively, 83.2 EUR billion in 2009. The difference of over 20 EUR billion was due to effects felt by the Community, resulting from financial crisis and economic recession that followed. The imports from other developing countries, also presented in the figure, do not exceed the value of 20 EUR billion (separately) in the 2010 with the exception of Algeria whose exports to the EU-27 amounted to about 21 EUR billion.

In this context, Figure 2 acquires a greater meaning and scientific relevance.

Figure 2 - EU imports by trading partners (2001-2010)



Note: * EU-15 by 2005, EU-25 by 2007 and EU-27 since 2007
** China (excluding Hong Kong)
Source: prepared by author based on data extracted from the Commission Européenne, 2010, p. 476, European Commission, 2011, p. 430 and Eurostat, *Extra EU-27 trade, by main partners, total product*

The community market, despite the major problems facing (fragility of some parts of Europe, EU financial crisis etc.) has helped and continues to help developing countries through various initiatives, such as: “Aid for Trade” or “Everything But Arms” with the objectives limited to full liberalization of the market for least developed countries. Furthermore, the participation in the Doha negotiations on market access will help developing states to enter faster on the market of industrialized countries. Once the less advanced nationas will liberalize their markets, businesses and their people will have better access to imported products.

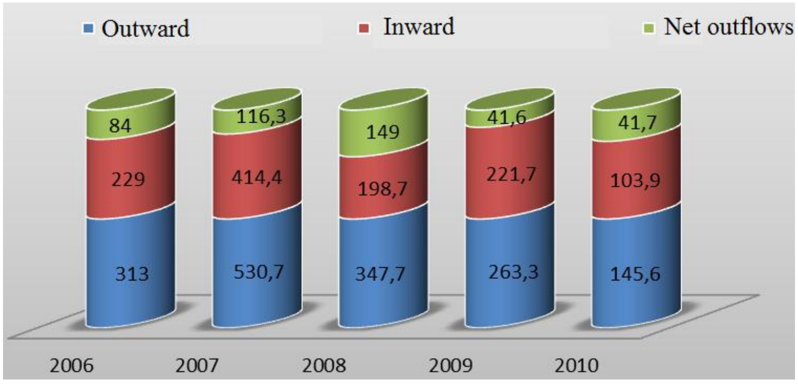
3.3. Foreign direct investment of Community directed to overseas

Another way through which the EU has involved in support of the underdeveloped countries is represented by the FDI flow abroad. The member states consider that the aid to poor states can help them to seize the opportunities offered by international trade, on the one hand and to attract more inward investments in order to broaden their economic base, on the other.

FDI is recognized today as one of the main factors leading to economic growth of a nation, creating thus, its prosperity. Moreover, FDI plays a key role in globalization, being an important element of international relations and of their development. Complementing trade, FDI creates more direct and deeper links between the economies of the world, making them more competitive. The allocation of these funds in a needy country is extremely important and necessary, in the same time. This aspect of simple reason that these supports do not determine public debt increase, on the contrary, involve foreign investors to implementation of long-term some economic commitments in the corresponding countries.

As regards the Community space, the EU is the main global source of FDI, considered a net investor abroad and Figure 3 certifies this contention.

Figure 3 - EU FDI flows 25/27 (2006-2010) (EUR million)



Note: * the flow of FDI for 2006 is limited to the 25 EU Member States at that time
Source: prepared by author based on data analyzed from the European Comission (2011), *Europe in figures Eurostat yearbook 2011*, Publications Office of the European Union, p. 104

According to the European Commission, the EU FDI flows abroad reached a record level in 2007 (530.738 EUR million), mainly due to cross-border mergers and acquisitions and reinvestment income (European Comission 2011, p. 95). However, the EU-27 FDI flows have been quite affected by global financial and economic crisis, so, in 2008, the funds sent to third countries decreased by 65%, continuing the trend and in the next two years.

From another perspective, among EU institutions exists the European Investment Bank (EIB) with the mission to borrow from the capital markets and to provide low interest loans for several projects, both EU countries and their neighbors or developing states. Among the countries covered by the EIB policy development and cooperation it may be mentioned:

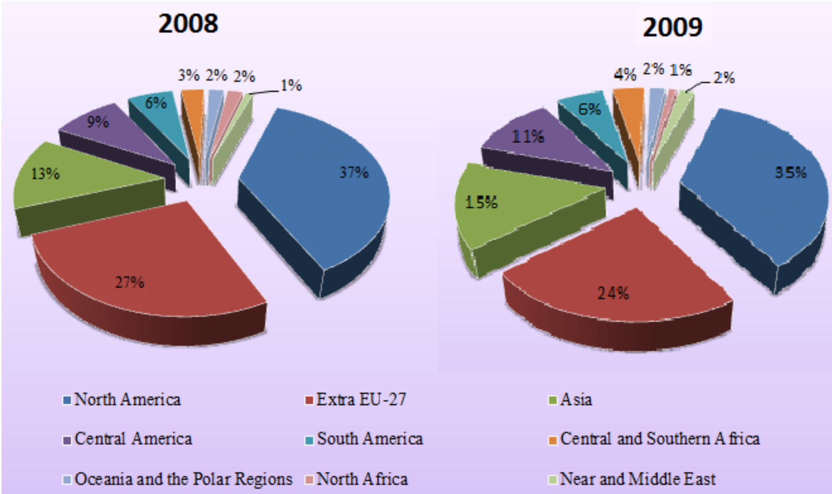
- African, Caribbean and Pacific countries (and overseas);
- South Africa;
- Asia and Latin America.

The research reports of institutions in the field, such as World Bank, IMF, UNCTAD, European Commission summarized FDI flows between developed economies, which apparently were the first affected by the crisis, started in U.S in late 2007.

Despite these warning signals, FDI outwards were evaluated in 2008 to 347,667 EUR billion, higher than the FDI inwards in EU (Commission Européenne, 2010, p. 140).

According to Eurostat Yearbook 2001, European Union funds for developing countries from Africa have also registered a sharp rise in 2008, mainly due to significant amounts of FDI inwards in Egypt (9.808 EUR million), in the most part from French companies (Figure 4). On the same continent, in 2009 FDI flows abroad of EU-27 amounted to 77 EUR million for South Africa.

Figure 4 - Outward FDI stock of EU-27, by partners (2008-2009)



Source: prepared by author based on data analyzed from the European Comission (2011), *Europe in figures - Eurostat yearbook 2011*, Publications Office of the European Union, p. 103 and European Commission (2011), *Foreign direct investment statistics*, May

Regarding the "continent of civilizations", Asia is the second region that attracted the EU-27 FDI, both in 2007 and 2008, although FDI flows towards Japan decreased by 43% in 2008, a trend that has maintained mantained in 2009, too. There was, also, a relatively minor fluctuation in FDI outflows to China and India, so that the preliminary figures for 2009 showed a slight increase in China, from 4.734 to 5.290 EUR million.

In conclusion, we can say that despite the economic problems of the European Union, due to the installation of financial crisis and subsequently, of economic recession, EU states made some important efforts to assist developing countries. Thus, adding together the percentages drawn from Figure 4, it can see that the flows of FDI from the EU have righted towards this group of states in proportion of approximately 50% (more exactly, 36% in 2008 and 40% - in 2009).

3.4. Technical Assistance for trade-related capacity building

The fifth way to support the development and economic growth in developing states at which appealed the European Union refers to *technical assistance for trade-related capacity building*. Its aim is to help the less industrialized countries to operate effectively in a multilateral trading environment, as that described by the Doha Round. According to ICTSD (2010), trade-related technical assistance and capacity-building are key elements in the multilateral trading system. Moreover, trade capacity-building is a core component of the "Aid for Trade" programme and provides direct support to developing countries in enhancing their human and institutional capacities to deal with the challenges emerging from the multilateral trading system (European Commission, 2008). In other words, trade-capacity building involves mainly the development of knowledges of poor countries about WTO rules, so it can participate without any restriction in international trade and be able to enjoy fully the advantages of this system. Basically, this support is focused on training and institutional development programs that will allow officials of underdeveloped countries to become more effective in commercial area and to strengthen national capacity for implementation of commitments as members of the WTO (EU, 2011).

CONCLUSIONS

In conclusion, we can say that since 2001, the European Commission has rapidly outlined its own strategy for development – ambitious and comprehensive at the same time – which related to developing nations and the least advanced. In consequence, the EU's objectives in the DDA, with respect to development size and special and differential treatment given to these groups of states, remain as numerous as plausible. And moreover, despite internal problems faced by Community for several months, the main objective specified in 2001, remains standing. In other words, the EU has pledged to allow poor countries to develop advanced efficient export industries that will help promote growth and reduce poverty within their economies.

In this context, we can say that the research hypothesis is confirmed and the European Union is considered a model in promoting fair trade and sustainable development.

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KEYNES'S EUROPEANISM AS SHOWN IN "THE ECONOMIC CONSEQUENCES OF THE PEACE"

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Abstract: *European integration and enlargement, in the context of decreasing support of European country nationals, needs great men and great ideas standing with. J.M.Keynes proves in his book"The Economic Consequences of the Peace" that there is no other way for Europe than acts together. His economic reasons for which European countries "throb together" are presented here and supported with data. This article, with a historical approach, brings another important and strong view on the side of Europeanism.*

Keywords: Keynes, business cycle, Europeanism
JEL Classification: B22, E32, F44

Although the last Euro barometer, spring 2011, shows that public opinion of the benefits of European membership have improved slightly, the second bailout agreed for Greece in 2012 had triggered a negative wave in some of the Western European Country (Germany, Netherlands). Another negative wave arises from Fiscal Treaty signed in 2012 that reinforce fiscal discipline deepening the austerity in countries like Spain and Island.

European nationals have to understand that bailout of Greece or Spain or Portugal is much more than tighten the belts of ones for holidays of others. Is about the fact that European nationals are so deeply and inextricably "*intertwined by hidden psychic and economic bonds"* (Keynes, 1995, p. 3) that is no other way than act together and helps each other. Taft austerity imposed to some European countries is the other side of the same story. Starting from pictorial but powerful Keynes's view of European countries relations we show that is no other way for Europe than the European Union.

Economists have to understand that before different economic scenarios there is a moral, philosophical or religious sense of economy.

INTRODUCTION

Keynes's book "The economic Consequences of the Peace" is an actual book despite of its past subject, Paris Treaty of 1919. It is incredible how Keynes thoughts emerge from time to time and came in decisive time to enlighten us.

This book is currently in these days of questioning about European Union integrity because it shows us the definite picture of Europe, countries with *"the same flesh and body*" that *"throb together and their civilization are essentially one"*. In Section 2, we try to sketch the interdependent evolution of European countries and explain why *"they flourish together … and they may fall together"* (Keynes, 1995, p. 3). The tool chosen to prove interdependence between European countries is the business cycle as Keynes suggested, and based on the existing literature we show that even before the two World Wars, European countries coupled repeatedly their business cycle. We refer to period before and after the two World Wars because between 1914 and 1945 there was no Europe (Duroselle and Kaspi, 2004).

In conclusion we invite you to see the entire picture of a Europe both in artistic terms as those used by Keynes and in scientific terms of econometric as those used by almost all researchers of our days.

1. EUROPEAN COUNTRIES TOGHETER FLOWRISHING AND FALLING

Some authors as Geert Mark (Geert, 2007) contests the existence of a European people and the historical common experience but he relay his story on the European nationals' different perception of history. This is not obviously true because Europe is the place where modern state was born in the time when the rest of the world was organized as empires, Europe is the place of great colonial power and of European Concert from nineteen century and Europe is also the place of the break of the greatest wars of the world.

From early time as Jones argue in his book (Jones, 2003) Europe "became a single system of states in which change in one cell affected the others". Jones conclude this as a historian but there were great men, living the history, as Voltaire, Abee de Saint-Pierre, Jean-Jaques Rousseau and not the last and very important Kant, who supported the same idea. Keynes was both, a historian and a history witness and he felt the same strong solidity of Europe. *"But Europe is solid with herself.*

France, Germany, Italy, Austria, and Holland, Russia and Romania and Poland, throb together, and their structure and civilization are essentially one." (Keynes, 1995, p. 3)

2.1. European interdependence before 1870

Trying to elucidate some of the chief unstable elements presented when World War One brooke out, Keynes, in Chapter 2 of his book, talks about population, organization, psychology of society and about the relation of the old world to the new. In fact he talks about the causes that lead the economy before 1914 to an extraordinary episode of progress but he talks about the fact *"that happy age lost sight of a view of the world which filled with deep-seated melancholy the founders of our political economy"* (Keynes, 1995, p. 5) too. He talks about business cycle. He placed in the center of his demonstration the complicated industrial German machine that spread its blow on the Central Europe population and organization (transport, foreign trade, coal distribution).

Beyond different languages, religions, habits, European peoples felt together the stages of the same business cycles even before the rise of nation-state[*] (Craig and Garcia-Iglesias, 2010) and obviously before European Union, *"they flourish together ... and they may fall together"* because of the causes that determine their common business cycles.

