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羅馬尼亞成為歐盟成員之戰略研究

**A study on Strategy of Romania's accession to be
European Union**

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A Study on the Strategy of Romania's Accession to the European Union

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Azizir Arfat (阿法)

摘要

羅馬尼亞前身爲共產主義國家，他們國家爲了發展，希望能成爲歐洲聯盟的成員之一。羅馬尼亞想要成爲歐洲聯盟成員之一，羅馬尼亞必須履行哥本哈根協議中的經濟和政治條件。在此情況下，羅馬尼亞應該擬定一項戰略，實現目標與必須解決所有的問題取得歐洲聯盟成員的資格。在 1999 年 10 月 13 日，盟委員會、歐盟成員國與包括羅馬尼亞在內的東歐國家開始談判。歐洲聯盟已規定羅馬尼亞履行哥本哈根協議，但重點在於羅馬尼亞履行所有條款取決於它需要多少時間來達成目標。自從 2000 年以來羅馬尼亞開始提出他們加入歐盟的申請和有關加入歐盟的談判規定。2001 年，羅馬尼亞爲了準備加入歐盟，陸續實施一系列的改革，其中包括鞏固民主與法治制度、尊重人權、個人言論自由和正常運作的自由經濟市場。這些改革使得羅馬尼亞在區域關係上獲得國內與國外的支持。羅馬尼亞透過許多年的時間履行哥本哈根協議，在 2007 年初，羅馬尼亞已正式成爲歐盟的成員國之一。

關鍵字: 歐洲聯盟、羅馬尼亞、哥本哈根協議

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GLOSSARY AND ABBREVIATIONS

DCR	Romanian Democratic Convention
DCR	Democratic Convention of Romania
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECSC	European Coal and Steel Community
EEA	European Economic Area
EEC	European Economic Community
ERM II	Exchange Rate Mechanism II
EU	European Union
FSN	National Salvation Front
GDP	Gross Domestic Product
IMF	International Monetary Fund
NBR	National Bank of Romania
NEFM	New Economic and Financial Mechanism
OECD	Organisation Economic Co-operation and Development
PCR	Romanian Communist Party
PDSR	Party of Romania