Lee Craig and Concepticion Garcia-Igelsia document in their work that *"by the late-eighteenth century the integration of the European economy was extensive enough that large cyclical shocks in specific markets, in specific regions, had ramifications for economic activity in other region, often without regard to national boundary. Thus there emerged something like a pan-European cycle, even before the national income and product data were well defined"* (Craig and Garcia-Iglesias, 2010, p. 150).

They start their demonstration from the changing causes of business cycle and they prove that causes act regionally not locally. In the center of their study is placed Great Britain as the most advanced economy of that time, showing that in very early years, 1700-1750, downturn in the British economy, was accompanied within a year by a downturn in two or more other country and regions. The spreading of downturns was due to their causes that are at the same time channel through which early cycle could begin and propagate.

[*] The rise of nation-state started with the peace of Westfalia (1648) when the legal status of the nation-state as sovereign was cemented, but the most european nation-states rose in nineteen century.

Technological change can be a key factor for business cycle determined changes in labor productivity and taking into account labor-leisure trade off, leads to an increase hours of work and so to the increase of economic activity. But at the same time technological change and positive productivity uncorrelated with increased output can lead to reduction of hours and employment. Even technological changes can not transmit by their self these ups and downs of one region economy, these changes are very important as they probably made modern cycle possible.

Demographic shocks, especially plague affect economy through disruption of the labor market and through the disruption of trade. Plague did not stop to a region borders as it travel with trade so European people suffered the same major economic downturns, as it were the two episodes from Sweden, Baltic region 1709-1710 and France 1720-1722. Migration that was during that period on quite a large scale and it was, as Brinley Thomas observed (Thomas, 1973), responded to and caused by real cyclical activity.

The most important cause prior to XIXth century consisted in agricultural shocks as at that time agriculture sector dominate other sectors. The economy was very sensitive to these shocks that are weather-related and could cover much of the Europe.

International trade is at the center of the economic expansion of this period and can be seen as the cause for long run trend growth rates of European countries but it could generate cycles through financial market as it was “South See Bubble” from 1711.

Because there are few macroeconomic time series for European Country before 1750, researchers used to identify cycles of that period especially using narrative account but they help them with available price data, especially of urban food and real wage data. The results are a number of years, of continent-wide recession, Table 1, suggestive to understand that they do “throb together.”

2.2. European interdependence from 1870 to 1914

For years from 1870 to 1914 that was a period of sustained increased in GDP per capita in the most part of Europe and an apparent regularity in economic life with its ups and downs can be observed data are again scarcely. Annual and quarterly GDP can be found only from the first half of the twentieth century (Studenski, 1958) and the main inputs for national income and production series (the census on population, industry, and workforce) was increasingly widespread for the second half of the nineteen century. So researchers have to find their solution in order to detect a common trend among available data, contradictory tendencies such as output, imports, unemployment etc resulting in different methods, and different results. Empirical research of business cycle poses many technical changes for national income and for international business cycle synchronization.

International business cycle synchronization could be observed, because individual country chronologies often contain references to international events such as changes in foreign interest rates and financial panics. Different studies offer different results and refer to different countries. Another analysis synchronization of peripheral country and finally other aim core countries relative to peripheral studies. An overview is offered by Matthias Morys and Martin Ivanov (Morys and Ivanov) and his result is presented in Table 2.

The conclusion from this overview is that the average correlations reported is very low and in contradiction with the period 1870-1914 that is often referred to as the First Age of Globalization. This mismatch between studies and expectations is known as the business cycle paradox. And what we can do with a paradox is to live with it as Priest says (Priest, 1979) and take it as truth.

Keynes comes in his book with a narrative support for this obviously correlations of European countries development, talking about the same rhythm of increasing populations, about the spreading of German organization and about the intensity of trade. *"Before 1870 different parts of the small continent of Europe had specialized in their own products; but, taken as a whole, it was substantially self-subsistent. And its population was adjusted to this state of affairs.*" (Keynes, 1995, p. 5) After 1870 the German population grew from 40 million in 1870 to 68 million in 1914, Austria-Hungary from 40 million in 1890 to 50 million in 1914 and European Russia from 100 million in 1890 to 150 million at the outbreak of the war. "*This great increase was only rendered possible by a far-reaching transformation of the economic structure"* of the German country and to its impact on extraordinary center of population of Central Europe.

"Round Germany as a central support the rest of the European economic system grouped itself and on the prosperity of the rest of the continent mainly depended" (Keynes, 1995).

In Europe due to tariffs and border interferences reduction and the stable basis in relation to gold of different currency create a general climate of order, security and uniformity. "*This factor of order, security and uniformity…prepared the way for the organization of the vast mechanism of transport, coal distribution and foreign trade …"*

When international trade of European countries was as interdependent as Keynes noted *"The statistic of the economic interdependence of Germany and her neighbors are overwhelming.*

Germany was the best customer of Russia, Norway, Holland, Belgium, Switzerland, Italy and Austria-Hungary. She was the second-best customer of Great Britain, Sweden and Denmark, and the third best customer of France. She was the largest source of supply to Russia, Norway, Sweden, Denmark, Holland and, Switzerland, Italy, Austria-Hungary, Romania and Bulgaria and the second largest source of supply to Great Britain, Belgium and France." (Keynes, 1995, p. 8) The result of European economies correlation can be low.

In conclusion when narrative history is used European countries interdependence look obvious. When statistic, econometric analyze is used, events become more blurred.

2.3. European interdependence in 21 century

Economic interdependences of European countries before World War I, as Keynes argued, are relived in our days too. Baldwin and Whyplosz (Baldwin and Whyplosz, 2009) exhibit the same interdependences of European economies, with 71 percent of EU27 export with itself and 67 percent of EU27 import with itself, at 2007 level of data. At this level of figure every country feels that the others European countries are very important for it. When German people look at figure implied by Greece 2011 and 2012 bailout they maybe forget the importance of his history partner but they probably will remained it soon.

Synchronization of European countries business cycle become very important as it is an important criterion for participation in a monetary union as optimum currency area (OCA) theory suggests that this criterion is generally applied to find if new EU member states should adopt euro and exchange rate regimes of the, but it also is considered for other countries with extensive trade and economic relations with the EU.

A variety of methodologies have been applied in recent business-cycle studies of the CEECs and Jarko and Korhonen (Fidmuc and Korhonen, 2006) tried to offer a clear view on this subject. They conducted Meta-analyze of 35 identified publication and they confirm relatively high correlations for many new EU countries.

CONCLUSIONS

Keynes told us a story of Europeanism in his "The Economic Consequences of the Peace" book, and the power of this story came from observation and feeling and less from figure.

Economy as science was always a science influenced by philosophic and religious thoughts and it has always ethic content (Sedlacek, 2011). Today and for some time, philosophy religious or ethnic was forgotten and we remain with the difficult languages of statistic. Difficult because often researchers speak the same language they don't understand each other due to different methods, sources and period analyzed.

What if Germany following moral, philosophic or ethic thoughts wouldn't run such a current huge account surplus for propping up its industries and preventing its unemployment rate for rising further? Because, as Dani Rodrik states, Germany is now free-riding on other countries' economies (Rodrik, 2010).

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ANNEX A

Table - 1 Candidates years for continent-wide recession 1750-1870

Continent-wide recession years	Events
1761-62	Seven Years War
1765-66	Stamp Act
1770-72	British Credit Crises
1789-90	French Revolution
1792-93	1792 Panic (Wall Street first collapse)
1811-12	The UK Great Depresion
1816-19	Loose of colonies
1820-21	Panic of 1819 (first major financial crises in U.S)
1825-26	Great Britain crises
1831-32	Cholera
1837-38	Cholera
1840-42	Harvest failure, Cholera
1848-49	European Revolution, Great Irish Famine
1853-54	Crimean War
1857-59	Financial Crises (First Global Crises)
1831-62	Americal Civil War,
1866-68	The Austro-Prussian War

Source: authors adaptation after Graig & Garcia Iglesias

ANNEX B

Table 2 - Business cycle synchronization during the First Age of Globalization (ca. 1870-1913) according to previous research

Source/countries	Correlation *	Time frame	Statistical method: correlation of
Morgenstern / E, F, G	0.83 (3)	1870-1914	concordance index[2]
Backus&Kehoe 1992 E,G	0.03 (1)	1870-1913	de-trended GDP
Artis et al. 2011 E, F, G	0.09 (3)	1880-1913	de-trended GDP
Bordo&Helbling2011 E, F, G, Netherlands, Switz., US	0.04	1880-1913	GDP growth rates
Bordo&Helbling 2011 F, G,Netherlands, CH	0.09	1880-1913	GDP growth rates
Uebele 2011 E, F, G	0.61 (3)	1862-1913	CDFA Business cycle indices
Backus&Kehoe 1992 Denm., Norway,Sweden	0.29 (3)	1865-1914	de-trended GDP
Artis et al. 2011 Denm., Finland,Norway, Swed	0.11 (6)	1880-1913	de-trended GDP
Artis et al. 2011 Austria-H.,Greece	0.15 (1)	1880-1913	de-trended GDP
Bordo&Helbling 2011 Denm., Finland, Norway, Swed	0.14 (6)	1880-1913	GDP growth rates
Backus&Kehoe 1992 / E, G vis-à-vis,Denm., Italy,Norway, wed	0.20 (8)	1861-1913	de-trended GDP
Backus&Kehoe 1992 / E, G vis-à-vis Denm, Norway, Swed.	0.29 (6)	1880-1913	de-trended GDP
Artis et al. 2011 / E, F, G vis-à-vis, 4 Scand. Countries	0.04 (12)	1880-1913	de-trended GDP
Artis et al. 2011 E, F, G vis-à-vis, A-H., Greece	0.16 (6)	1880-1913	de-trended GDP
Bordo&Helbling 2011 6 core vis-à-vis 10 peripheral	0.01 (60)	1880-1913	GDP growth rates

Source: Morys and Ivanov

* Average correlation (# of bilateral correlations)

THE ROLE OF ECONOMIC POLICIES FOR EXTERNAL CROSSBORDER AREAS IN SHAPING THE NEW EUROPEAN UNION*

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Abstract: *As history proves, any enlargement of an overstate structure produces disarticulation and an increase of pressure on the borders of it. On the other side the economy produces integrative effects along the border despite of the original significance of separation that a border has. The crossborder policies of the European Union as regional player are meant to contribute to the economic structure building and enhance the stability inside and outside the Union area. Setting up the normative framework for crossborder relations is a very present-day field, being subject of study and research in all Union bodies, in the Member States governments, candidate countries or beneficiaries of the relations with the Union as well. This normative framework is meant to propel the economic increase and the raise of the daily life conditions in the neighbor countries. Alongside the border there are happening complex phenomena, some of them easy to be quantified, such as economic ones, some of them more difficult that cannot be controlled but only sociologically researched, such as cultural-identity-emotional ones. The paper aims to draw the guiding marks of the European Union external crossborder areas and the crossborder cooperation frame for Romania, to identify already visible and potential effects of the enlargement on the external borders and to make an inventory of policies that should integrate the crossborder economy.*

Keywords: crossborder, cooperation, enlargement, European neigbourhood
JEL Classification: R11, F15

INTRODUCTION

Crossborder policies can be applied successfully for sustaining and developing specific advantages for the actual framework that target a new world order. From these could be mentioned: extinction of constraints in the international economic exchanges, the interest of economic agents being focused on low cost and high quality production as a condition for balanced markets; extinction of obstacles in economic exchanges that will determine in time a specialization of the production process for certain goods and the increase of labour productivity; the extension of the internal market stimulating the competitivity and attracting a high number of producers and

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consumers, as well as diversifying the goods and the beneficiaries; extinction of monopoly prices, higher than in a competitive environment; redistribution of invested capital and optimization of capital investment inside the community; free movement of labour force, the rational and efficient use of it.

As long as the countries transformed their economies, the demand for crossborder cooperation increased. The development of market economies especially in East European countries was joined by the increase of private companies and their expansion in these countries.The subsequent effect was the increase of disparities between the levels of economic development especially in the border areas (Building a New Europe, 1996). Having in view the specific aspects, each country confronts certain social, geopolitical, economical, ecological or other kind of problems. The solution for these can be found and practiced by decisions for efficient economic policies. The economic policies from two or more related countries are not always compatible, fact that can lead to conflicts.

Crossborder cooperation is a concept newly adopted for some decades in different European crossborder areas. This practice is based on principles for a successful crossborder cooperation established by the Association of European Border Regions: vertical and horizontal partnership, subsidiarity, common plan for crossborder development, analogical structures at local/regional level and independent financing sources. These principles are widely known and impose the observance of them by all the factors involved in the process. In what concerns the cooperation outside the national borders can be distinguished the following cooperation types: crossborder cooperation, interregional cooperation and transnational cooperation.

The crossborder cooperation, depending on the specific of the relation between the neighbouring countries, can contribute to economic development for each participant part. The motivation consists in the desire for improvement of life standard, in ensuring a sustainable and harmonious framework and in the clearance of frontier barriers, restrictions or other factors. For the improvement of the social-economical position of the regional communities and for reducing or clearance of the effects of the border obstacles, the local communities are involving more and more in the regional collaboration. Accordingly, there were build regional association on both sides of the borders, with the respect of the international law system. Later, the national associations from both parts of the border reunited forming crossborder associations, most of them being constituted in Euroregion structures.

1. SHAPES OF A NEW EUROPEAN UNION

Along the time there were many scenarios and shapes proposals for European Union, depending on the stage of development. Some of them explored the limits of extension, some more recent ones explore the possibility of decay of the Union. As concerns the structure, the shapes considered are European Union as post-modern empire (Zielonka, 2007, Diez and Whitman, 2000, in Antonescu, 2008, p.10-11), as a federation or as a republic (Foucher, 2002). From the multitude of approaches we choose the post-modern empire view and the European republic view of Michel Foucher as being two dynamic faces of a union of states with different culture and levels of economic development, but these two shapes could lead to completely different development scenarios.

”European Union may be considered an empire even if it does not fulfills all the elements considered by the political sense about the overstate, because the empire is not a rigid concept but one able to define the most diverse types of structures, from political to organical – tribe, royal family, clan, region.” (Antonescu, 2008)

We cannot consider the European Union a classical empire because the Union is a contemporary, new and innovating suprastructure, based on political logic and with a different evolution than the classical empires. Nevertheless, this structure borrows from the traits of a classical empire.

On the other side, Foucher states that the idea of Republic is opposite to the one of an empire, the European Union being built on common and free consent of national sovereignty exercise (Foucher, 2002). European Republic would be as echo of the Europe that invented the democracy, social progress and human rights principles, and the one that allowed the free circulation of ideas over the continent. More than that, Europe is an area for a free circulation of ideas as a base for a collective assumed destiny.

If we put face to face these two images we can state that the actual shape of the European Union is not following accurately any of both but shows elements of the empire and of the republic. For a future scenario the empire image is too dark considering that the history showed that empires had a limited lifetime and there were a space of continuous conflicts ended with decay. On the other side the image of a republic is too generous considering the difficulty to mix the multitude of different backgrounds and actual frameworks that the member states have.

2. CROSSBORDER AREA CONCEPT

The economic development and the functionality of the habitations in the crossborder area have an important role and place in the crossborder policies, due to the local and national need of security. The crossborder area is an international market with a strong competitiveness of the capital, goods, labour and services. Each player on the market is focused on finding favorable solutions to its own economic problems, not carrying any responsibility related to the failure of the other players.

Industrial development could be an option as part of the development strategies, targeting the adjustment of the differences in financial capacities of the regions. These policies can lead to an increase of the incomes in the local or regional budget, having an important role in breaking the labour force migration. The industrial policies can ensure a good level of professionalism of the workers, a certain level of fairness related to the labour force, stability and economical increase, a good rate of productivity and work efficiency. But on the other side, if you are speaking about the Eastern border of European Union, the landscape is made of ex-communist countries that got rid of the most part of the industrial infrastructure and building a new one could be very expensive and it needs foreign investments and a coordinated approach.

The crossborder areas have no constitutional competences, meaning that they cannot decide the agreements in crossborder relationships. There are the states who decide the policies and the agreements, based on their own legal rules and they cannot accept the conditionality of a regional overstate structure linked only to some geographical parts of the countries. That is the reason for failure of the regional associations that are only network structures, without real decisional power or financial capacity. The crossborder areas facilitate the communication and the social-economical activities, but each part remains with the own national purpose and the duty of the own state security. The crossborder areas cannot be considered as an inception of the state disappearance but only areas for national state consolidation by economic competitiveness and not by force.

Another challenge that characterize the crossborder areas is linked to the freedom of movement of the labour force, goods, capital and services, but in a different meaning that the freedom of movement that is inside the European Union, stated in the main Treaty. The existence of borders and differences between the member states and the third countries put more pressure from outside to the inside and make the competitivity wilder. The winner will be that country, that developed economy based on the research-development results and with a higher level of work efficiency. From this point of view, sometimes the incumbency of following the European Union rules can be a break for a country that maybe if standing alone would be more competitive toward its third country neighbours.

An useful approach that should be taken in consideration when we are thinking about crossborder areas is the one that Fernand Braudel used to frame the spatial scheme of the economies-universe. He considered three levels or categories: a quite restrained center that concentrates the high level of technologies or markets, a second level regions that have just at a medium level the advantages of the centers and the marginal areas or peripheries, not so well economically developed (Braudel, 1989). If we consider the European Union as an economy-universe seems like obvious that a center could be represented by Bruxelles and France and Germany duo and the peripheries are the areas situated at the external borders of European Union.

If it would be to set up some marks about crossborder areas we should put in the frame three groups of items: facts that are coming from the past and actual environment, virtues of these areas that can raise them and risks that can block or change the dynamic of the areas in a negative one. The facts that are characterizing the crossborder areas are sometimes contradictory, on the one side we have areas belonging to different countries with different rules but most of them are linked by a common history. That led to the existence of minorities on the other side of the border and territorial issues as topic of nationals' foreign negotiations and at the population level led to an individual conflict between national identity and citizenship loyalty. The second group of items, the virtues of the crossborder areas, is containing the sensitivity of the areas, being a barometer for the internal processes and depending on the permeability of the frontiers. Moreover, the communities on the both sides of the border are plural societies with a collective memory and unitary values that can build bridges between the main cultures of the countries involved or between projects with a high coverage. Being subject of differences the crossborder areas are highly competitive societies with a good degree of innovation and dynamic (Popa, 2006). The last group of items, having as much importance as the previous two, is closely linked to the facts and virtues. The differences mentioned above can create not only competitiveness but the not desired face – the rivalries that express in social tensions and conflicts. If these tensions are not well managed they can be transformed into unilateral aggressive practices. Being peripheries, the crossborder areas can be subject of economical unbalances and of incompatibility of different institutional structures (Popa, 2006).

To figure out an image of crossborder areas means to mix all the layers described in a variance of scenarios that imprints the specificity of the economical context towards the internal states' economic development.

3. THE STEPS OF THE EUROPEAN NEIGHBOURHOOD POLICY

Having in mind the age of the European Union from the start as economic community till the today complex union of 27 states, the neighbourhood policy is a new step in the development. The first frame for this policy was the communication from the Commision to the Council and the European Parliament from 2003 "Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours".This Communication considered how to strengthen the framework for the Union'srelations with those neighbouring countries that at that moment hadn't the perspectiveof membership of the EU. It was not applyed to the Union's relations with the remaining candidate countries at that moment - Turkey, Romania and Bulgaria - or the Western Balkans. The Communication argued that enhanced interdependence - both political and economic - can itself be a means to promote stability, security and sustainabledevelopment both within and without the EU. The communication proposed that the European Union should aim to develop a zone of prosperity and a friendly neighbourhood - a ”ring of friends" - with whom the union enjoys close, peaceful and cooperativerelations (Wider Europe, 2003).

The next step was in 2004 with the issuance of another communication from the Commission, the Strategy Paper of the European Neighbourhood Policy. This paper brings in front the Partnership and Cooperation Agreements and the Action Plans as documents negotiated with the neighbourhood countries and as tool for implementing the policy – the European Neighbourhood Partnership Instrument.

Two years later, in 2006, the communication named "On Strengthening the European Neigbourhood Policy" makes an inventory of the strengths and weaknesses of the neighbourhood policy, asks for a more involvement of the Member States and draws attention to some new fields of interest to be stressed: economic and commercial issues, visa-facilitation and migration management, people-to-people contacts and contacts among administrators and regulators, political cooperation and regional cooperation, or financial cooperation. In 2007 a new communication spots the strengthen of the neighbourhood policy, ”A Strong European Neighbourhood Policy", drawing attention to some of the main challenges that should be addressed by the European Union' institutions and governments, asking again for the close cooperation of the Member States to strengthen the European Neighborhood Policy.

Finally, after the conflictual events fron Asia in the beginning of 2011 the High Representative of The Union for Foreign Affairs and Security Policy and the European Commission launch a joint communication, namely "A New Response to a Changing Neighbourhood. A review of European Neighbourhood Policy". The new approach, as described in the communication, aims to:

- Provide greater support to partners engaged in building deep democracy - the kind that lasts because the right to vote is accompanied by rights to exercise free speech, form competing political parties, receive impartial justice from independent judges, security from accountable police and army forces, access to a competent and non-corrupt civil service - and other civil and human rights that many Europeans take for granted, such as the freedom of thought, conscience and religion;

- Support inclusive economic development - so that EU neighbors can trade, invest and grow in a sustainable way, reducing social and regional inequalities, creating jobs for their workers and higher standards of living for their people;

- Strengthen the two regional dimensions of the European Neighbourhood Policy, covering respectively the Eastern Partnership and the Southern Mediterranean, so that we can work out consistent regional initiatives in areas such as trade, energy, transport or migration and mobility complementing and strengthening our bilateral co-operation;

- Provide the mechanisms and instruments fit to deliver the objectives of the European Neighbourhood Policy (A New Response, 2011).

The rapidity in redesinging the neighbourhood policy depending on the external events and the change of the framework shows the importance that the European Union gives to the relation with the neighbour countries and the need to reduce the economic disparities between the areas situated on the borth sides of the border – the internal and external ones.

4. ECONOMIC POLICIES AND INSTRUMENTS FOR EXTERNAL CROSSBORDER AREAS

The first and the main objective of the European Neighbourhood Policy is to promote sustainable economic and social development in the border areas. Closer cooperation between the European Union and its neighbours should help to accelerate economic and social development and poverty reduction in the border areas by increasing trade and investment flows, enhancing cross-border cooperation on economic and social policy issues, promoting co-operation in the fields of transport and energy, and integrating the neighbouring countries more deeply into wider European cooperation. As a rule, proximity to EU markets would increase the economic attractiveness of external neighbouring areas and create new opportunities for them. These regions often have natural economic advantages such as cheaper labour and lower transport costs (Paving the way, 2003).

The tools of European Neighbourhood Policy include bilateral policy between the European Union and each partner country, enriched with regional and multilateral co-operation initiatives: the Eastern Partnership (launched in Prague in May 2009), the Union for the Mediterranean (the Euro-Mediterranean Partnership, formerly known as the Barcelona Process, and the Black Sea Synergy. To these there are added country, multi-country and cross-border strategy papers and multi-annual indicative programmes covering country or multi-country programmes, which deal with assistance to one partner country or address regional and sub-regional cooperation between two or more partner countries, in which member States may participate, crossborder cooperation programmes, which deal with cooperation between one or more Member States and one or more partner countries, taking place in regions adjacent to their shared part of the external border of the Community and joint operational programmes for cross-border cooperation or annual action programmes.

CONCLUSIONS

Always it will be a border and there will be neighbours no matter the shape of the New European Union it will be, a future of an empire or a republic. This fact should not stop the efforts of making easier the passing from one side to the other side of the border. The existence of a European Neighborhood Policy, built firstly on economic area, and the quick update of the policy in a dynamic frame of neighbours gives the confidence that the neighbourhood issue is at the same level of importance as other European policies.

The cross border areas are forms of micro-regionalize the economy. Inside these there are reunited administrative units from different countries that keep the competences of the origin countries as defined in the national or European legislation. The crossborder relation is very important, these areas facilitating the communication between countries and the development of various social-economic activities and in the same time keeping the national aim and the security of the state.

The crossborder areas are under the influence of internal and external factors, social economic, technologic and natural, considered in the elaboration of the crossborder policy. Depending on the evolution of the economic indicators the economic policies become a support and a mechanism for keeping the positive trends while correcting the negative trends.

The European Neighbourhood Policy is a necessity determined by the actual border shape. This policy proved its efficiency through the Action Plans and the financial tools for developing the crossborder areas.

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THE MOBILITY OF THE PROCESSES OF REGIONAL INTRA-INDUSTRY SPECIALIZATION IN ROMANIA

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Abstract: *In analyzing the mobility of the intra-industry specialization processes in Romania in the period of time 2000-2010 on regional level, we started from the assessment of the of the structural convergence of the specialization from the point of view of the econometric connections between the regional indexes Grubel and Lloyd and their dynamic. In order to emphasize the stability in time of the comparative advantages of the intra-industry specialization, we built regression equations in which we used the Lafay indices of specialization from 2000 and 2010, and in order create an integrated image on the mobility in the structure of the distribution of comparative advantages on regional level we used the probabilistic analysis using the Markov chains.*

Keywords: intra-industry specialization, sections in the Combined Register, Grubel and Lloyd specialization indices, Lafay indices, comparative advantages
JEL Classification: C32, F10, R19

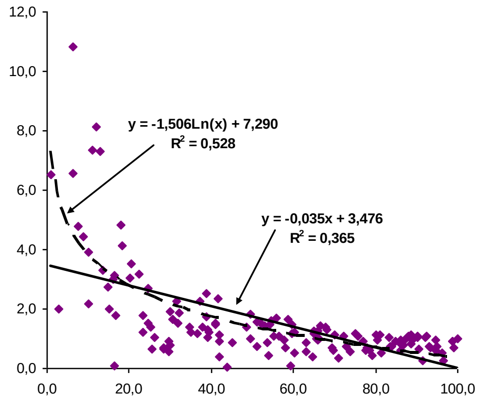
INTRODUCTION

In Romania, the international specialization on regional level suffered extensive transformations, especially during the last years when the Romanian economy was, from all points of view, in full process of integration into the European economic space. One of the priorities of the process of adherence to and integration into the European Union has been the regional convergence; consequently, *an analysis of the dynamic of the regional intra-industry specialization processes from the point of view of the mobility of the distribution of comparative advantages would be really useful for those who have the decision making power in the economic and political environment*.

1. REGIONAL COVERGENCE OF THE PROCESSES OF INTRA-INDUSTRY SPECIALIZATION

Important clues concerning the process of ***regional convergence*** (Persson, 1994, p. 33) ***of the intra-industry specialization*** are offered by the ***econometric connection*** between the regional ***indices*** *Grubel and Lloyd,* calculated on sections included in the CR (Combined Register), for 2000 and their ***dynamic*** in 2010 compared to 2000. Such an analysis supposes building a regression equation, a correlogram, in which the independent variable represents the ***values of the Grubel and Lloyd regional indices calculated on each section of the CR*** for 2000, and the dependent variable is the dynamic of these indices from 2010 compared to the ones in 2000 (2000 = 100%). The type of connection between the two indices dictates the shape of the regression equation.

Figure 1 - Correlogram of the Grubel and Lloyd regional indices on sections of the C R for 2000 and their dynamic in 2010 compared to 2000; The test report of the regression equation in SPSS



Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,604	,365	,361	1,279

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	132,808	1	132,808	81,190	,000
Residual	230,644	141	1,636		
Total	363,452	142			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	-,035	,004	-,604	-9,011	,000
(Constant)	3,476	,235		14,759	,000

Logarithmic

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,726	,528	,524	1,103

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	191,800	1	191,800	157,550	,000
Residual	171,652	141	1,217		
Total	363,452	142			

The independent variable is an_2000.

Coefficients

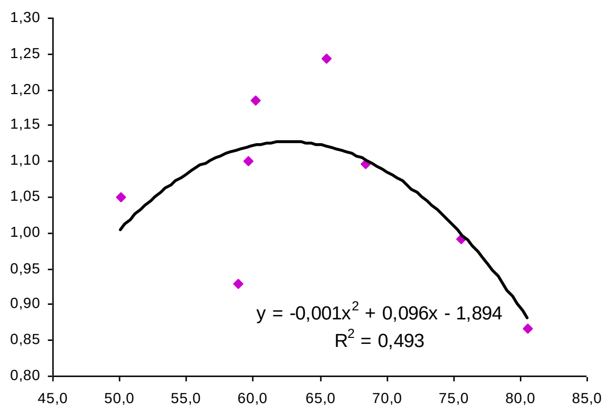
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
ln(an_2000)	-1,506	,120	-,726	-12,552	,000
(Constant)	7,290	,464		15,719	,000

Source: own processing of the data offered by the INS (National Institute of Statistics)

As we can see in figure 1, there is an interconnection between the two indices (Hallet, 2000, p. 7); the logarithmic connection is strong (*the degree of specialization determines its dynamic in proportion of 52,8%*), while the linear one is indirect and of medium intensity (the degree of specialization determines its dynamic in proportion of 36,5%). In other words, the lower the intra-industry specialization of the section in 2000, the higher its dynamic during the period of time subjected to the analysis (according to the linear regression equation, for a 10% lower degree of specialization, its dynamic is higher by 0,35%). Consequently, *on regional level, there is a strong logarithmic convergence of the intra-industry specialization for each section in the CR.*

In order to determine if this convergence on the level of the sections in the CR has also been conveyed on regional level, we made the same type of analysis, this time using the Grubel and Lloyd indices aggregated on regions. In the regression equation, the independent variable is represented by the ***values of the Grubel and Lloyd regional indices*** for 2000, and the dependent variable is the dynamic of these indices in 2010 compared to 2000 (2000 = 100%).

Figure 2 - Correlogram of the Grubel and Lloyd regional indices for 2000 and their dynamic in 2010 compared to 2000; the test report of the regression equation in SPSS



Quadratic

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,702	,493	,290	,106

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	,055	2	,028	2,427	,183
Residual	,057	5	,011		
Total	,112	7			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
an_2000	,097	,056	7,538	1,730	,144
an_2000 ** 2	,000	,000	-7,952	-1,825	,128
(Constant)	-1,901	1,820		-1,045	,344

Source: own processing of the data offered by the INS (National Institute of Statistics)

According to figure 2, there is an interconnection between the two indices, the parabolic connection being a strong one – we must mention the fact that this regression equation explains the connection between the indices *with a probability of only* approximately 80% - (*the degree of regional specialization determines its dynamic in proportion of 49,3%*). In other words, as the degree of intra-industry specialization for that specific region in 2000 increases, its dynamic during the period of time subjected to the analysis increases up to a certain value of specialization and decreases when the specialization becomes higher. Consequently, *on regional level, there is a convergence as well as a divergence of the degree of intra-industry specialization; the lower the degree of specialization, the higher the divergence of regional specialization, and the other way round – as the regional specialization becomes higher, the regions converge towards a certain degree of specialization.*

2. ASSESSMENT OF THE STABILITY IN TIME OF THE SPECIALIZATION PROCESSES

The assessment of the stability in time of the comparative advantages in the intra-industry specialization processes (Alessandrini and Enowbi, 2008, p. 9) requires a regression equation in which the independent variable is represented by the values of the Lafay index registered at the beginning of the period analyzed (2000), and the dependent variable is represented by the values of the same index at the end of the period of time subjected to the analysis (2010).

The regression equation is as follows:

$$LF_{2010} = \alpha + \beta\, LF_{2000} + \varepsilon$$

Where: LF_{2010} and LF_{2000} = the Lafay indices for 2010 and 2000 respectively

α and β = parameters of the linear regression equation

ε = residual error

The interpretation of the results of the regression analysis *according to the regression parameter* (β) can be done as follows (Zaghini, 2003, p. 16):

- if β *equals 1,* then the intra-industry specialization processes *have not suffered modifications* on regional level in the period of time subjected to the analysis;
- if β *is higher than 1* then, in that particular region, *the degree of intra-industry specialization has increased or decreased* respectively for those products *for which there was already an advantage or a disadvantage respectively*; consequently, there is *a process of regional divergence* of the specialization;
- if β *is between 0 and 1*, it means that *on average, the intra-industry specialization have remained the same*, as there were increases for the products with small indices and decreases for the products with high values, thus *a process of regional convergence* of specialization taking place;
- if β is *lower than zero* – the intra-industry specialization processes have reversed

The analysis of the regression parameter alone is not enough to establish exactly if the changes in the structure of the comparative advantages/disadvantages also determine the modification of the degree of intra-industry specialization. In fact, the regression parameter tells us what happens on average, and does not offer us clear information concerning the modification taking place in the dispersion of the distribution of comparative advantages existing in the intra-industry trade.

In order to find out such information, we must take into consideration the following equation:

$$\frac{VAR(LF_{2010})}{VAR(LF_{2000})} = \frac{\beta^2}{R^2}$$

Where:

-$VAR(LF_{2010})$ and $VAR(LF_{2000})$ = the dispersion of the independent and the dependent variables

-R^2 = the coefficient of determination (the square of the correlation coefficient) of the regression

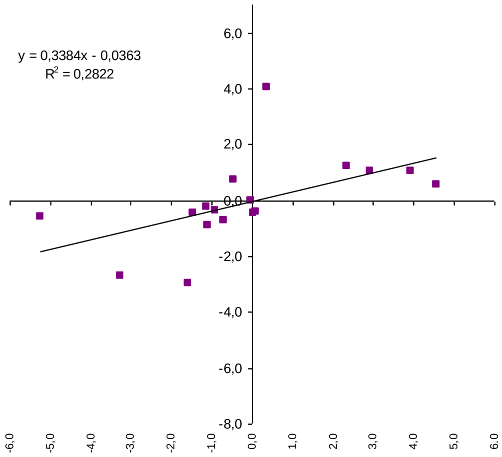
The interpretation of the results can be done from two points of view, as follows:

- From the point of view of the *correlation coefficient (R)* of the regression equation:
  - *If the values are high and tend to 1* – there has been no modification of the relative positions of the products
  - *If the values are low and tend to 0* – there have been important modifications in the structure of the distribution, so that the mobility of the structure is high
- From the point of view of thee *connection between the regression parameters (β) and the correlation coefficient (R)*:
  - If *they are equal* ($\beta=R$) – the dispersion of the distribution remains unchanged
  - If the *regression parameter is higher than the correlation coefficient* ($\beta>R$) – the dispersion increases, which means that the intra-industry specialization might be higher
  - If *the regression parameter is lower than the correlation coefficient* ($\beta<R$) – the dispersion decreases; consequently, the intra-industry specialization might be lower

„*The regression effect*" (given by β) and „*the mobility effect*" (given by 1-R) give us information concerning the modifications in the distribution of the comparative advantage for the intra-industry trade during a certain period of time. Using these econometric tools for the Lafay indices calculated on national and regional level in 2000 and 2010, we achieved the graphical representations presented in figures 3 and 4.

On national level, *the intra-industry specialization processes remained the same on average* in the period of time 2000-2010, as the regression parameter is between 0 and 1 ($\beta=0,34$) [figure 3]. In addition, the value close to zero of the parameter of the regression equation and the average value of the correlation coefficient ($R=0,53$), indicate the fact that there were, *however, significant changes in the structure of the distribution of comparative advantages for the intra-industry trade.*

Figure 3 - Correlogram of the Lafay indices in Romania on each section of the Combined register in 2000 and 2010; the test report of the regression equation in SPSS



Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,531	,282	,234	1,374

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	11,133	1	11,133	5,898	,028
Residual	28,311	15	1,887		
Total	39,443	16			

The independent variable is an_2000.

Coefficients

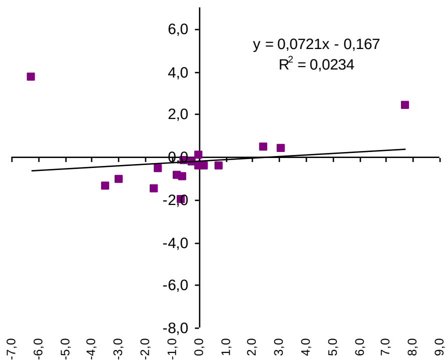
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	,338	,139	,531	2,429	,028
(Constant)	-,036	,333		-,109	,915

Source: own processing of the data offered by the INS (National Institute of Statistics)

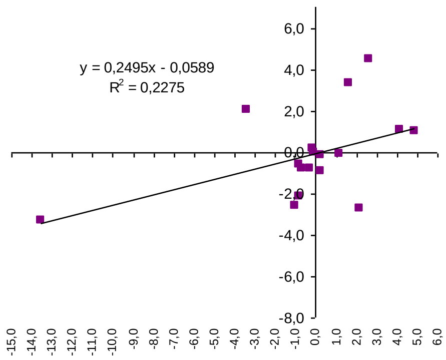
Due to the fact that the parameter of the regression equation is lower than the correlation coefficient, *we can state that* in Romania *there are significant changes in the structure of the distribution of the comparative advantages*, even though *on the whole there is only a slight decrease of the intra-industry specialization*, as *the effect of mobility of the structure compensates the effect of regression*. *It means that we registered an intra-industry specialization in the sectors in which initially there was a low specialization, while the specialization decreased in the sectors which were initially specialized.*

Figure 4 - Correlogram of the Lafay indices of regional specialization on sections in the C R for 2000 and 2010

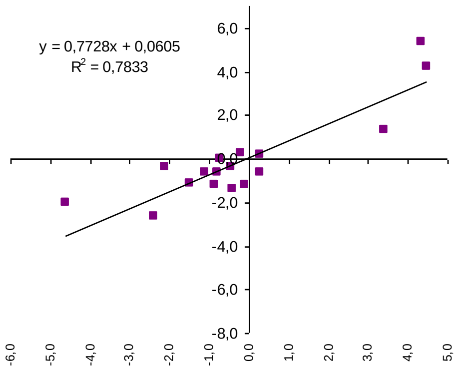
The North-West Region



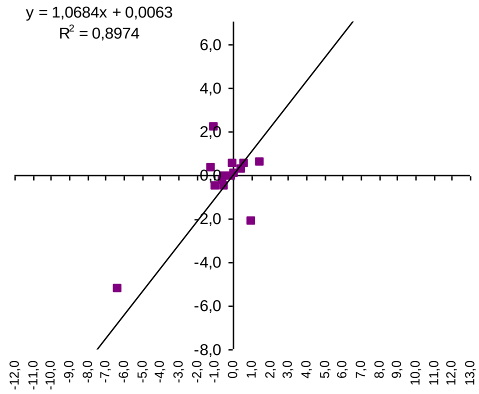
The Central Region



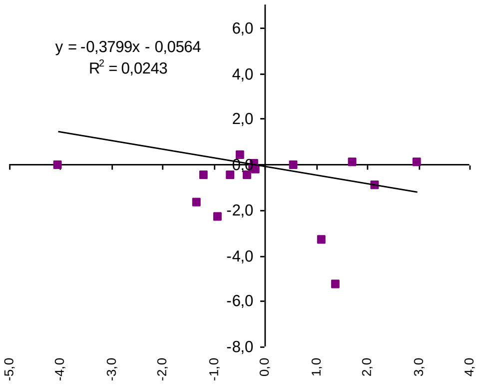
The North-East Region



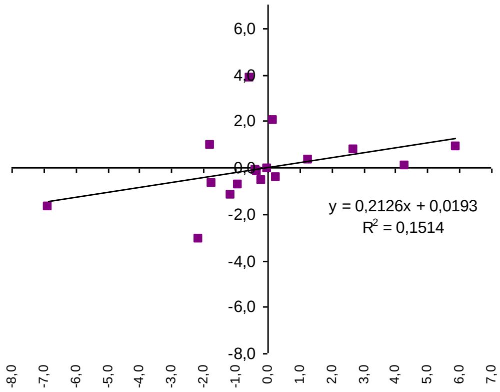
The South-East Region



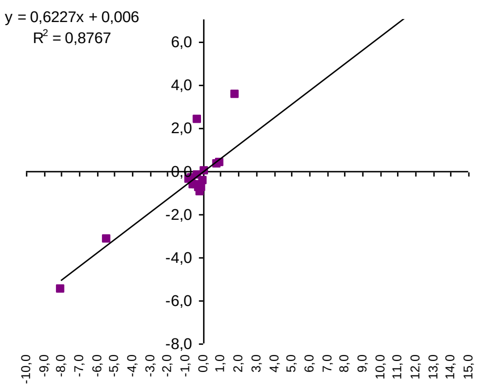
South Muntenia Region



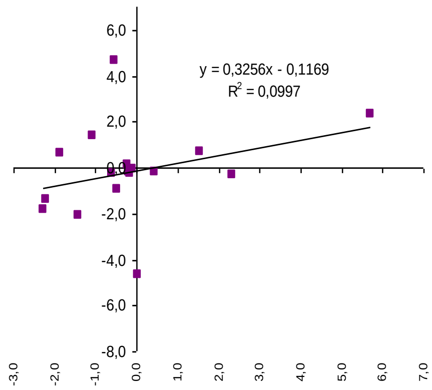
Bucharest- Ilfov Region



South – West Oltenia Region



The West Region



Source: own processing of the data offered by the INS (National Institute of Statistics)

Figure 5 - The report in SPSS for the testing of the regression equations in figure 4

The Nord – Vest Region

Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,153	,023	-,042	1,427

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	,733	1	,733	,360	,557
Residual	30,536	15	2,036		
Total	31,270	16			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	,072	,120	,153	,600	,557
(Constant)	-,167	,347		-,481	,638

The Central Region

Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,477	,228	,176	1,892

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	15,813	1	15,813	4,418	,053
Residual	53,687	15	3,579		
Total	69,500	16			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	,250	,119	,477	2,102	,053
(Constant)	-,059	,460		-,128	,900

The North – East Region

Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,885	,783	,769	,982

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	52,335	1	52,335	54,235	,000
Residual	14,475	15	,965		
Total	66,810	16			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	,773	,105	,885	7,364	,000
(Constant)	,061	,239		,253	,803

The South – East Region

Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,947	,897	,891	1,727

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	391,125	1	391,125	131,163	,000
Residual	44,730	15	2,982		
Total	435,854	16			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	1,068	,093	,947	11,453	,000
(Constant)	,006	,419		,015	,988

South Muntenia Region

Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,156	,024	-,041	4,012

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	6,015	1	6,015	,374	,550
Residual	241,470	15	16,098		
Total	247,485	16			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	-,380	,621	-,156	-,611	,550
(Constant)	-,056	,973		-,058	,955

Bucharest – Ilfov Region

Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,389	,151	,095	1,439

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	5,541	1	5,541	2,675	,123
Residual	31,067	15	2,071		
Total	36,608	16			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	,213	,130	,389	1,636	,123
(Constant)	,019	,349		,055	,957

South – West Oltenia Region

Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,936	,877	,868	1,005

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	107,633	1	107,633	106,641	,000
Residual	15,140	15	1,009		
Total	122,773	16			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	,623	,060	,936	10,327	,000
(Constant)	,006	,244		,025	,981

The West Region

Linear

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
,316	,100	,040	1,926

The independent variable is an_2000.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Regression	6,166	1	6,166	1,662	,217
Residual	55,654	15	3,710		
Total	61,819	16			

The independent variable is an_2000.

Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
an_2000	,326	,253	,316	1,289	,217
(Constant)	-,117	,467		-,250	,806

Source: own processing of the data offered by the INS (National Institute of Statistics)

In most regions, *the intra-industry specialization processes remained mainly the same* in the period of time 2000-2010, as the regression parameter is between 0 and 1, registering an increase of the intra-industry specialization processes only in the South-East, and an inversion of them in South Muntenia [Figure 4].

The low values of the correlation coefficient in most regions also indicate the fact that there were, *however, significant changes in the structure of the distribution of comparative advantages for the intra-industry trade* (except for the North-East, South-East and South-West regions, where the correlation coefficient has high values and consequently, in these regions there were no significant modifications in the structure of distribution).

Since in most regions the parameters of the regression equation are lower than the correlation coefficient (except for the South-East, where they are high), *we can state that* in the regions of Romania *there were significant changes in the structure of the distribution of the comparative advantages although, on the whole, there is only a slight decrease of the intra-industry specialization*.

This means that the regional economy has specialized in intra-industry trade with products which were initially less specialized, and lost its specialization in the sectors which were initially highly specialized.

3. MOBILITY OF THE PROCESSES OF INTRA-INDUSTRY SPECIALIZATION

The statistic tools previously used (the linear regression between the Lafay indices for 2000 and 2010) are useful only in establishing certain coordinates for the modifications in the structure of specialization, since the main disadvantage of the regression is that it offers information on the average modifications in the structure of the distribution of comparative advantages in the intra-industry trade.

Consequently, ***the research*** was ***continued*** through the analysis by means of the **Markov chains**, which offers a comprehensive view on the mobility of the structure of intra-industry specialization on different products. The starting point is the *transition possibility matrix* (Quah, 1996, p. 8). It required, first of all, the classification of the sections in the C R *on 5 categories* (according to the values of the quintiles – the classification of the series into 5 equal parts - the Lafay indices calculated on each section), as follows:

- sections with a *low* degree of specialization (Lafay indices between minimum and Q1)
- sections with a *medium-low* degree of specialization (Lafay indices between Q1 – Q2)
- sections with a *medium* degree of specialization (Lafay indices between Q2– Q3)
- sections with a *medium-high* degree of specialization (Lafay indices between Q3– Q4)
- sections with a *high* degree of specialization (Lafay indices between Q4– Q5)

In order to observe as well as possible *the dynamic of the processes of specialization*, we preferred to build up two matrices – one to follow the evolution *between 2000 and 2005*, and another one which should include the 10 years of transition (*between 2000 and 2010*). After registering the three series of data (the values of the Lafay indices for the 19 sections from 2000, 2005 and 2010) into 5 intervals (the upper limit was included into the interval), the sections were classified so that *4 sections were included into each of the categories of low, medium-low, medium-high and high specialization and 3 sections in the medium specialization category*.

In the probability matrix, of 5 over 5, we registered in each box the probability for a section which was included into a certain category of intra-industry specialization in 2000, to make the transition towards another category of specialization in 2005 and 2010 respectively. For example, in the table included in figure 6, the values on the first line of the matrix indicate the fact that in Romania the probability for a section with a low degree of intra-industry specialization in 2000 to have the same degree of specialization in 2005 is of 75%, while the probability for the intra-industry specialization to increase thus moving the section into the medium-low category is of 25%.

In the same table is calculated the value of the ergodic (stationary) distribution, as well as the value towards which the process of intra-industry specialization tends in case the evolution stays the same.

Figure 6 - The transition probability matrix for the processes of intra-industry specialization in Romania for the period of time 2000-2005 and 2000-2010

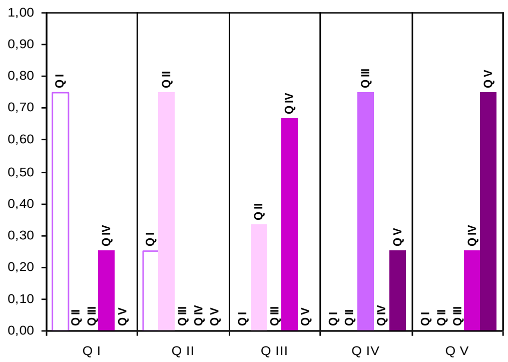
Romania – transition probability matrix

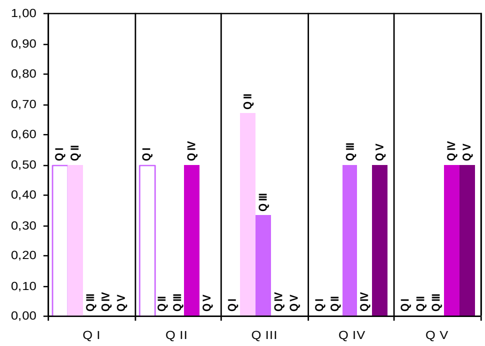
5 years - 2000 - 2005

	I Quintile	II Quintile	III Quintile	IV Quintile	V Quintile
	low	medium-low	medium	medium-high	high
(4)	0,75	0,25	0,00	0,00	0,00
(4)	0,00	0,75	0,33	0,00	0,00
(3)	0,00	0,00	0,00	0,75	0,00
(4)	0,25	0,00	0,67	0,00	0,25
(4)	0,00	0,00	0,00	0,25	0,75
Ergodic	*0,211*	*0,211*	*0,158*	*0,211*	*0,211*

10 years - 2000 - 2010

	I Quintile	II Quintile	III Quintile	IV Quintile	V Quintile
	low	medium-low	medium	medium-high	high
(4)	0,50	0,50	0,00	0,00	0,00
(4)	0,50	0,00	0,67	0,00	0,00
(3)	0,00	0,00	0,33	0,50	0,00
(4)	0,00	0,50	0,00	0,00	0,50
(4)	0,00	0,00	0,00	0,50	0,50
Ergodic	*0,211*	*0,211*	*0,158*	*0,211*	*0,211*





Source: own processing of the data offered by the INS (National Institute of Statistics)

On national level, as we can notice in figure 6, *in the period of time 2000-2005*, the highest values of probability are on the diagonal for the intra-industry specialization situated below the medium or high level, while for the medium and medium-high specialization the high values are under or over the diagonal of the matrix. *In other words, the processes of intra-industry specialization in Romania stayed approximately the same when the degree of intra-industry specialization is below medium or high (the probability of remaining on a low, medium-low or high specialization degree for certain sections is of 75%) while the products with medium and medium-high degree of intra-industry specialization suffered modifications.*

We should also notice that, for the products with medium degree of intra-industry specialization there is a probability of 67% for them to increase their degree of intra-industry specialization, while the products with medium-high degree of specialization tend to decrease their degree of intra-industry specialization with a probability of 75%.

The situation is different *in the period of time 2000-2010*. Compared to 2000-2005, the highest values are no longer registered on the diagonal of the matrix; consequently, in the Romanian economy there is a high mobility of the distribution of the Lafay index on sections. Values of 50% can be seen under as well as over the diagonal, which means that, *during the last 10 years on national level, comparative advantages have been gained in the intra-industry trade with products in which we used to be less specialized while advantages have been lost for the products in which we used to be specialized.*

In order to make it easier to compare the mobility of the structure on regional level, we calculated ***two mobility indexes (M1 and M2)*** (Zaghini, 2003, p. 26) which quantify the degree of mobility for the whole Lafay distribution on sections. M1 shows the amplitude relative to the terms on the diagonal, the *trace* function of the matrix, while M2 refers to the index it determines. According to figure 7, there are slight differences in the classification of the regions between the mobility indexes M1 and M2 for the period of time 2000-2005. Thus, from the point of view of *M1*, *the most stable processes of intra-industry specialization* would be in the Central, Bucharest-Ilfov and the North-East regions (M1 has low values), while the regions with *the most dynamic economy would be*: North-West and South-Muntenia. As to the classification according to *M2*, *the lowest values* are in the North-West and North-East regions, while *the highest values* are in South-West Oltenia and in the West.

In *conclusion*, when regarding the evolution of the two mobility indices on the whole, we can state that *the most stable regional economy in the period of time 2000-2005, economy which mostly kept its intra-industry specialization pattern existing in 2000, is in North-West and North-East, while the most dynamic economy, where the specialization processes suffered significant modifications, was in South-West Oltenia and in the West*.

Figure 7 - The mobility indices (M1 şi M2) for the processes of intra-industry specialization during the period of time 2000-2005 and 2000-2010

5 years - 2000 - 2005			10 years - 2000 - 2010		
Regions	M1	M2	Regions	M1	M2
Romania	**0,688**	**0,777**	**Romania**	**0,917**	**0,938**
North-West	0,813	0,813	North-West	0,542	0,893
Center	0,417	0,990	Center	0,667	0,953
North-East	0,542	0,979	North-East	0,729	0,977
South-East	0,667	0,995	South-East	0,542	0,992
South-Muntenia	0,729	0,995	South-Muntenia	0,646	0,992
Bucharest-Ilfov	0,521	0,983	Bucharest-Ilfov	0,833	0,984
South-West Oltenia	0,625	1,000	South-West Oltenia	0,688	0,943
West	0,667	0,997	West	0,667	0,974

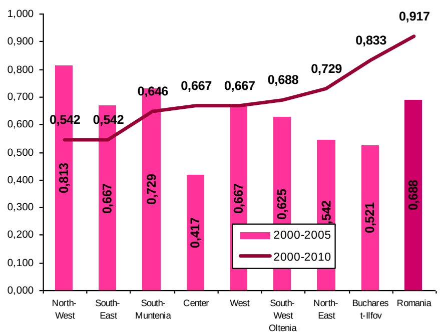
Source: personal processing of the data offered by the INS (National Institute of Statistics)

As to the evolution of mobility in the period of time 2000-2010, the results of the hierarchies are different. Thus, according to *M1*, *the most stable processes of specialization were found in* the North-West, South-East and South Muntenia regions (M1 has low values), while the regions with *the most dynamic economy* would be: Bucharest-Ilfov and the North-East. According to the hierarchy based on *M2*, *the lowest values* are recorded in the North-West and South-West Oltenia regions, while *the highest ones are in* Bucharest-Ilfov, the South-East and South Muntenia regions.

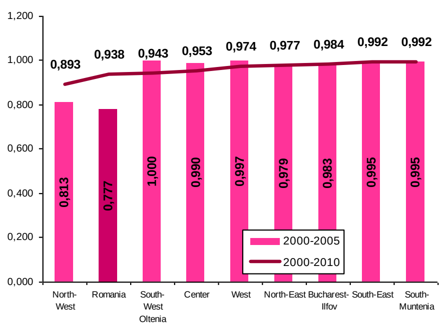
In *conclusion*, regarding the evolution of the two mobility indices on the whole, we can state that *the most stable regional economy in the period of time 2000-2010, economy which mostly kept the intra-industry specialization pattern existing in 2000, is in the North-West and the Central region, while the most dynamic economy, in which the specialization processes suffered significant modifications, was in the North-East and Bucharest-Ilfov regions*.

Figure 8 - The mobility indices (M1 şi M2) for the processes of intra-industry specialization during the period of time 2000-2005 and 2000-2010;

The mobility index M1



The mobility index M2



Source: personal processing of the data offered by the INS (National Institute of Statistics)

CONCLUSIONS

In most regions, on average, *the processes of intra-industry specialization did not change; however, the degree of specialization decreased slightly due to the high degree of despecialization in sectors in which the regions used to be specialized at the beginning of the period subjected to the analysis, decrease which could no longer be compensated by the increase of specialization in other sectors.* Consequently, in the period of time 2000-2010, *comparative advantages were gained in the case of products in which we were less specialized, while advantages were lost in the case of products in which we were specialized, the mobility in the structures of their distribution being very high.* The exception is the South-East region where the degree of specialization increased due to the increase of specialization for those products in which they were already specialized.

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MULTILATERAL ENVIRONMENTAL AGREEMENTS AND THE TRADE MEASURES CONTAINED IN THESE AGREEMENTS

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Abstract: *The environmental problems which the society is facing, ozone depletion, biodiversity loss, the spread of persistent organic pollutants, are a result of human activity with a worldwide impact, requiring immediate resolution. In this context, negotiation, signing and implementation of several multilateral environmental agreements (MEAs) are one of the best solutions, affordable and reliable. The aim of this study is to analyze the commercial measures, which to some extent, ensure stability, security, and expansion of MEAs. The paper discusses, also, the efficiency, necessity and the influences of trade measures in MEAs and the WTO role in signing these agreements.*

Keywords: multilateral environmental agreements, trade measures, TBT and SPS Agreements, WTO
JEL Classification*:* F18, Q34, Q56, Q57

INTRODUCTION

In last times, the international community becomes more interconnected, and the most important role in solving the security, migration, trade, environmental, etc. issues, is held by the international cooperation. The problems faced by the society, ozone depletion, biodiversity loss, the spread of persistent organic pollutants, are a result of human activity with a worldwide impact; require an immediate resolution by strengthening the international cooperation. In this context, negotiation, signing and implementation of several multilateral environmental agreements (MEAs) would be an optimal, feasible and reliable solution. In this article I will discuss about the MEAs which contain commercial measures, their necessity, effectiveness and impact.

1. MULTILATERAL ENVIRONMENTAL AGREEMENTS (MEAs)

The environmental problems are considered to be the most serious issue facing humanity today. Due to its international scale, it requires an international solving tool. Nowadays, the multilateral environmental agreements prove their capacity of being the most appropriate instrument to settle these concerns. Currently, there are more than two hundred multilateral environmental agreements, whose goals are to anticipate and prevent environmental problems.

Multilateral environmental agreement is “an intergovernmental document intended as legally binding with a primary stated purpose of preventing or managing human impacts on natural resources. (Mitchell, 2012) In other words, it is an agreement between few states that pledge for limitation of human negative environmental impacts. Taking into account that environmental issues are a form of market failure, it requires a powerful authority which would implement and enforce the environmental policies up to the national levels. As this authority does not exist, the MEAs take over some of that authority functions, including auto-execution.

In the MEAs designing process, the intrinsic feature required is the scientific basis, especially in the identification of the environmental issue process. Besides this, the agreement must be accepted by many countries, which means it should be profitable for all countries and must hold some sort of stability constraint (Ioannidis, Papandreou and Sartzetakis, 2000, p. 2).

Over the years, MEAs became a dynamic tool with flexible capacity for improvement and development. In order to extent the credibility of this tool, it includes commercial measures, which also, guarantee stability and safety of its functionality.

According to Palmer and Tarasofsky (2007, p. 4), trade-related measures are used in multilateral environmental agreements to:

• Discourage the unsustainable exploitation of natural resources that are internationally traded;

• Discourage environmentally harmful processes and production methods for goods and services that are internationally traded;

• Create market opportunities and incentives to use and dispose goods in an environmentally sound manner;

• Prevent or limit the entry of harmful substances into a country;

• Reduce the incentives for countries to remain outside the agreement and become “free riders” which can benefit competitively from the absence of MEA standards; and

• Enhance compliance with MEA rules.

These measures not only have direct environmental consequences (e.g. preventing environmentally harmful emissions), but, also, act to enhance the integrity of multilateral environmental agreements by providing incentives for universal participation and compliance. Trade measures should not be considered the “first best instrument” to achieve the objectives of the MEAs. These measures should only be used simultaneously with positive incentives, such as financial assistance and technology transfer, especially in southern countries (less developed), where they are vital. The relationship between environmental technology transfer and the incentives for signing MEAs, gives rise to very interesting questions presented by Qiu and Yu (2001, p.1). First, will technology transfer induce the South to sign the MEAs? Second, will the South's participation in the MEAs increase the market incentives for technology transfer? Signing MEAs, the southern countries must increase environmental taxes to an optimal level, higher than that specified in MEAs, instead, they will receive financial transfers as compensation from Northern countries.

Cleaner technology decreases the “negative effect” of environmental taxes growth, which stimulates the South to sign MEAs. In the same time, the decision to sign MEAs belongs to the governments, while the technology transfer is performed at the companies’ level. Due to financial compensation, the South governments may be willing to sign MEAs, but the pollution tax increase, decreases the companies’ benefits. Thus, the only solution to get a convenient draw is to allocate financial compensations as subsidies for the transfer of environmental technologies.

2. EFFECTIVENESS, NEED AND IMPACT OF TRADE MEASURES IN MEAs

Trade measures is considered “any policy instrument that attaches requirements, conditions, or restrictions on imported or exported products or services themselves, or the process of their importation or exportation” (OECD, 1999, p. 11). They have tended to become more sophisticated over time, along with the better understanding of economic and environmental mechanisms and the establishment as the prime priority the sustainable development. (Potier and Tébar Less, 2008, p.20)

Why would these measures be ***necessary*** or what ***functions*** they fulfill? Is it possible that domestic measures would achieve the objectives without controlling the imports and the exports? What type of consequences might appear from not using trade measures in MEAs? Effectively, the trade measures are re-regulation of international trade, which is used to prohibit or restrict trade in products that might affect the environment or the human, animal, plants’ health and lives. This is particularly important for developing countries, where the lack of regulatory and institutional capacity to control the domestic products dangerous for the environment, require the involvement of international institutions. We can say that trade measures secure the humanity of unwanted goods.

According to Neumayer (2000, p. 2), trade measures in MEAs fulfill four functions: “first, they can be used to deter non-compliance by members to the agreement (deter internal free-riding); second, they can be used to encourage, persuade or push countries into becoming members to the agreement (deter external free-riding); third, they can mitigate problems with so-called emission leakage, which describes the phenomenon that a decrease in emissions by the participants to an agreement is counter-acted by an increase of emissions by non-members; finally, they can be used to directly further the objectives of a MEA in restricting trade in specified substances or species."

There is general agreement that, in terms of environment, trade measures should be used when they are the only effective means to achieve an environmental objective and in terms of trade, they must be the least restrictive and not a disguised form of protectionism (Kavikumar, 2006, p.133), in addition, it should not be unnecessary, arbitrary or unduly discriminatory.

Trade measures used in various MEAs are classified into several types:

- Reporting requirements on the extent of trade of a particular product/item,
- Labeling or other identification requirements,
- Requirements related to notification and consent procedures,
- Market transformation measures - such as taxes, charges and other fiscal measures, and non-fiscal measures such as government procurement,
- Targeted or general export and/or import bans.

Another distinction can be made between specific and nonspecific trade measures (Brack and Gray, 2003, p.6). Specific measures are explicitly described in MEAs and are binding on all parties. Nonspecific measures are not explicitly described, but can be implemented by the parties, as a tool of conformity of their duties to accomplish the objectives of MEAs. For example, the Montreal Protocol includes specific trade measures as prohibition of trade (products controlled by the Protocol) with non-parties. Many countries have introduced, nonspecific measures, such as labeling requirements or excise taxes, for fulfilling their obligations for elimination from consumption of ozone-depleting substances.

If we refer to the ***effectiveness*** of trade measures is practically impossible to measure their contribution to the efficiency of MEAs because none of them depend exclusively on trade measures. Indeed, it is impossible to assess the effects of trade measures, but they are not negligible especially, since they are achieving coordination between MEAs and WTO rules.

The inclusion of trade measures in MEAs has a considerable ***impact***. As I mentioned above, the lack of regulatory capacity for controlling products in developing countries, might do these countries importers of hazardous waste or genetically modified products. In this situation, trade measures become regulations for developing countries which help to avoid the risk of becoming the trash can of the world. (Brack and Gray, 2003, p. 16) Also, these measures have an important role in excluding illegal trade and ensuring that producers are not undermined by illegal operators and involved governments are able to collect tax revenue, otherwise stolen.

On the other hand, trade measures, creates a conflict with WTO rules, because MEAs allow restriction of trade with certain products or countries. The relationship between WTO rules and MEAs is complex and controversy, with political, legal and practical elements. The debates over this subject in the WTO Committee of Trade and Environment (CTE) were not able to come up with operational solutions. Since the WTO and MEAs are two different bodies of international law, Knigge (2005, p. 7) believes that their relationship should be based on mutual recognition and support. "Most proposals on the interface between WTO rules and MEAs aim at enhancing synergies by improving the exchange of information and strengthening co-ordination"

MEAs and international trade might influence each other directly or indirectly. For example, the Montreal Protocol on Substances that Deplete the Ozone directly affects trade in certain types of products; including changes in production processes previously used ozone-depleting substances. This type of impact on trade is a natural result of the environmentally harmful products process ban or restricts and is the central goal of these measures. In such way the trade liberalization influence the objectives of MEAs.

The relationship between WTO and MEAs is characterized by many inequalities that need to be corrected. Trade system is managed by a single global institution (WTO), while the environmental functions are spread between few types of entities, usually, conventions and agreements. The international trade and environmental regulations have evolved independently, and the divergences are the result of the race to their advantage. When conflicts arise, greater weight is given to trade objectives, which means that economic prevails over environment.

The role of trade measures in the MEAs is great, but many of these are incompatible with WTO rules. From this reason "trade liberalization should be developed in parallel with measures which strengthen environmental governance, including compliance with dispute settlement mechanisms within MEAs. But in this relationship, the environment should not be subordinate to trading system, but must be mutually reinforcing and recognizing the interconnection of these two areas." (Brack and Gray, 2003, p. 19)

Most of the MEAS's, explicitly, limit trade between the parties and nonparties. These restrictions violate the "most favored nation treatment" art. I GATT. If these restrictions take the form of import or export bans, export certificates or access restrictions, then they violate the "elimination of quantitative restrictions" art. XI GATT. If countries under MEAs rules apply different charges for imported products than for domestic products, then they violate the principle of “national treatment” art. III GATT. If there are applied the product standards or sanitary and phytosanitary measures, then it is violated TBT and SPS Agreements. Thus, apparently, the trade measures contained in MEAs violate one or more principles of GATT. Although, the exceptions may be covered by art. XX, we can say that trade measures in MEAs are in a passive conflict with WTO rules and principles. In the same time, the environmental agreements cannot be effective without coordinating with trade regimes; equally multilateral trade agreements cannot ignore environmental impacts of sustaining free trade. MEAs, always, have to choose the appropriate means for environmental protection, and WTO, to counter protectionist abuse of trade measures. This division of rules shows what attempts have been made to accommodate both the WTO and MEAs in their interaction area, and proposes how future trade and environmental regimes’ different norms should reshape trade and environmental agreements.

Environmentalists from developing countries consider the trade measures from MEAs having a negative economic impact by restricting market access. They also argue that the compliance costs can not be recovered by the environmental and developmental benefits. The economic reality is that through signing MEAs, developing countries obtain an international market access, which can improve the ecological processes production and quality for some products directly regulated in agreements. Also, MEAs can provide to developing countries financial assistance, technology transfer and other incentives to overcome the difficulties of implementation.

Another difficulty in the WTO – MEAs relationship is the application of trade measures against non-signatory countries, but which, in the same time, are WTO members. These countries, by not signing MEAs, do not agree the modifications of their obligations under the WTO, which make complicated the trade relations with the signatory countries. Some of the MEAs, as the Montreal Protocol, CITES and the Basel Convention don't discriminate against non-signatory parties. This allows them to have all the commercial advantages as member countries.

In the same context of ideas, another type of problems might appear concerning the “nonspecific” trade measures implied individually by the parties in order to achieve the MEAs objectives. In this way may result a tightening of national environmental regulations, (Tarasofsky, 2004, p. 4) which is not prohibited by the MEAs and can lead to different consequences with direct impact on international trade, particularly through trade restrictions or prohibitions.

Although, there is an evident contradiction between MEAs provisions and trade liberalization actions coordinated by the WTO, there were not registered disputes between these two institutions.

This happens due to creation under the Committee on Trade and Environment (WTO), of informative sessions, where environmental agreements secretariats are invited to submit relevant explanations of the Agreement rules. These meetings have certainly facilitated mutual understanding of the links between environment and trade agendas and the importance of trade measures in MEAs.

3. RELEVANT MEAs FOR INTERNATIONAL TRADE

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

CITES* aims to conserve the species, which may become endangered on the international markets. This provides the framework for the management of trade with wild fauna and flora on the base of biological information that reduce the negative effects of trade in endangered species. CITES requires that all imports, exports or re-exports of the species referred in the Convention must be authorized through a licensing system. The species covered by CITES are listed in three Appendices, according to the degree of protection they need.

CITES specifies few types of rates determining the maximum number of copies that can be exported. This serves as a significant conservation measure restricting unsustainable trade, helping the countries to regulate trade and maintain market access in the situations when international trade provides positive incentives for environment conservation.

International trade is not the major cause of biodiversity loss, but international demand pressure transmitted through trade is vital for a significant number of species. For reaching CITES objectives, are used few categories of trade measures: bans in certain specimens of species, export/import permits, re-export certificates, marking (OECD, 1999, p. 19). Trade bans and export/import permits can only be effective when there is not illegal trade. Unfortunately, illegal trade exists in developing and developed countries, and usually it takes the form of false labeling of species.

The main objective of CITES is the preservation of environment and this depends on whether the net stocks of species are increasing. Here an important role it is played by the rate of natural habitat loss and poaching what affect the availability. Flora and fauna are valuable only if exist as a whole at the world level. Thus, there must be an obligation of developed countries to bear some of

* Signed in 1973, entered into force in 1975 and today is numbering 173 parties.

the costs of species conservation in developing countries. This assistance may take the form of contributions or loans from different international organizations (Sankar, 2007, p. 20).

Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol

The Vienna Convention for the Protection of the Ozone Layer is a framework convention, which established rules of procedure for future protocols that would be developed under the Convention, rather control ozone depletion (OECD, 1999, p. 63). The Vienna Convention on the Law of Treaties provides the legal base for the situations when arise conflicts between two treaties on the same subject - the most recent treaty prevails. The Vienna Convention contains two limitations. First, this does not apply when a treaty contains a clause that specifies the relationship to other international agreements. Second, it does not provide rules for signatory parties' conduit.

The Montreal Protocol* (the pylon of the Vienna Convention) on Substances that Deplete the Ozone is considered by the OECD (1999, p. 63) the first agreement using trade measures as part of a global policy package which address a truly international problem.

The Protocol bans the trade with ozone depleting substances and products containing these substances between signatory parties to the treaty. The trade control between parties is taking place through the consumption formula of these substances, namely, **production + imports - exports**. For trading these substances between parties and for controlling the illegal transfer of ozone depleting substances, the Protocol recommends using a licensing system.

Beyond the above formula, the protocol does not specify the exact steps and means to achieve the objectives. Therefore, it states to use a wide range of policy measures to fulfill the Protocol, including taxes on substances that deplete the ozone, tax incentives to substitute their production quotas, import quotas, import/export bans, manufacturing licenses, labeling, technical standards of products, prohibitions, etc. To control domestic production and consumption, trade measures were combined with policy tools (OECD, 1999, p. 68).

The trade measures have been designed in such a manner as to prevent the two situations, first, the importation of controlled substances from non-signatory countries. Secondly, the Protocol discourages the export of those products to signatory countries (UNEP, 2007, p. 8).

The Montreal Protocol is a famous example of MEAs prohibiting trade between signatories and non-signatory members. Penalties, as Barrett stated (1997, p. 346) have served to stimulate many nations to sign the protocol, by preventing competitive advantage and deterring trade in

* Adopted in 1987, entered into force in 1989 and today is numbering 196 parties.

controlled substances between the participating countries. But these sanctions discouraged the "free-riding", not either the illegal trade.

Trade measures used in this Agreement contain more flexible mechanisms, such as: the grace period for developing countries, production of ozone depleting substances, reciprocal obligations for financial cooperation and transfer of technology from developed countries to developing ones.

Jha, Hoffman and Vossenaar (2000) analyzing the impact of the Protocol at national level in India, Korea and Thailand argue that it varies from country to country (depending if is an exporting or importing country) and from one industry to another. They argue that many developing countries have signed this Protocol hoping for financial support and transfer of clean technologies from developed countries to developing countries and especially, trade restrictions have ensured the participation of most of the parties to this Protocol. The non-signatory countries lose more (the gains from trade is diminished by trade restrictions) than benefit (gains from free-riding), and Protocol participants earn more by imposing trade restrictions to non-signatory countries, this has led many countries to join the Protocol. Normally, countries do not gain from trade restrictions. But in that case, trade restrictions limited free-riding. Ironically, although this undermines the unilateral efforts, reinforces the international multilateral efforts to protect the ozone layer.

Thus, the Montreal Protocol trade sanctions could be viewed with concern (Barrett, 1997, p. 357), because violates the nondiscrimination GATT principle. But taking into account the cause which was argued on, it is considered a success for environmental protection.

Basel Convention on Control of Transboundary Movements of Hazardous Wastes and their disposal

The Basel Convention on Control of Transboundary Movements of Hazardous Wastes and their Disposal[*] aims to protect human and environment from adverse effects that may result from generation and management of hazardous waste.

Since there is not a specific requirement, obligation with respect to trade in hazardous waste under WTO, the Basel Convention is the only institution dealing with this distinct class of products. (Brack and Gray, 2003, p. 21)

Trade measures included in this Convention mainly refers to control of trade with hazardous waste based on the information and prior's consent principle. This means that a country can export the materials to another country only, if it has acquired prior written consent from the importing

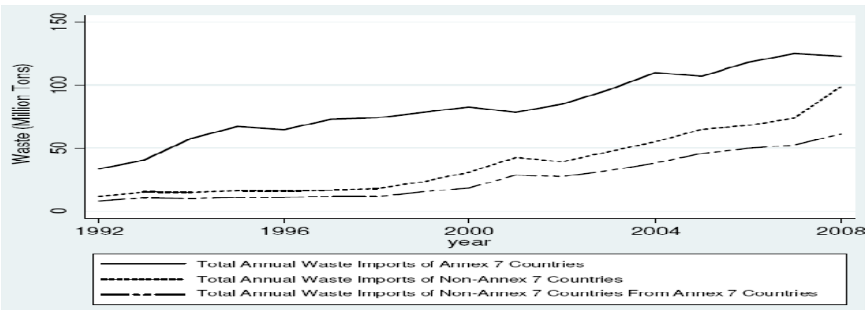
[*] Signed in 1989, entered into force in 1992 and today is numbering 175 parties.

country and any transit countries. Trade with non-signatory countries is prohibited, except if there exists a separate agreement between them separately. (Krueger, 1999, pp.106-108) A signatory country has the right to refuse the entry or disposal of hazardous waste from foreign territory. In addition, an amendment to the Convention prohibits the trade in these materials between OECD countries and those that are not part of OECD.

Although, Basel Convention aims to reduce the waste production and transport, the basic tool is the ban of trade with waste (Kellenberg and Levinson, 2011, p. 7), which increased transparency and created incentives for other countries to join the convention. But critics argue that these tools were more likely to legitimize international trade with wastes than to decrease it. For example, a country that previously was not signatory, couldn't trade waste with a member of the Convention. If it is simply ratifying the accession to the Convention it accepts the shipments of waste. In this case, once both countries have ratified the Basel Convention, it has been an increase rather than decrease of the bilateral trade with waste.

In response to critics, it was introduced in 1995 the Basel Ban Amendment which stipulates that all countries from Annex VII (OECD, EU and Lichtenstein) are prohibited to export hazardous wastes and other wastes in the non Annex VII countries. If the amendment would be effective would have to see a reduction of trade with waste from Annex VII countries to other countries. But in Figure 1 we see that the total annual amount of waste imports (in tones) for both types of states have increased substantially between 1992 and 2008. Notable is the fact that imports of waste in non Annex VII countries grew at a faster rate than imports in Annex VII countries. What seems more surprising is the fact that imports in non Annex VII countries come from the Annex VII countries. Considering that the number of countries that have ratified the Basel Convention has grown significantly, it is not inconsistent with the Basel ban amendment.

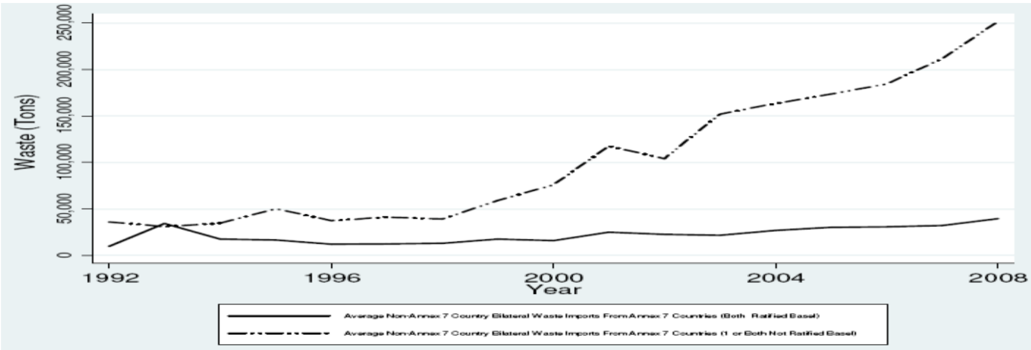
Figure 1 - Total Annual Imports of Waste



Source: Kellenberg, D., Levinson, A., 2011, *A Waste of Effort? International Environmental Agreements and Trade*, Conference of Association of Environmental and Resource Economists, Seattle.

Figure 2 illustrates the average of bilateral flows of waste (in tones) upon the ratification of the Basel Convention. The result is quite striking. When both countries are members of Basel Convention, the average of bilateral exports of waste is constant throughout the time. However, when one or both countries are not members of the Basel Convention, the average volume of bilateral flows of waste between countries increased by more than 500% over the same period. This suggests that much of the increased waste imports from non Annex VII countries come from the partners who are not members of the Basel Convention.

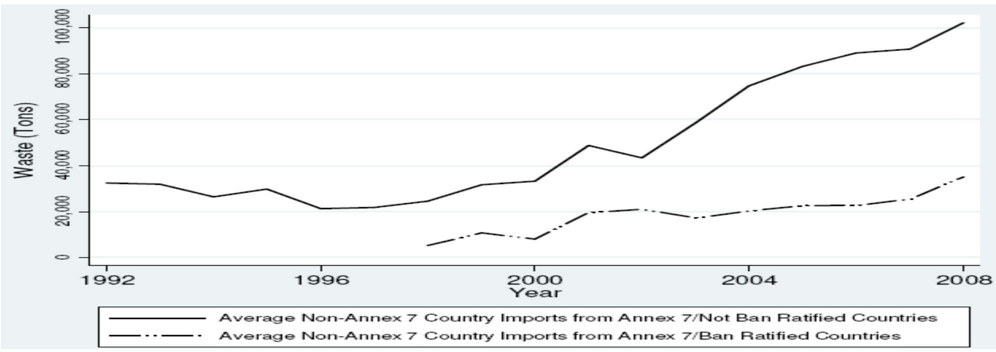
Figure 2 - Annual Average Bilateral Waste Imports of Non-Annex VII Countries Exported from Annex VII Countries (By Basel Ratification Status)



Source: Kellenberg, D., Levinson, A., 2011, *A Waste of Effort? International Environmental Agreements and Trade,* Conference of Association of Environmental and Resource Economists, Seattle.

In Figure 3, we note that the average of bilateral waste trade from Annex VII countries that have ratified the ban amendment was substantially lower than the average flow of waste from Annex VII countries which have ratified the ban amendment.

Figure 3 - Annual Average Bilateral Waste Imports of Non-Annex VII Countries Exported from Annex VII Countries (By Basel Ban Amendment Ratification status)



Source: Kellenberg, D., Levinson, A., 2011, *A Waste of Effort? International Environmental Agreements and Trade,* Conference of Association of Environmental and Resource Economists, Seattle.

Basel Convention does not contain provisions concerning the financial assistance required in developing countries for implementation. This was considered (Krueger, 1999, p. 27F) as one of the major reasons, why the deployment of trade in hazardous waste failed and illegal trade flourished.

In terms of efficiency, Krueger (1999, p. 62) suggests that "insofar as the goal was to eliminate the worst forms of hazardous waste dumping in developing countries, trade restrictions of the Convention can be considered a success." However, it is not clear whether these restrictions were necessary to achieve this effect.

United Nations Framework Convention on Climate Change (UNFCCC) and Kyoto Protocol

United Nations Framework Convention on Climate Change[*] aims to stabilize concentrations of greenhouse gases in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system. UNFCCC does not prohibit international trade in certain products, but countries actions to implement the Convention may have trade implications. The measures taken to combat climate change should not constitute a means of arbitrary and unjustifiable discrimination or a disguised restriction to international trade. In the same time the trade regime should not be in contradiction with the climate change mitigation.

Kyoto Protocol[†] is the most representative and proposes to reduce greenhouse gases emissions. To achieve this protocol objectives, the most effective tool available to governments, is the introduction of carbon tax.

This MEA has a range of conflicts points with the WTO rules. Among the main conflicts, it is noted: the basic constitutional principles conflict, regulation methods conflict, conflict of the means adopted to ensure efficiency, and conflict arose from the implementation of domestic commitments. Conflict to which we refer further envisages the implementation of the Kyoto Protocol commitments domestically. This occurs due to: the imposition of carbon taxes and tax adjustments, allocation of government grants, development of energy efficiency standards, eco-labeling, the establishment of government procurement policies and explore possible interactions between domestic policies and WTO rules (Assuncao and Zhang, 2002, p. 2).

[*] Signed in 1992, entered into force in 1994 and today is numbering 194 parties.
[†] Elaborated in 1997, entered into force in 2005 and today is numbering 192 parties.

In order to support industries that are affected by the Kyoto commitments governments could allocate subsidies, which could simultaneously promote and strengthen the measures to mitigate climate change and climate technology development, for example, renewable energy production.

It also can set standards and/or energy efficiency regulations for both domestic products and imported, to ensure compliance with the Kyoto Protocol: emission reduction requirements, requirements to promote policies for sustainable development and maintain the competitiveness of domestic products with imports from non-signatory states. Since TBT Agreement restricts the use of standards and regulations confining trade and discriminates unduly against certain people, the energy efficiency requirements conflict with the most favorite nation principle of GATT, affecting WTO members what didn't sign the Kyoto Protocol.

Often, conflicts arise due to carbon tax, which is "an excise tax imposed on the carbon emitted in the manufacturing process of a product according to the carbon content of fossil fuels and is thus restricted to carbon-based fuels only" (Assuncao and Zhang, 2002, p. 10). Also, carbon tax is the most effective national policy to address climate change, which reduces energy demand and promotes efficient and cleaner technologies.

These, in addition to environmental effects, have significant implications for international trade. In the absence of a uniform international tax, imposing a carbon tax in each country lead to loss of economic competitiveness of domestic industries vis-à-vis foreign competitors not subject to taxation. Domestic producers bear the burden of increased taxes, which increase the production costs while foreign producers will not be affected by it. Consequences of such asymmetries are particularly severe for energy-intensive sectors such as iron and steel, aluminum, chemicals, glass and paper. In these sectors, electricity prices comprise a significant part of total production costs, making them particularly vulnerable to the competitive disadvantage of a carbon tax. Since those measures would disrupt trade flows, these compensation policies are the focus of tension between the objectives of the Kyoto Protocol and WTO rules.

The ideal way to impose a carbon tax, without the need to impose trade barriers is to harmonize national carbon taxes in different countries. An internationally harmonized tax would reduce losses in competitiveness. The insurance that all trading partners face the same carbon tax would strengthen efforts to reduce carbon dioxide emissions, involving all countries.

In addition, imposing carbon taxes creates problems of competitiveness on the international markets. Domestic products are subject to a carbon tax, may face unfair competition. First, they are disadvantaged compared to imports which have not been subject to similar charges before export.

Second, they are competitive disadvantaged in relation with similar products from the international market.

The scholars propose at least three different methods that could be used to correct competitiveness problems associated with carbon tax. First and most commonly used is the exemption from the carbon taxes the energy intensive industries that export (Assuncao and Zhang, 2002, p. 12). However, the solution is not accepted by the WTO, nor is pro environment. Such an exemption could be seen as a subsidy rule inconsistent with the Subsidies Agreement. In addition, this solution greatly reduces the efficiency of carbon tax in terms of denying its ability to encourage reductions in carbon dioxide emissions by converting to alternative energy sources.

The second option is reinvesting tax revenue back into the economy. For example, carbon taxes could be recycled back into the industry by reducing other taxes, such as business or employment taxes, or as grants for encouraging the energy efficiency improvements (Brack, Falkner and Goll, 2000).

A third solution would be adoption of the border tax adjustment. This solution requires complex and problematic analysis of commercial law (Charnovitz, 2003), but may alleviate competition problems arising from domestic carbon tax. In the adjustment, a government would exempt exporters from the carbon tax, while subjecting imported products to a carbon tax, similar to that applied domestically. This would maintain the competitiveness of domestically manufactured products, both in terms of imports and exports.

In terms of procurement costs, they constitute 8-25% of GDP in OECD countries (OECD, 2000, in Assuncao and Zhang, 2002, p. 9). Therefore, public procurement decisions have the potential to affect the ability of member countries to achieve greenhouse gas reduction. Thus, based on environmental characteristics of products, procurement decisions will determine the appearance of three conflict scenarios. First, as already procurement policies vary widely among nations, “green” procurement policies will create asymmetry, and unnecessary obstacles to international trade.

Second, in order to maximize transparency and fairness of green public procurement policies, it will focus on the technical characteristics of products that will lead to differential treatment between domestic and foreign producers. And last but not least, procurement decisions will consider the methods and processes of production of goods. (Assuncao and Zhang, 2002, p. 10)

Convention on Biological Diversity (CBD) and Cartagena Protocol on Biosafety

Convention on Biological Diversity* states the biodiversity conservation. This does not include special trade measures; even the covered issues might have trade impacts. The used measures include: access and benefit-sharing arrangements; alien species; incentive measures for the conservation and sustainable use of components of biological diversity; provisions concerning knowledge, innovations and practices of indigenous and local communities; impact assessment, liability and redress; sustainable use; agricultural biodiversity, etc. (Brack and Gray, 2003, p. 22).

Given that countries have sovereign rights over their natural resources, national legislation must provide the access conditions. The main reasons for including some restrictions are to prevent bio-piracy and to encourage the benefits arising from the use of resources and knowledge to be transferred to providers, ensuring in this way the fair trade. Because most of these resources and knowledge are under public property regimes, state intervention is needed to reduce transaction costs and to facilitate the implementation of contracts.

The Cartagena Protocol on Biosafety, signed under the auspices of the CBD is the first international treaty dealing with transboundary movements of genetically modified organisms (GMOs). It provides the opportunity to assess environmental risks associated with GMOs before performing the import (Brack, Falkner and Goll, 2003, p. 2).

Overall, this protocol is a disappointing one, because it does not encourage the international cooperation in biotechnology management for biodiversity conservation. Instead, it allows the parties to take unilateral action to exclude or limit GMOs imports. Also, there is no commitment to cooperate for the development of harmonized international standards in using GMOs, or to develop the common risk assessment procedure for GMOs. Environmentalists consider that the only way to manage the GMOs in environmentally way, is to ban their production and consume, but the Cartagena Protocol objectives allow it, reaping, in the same time the benefits, while protecting biodiversity. Imposing a ban on GMOs imports must be preceded by a risk assessment, determining the potential adverse effects on biodiversity (Rivera-Torres, 2003, p. 311).

The Biosafety Protocol does not prohibit trade with non-signatory parties, in the same time, none of the Protocol objectives require trade measures for managing trade with GMOs products. (Rivera-Torres, 2003, p. 267) But it should be taken into consideration that any action under the Biosafety Protocol is subject, also, to SPS Agreement, what causes conflicts between these two agreements. The most often conflict is caused by the existence of scientific evidences of negative

* Signed in 1992, entered into force in 1993 and today is numbering 193 parties.

effects on the environment or human health for justifying the restriction of GMOs trade. Protocol allows countries to impose trade restrictions on GMOs without scientific justification, while SPS agreement, requires strong scientific evidence to justify such a restriction and moves the focus on trade concerns. Thus, once a country accepted to import GMOs products, later can be extremely difficult if not impossible, to revert to conventional production, because, given the risk of export markets loss, the exporting country, will not opt for production of GMOs and later to give up the benefits of this technology.

This biosafety treaty differs from other multilateral environmental agreements. First, the protocol does not seek to reduce or eliminate the use of controlled substances, such as the Montreal Protocol or the Basel Convention. Cartagena Protocol avoids similarities with the Basel Convention, by adopting the principle of “prior informed consent” - a precautionary tool which helps to manage the international risks and establishes principles and rules for making decisions on trade with GMOs. Second, the treaty allows a form of decentralized decision making system, which strengthens the prerogative of the importing countries. Although, the information provided by GMOs exporters, are available to all parties, the decisions concerning the GMOs imports remain under the authority of each State.

CONCLUSIONS

In nowadays, it is hard to imagine solving environmental problems without international cooperation and without MEAs. It is, also, difficult to accept that in new MEAs will not be included direct or indirect commercial measures. Trade measures in MEAs have become more frequent, and seem to be a logical response to the transboundary nature of environmental issues and business models. In many cases, trade measures are the only realistic enforcement measure of MEAs provisions. They can support a real cost (especially if trade restrictions are used against non-signatory parties), and should not be taken in isolation from other instruments, such as financial assistance or capacity consolidation.

Continuous use of trade measures in MEAs and the compliance with WTO rules, confirms once again the importance, necessity and indispensability of trade measures. To achieve their objectives, MEAs employ several types of measures, but trade measures are the most effective and should be considered since the designing of MEAs.

Since the WTO is a body that does not develop environmental policies, and has no powers to negotiate them, it should not seek to undermine the functions and role of MEAs and other international environmental governance structures. The conflicts what occur between MEAs and WTO (the case of carbon taxes), might limit the success of both institutions to solve some environmental problems. To avoid this type of situations, the international community must reconcile the discrepancies through enhancing the consistency and compatibility.

Regarding Romania, it signed over 250 bilateral and multilateral environmental agreements on air quality, nature protection, water quality, waste management, chemicals, prevention and mitigation of nuclear accidents, etc., which are implemented through horizontal and vertical national laws.

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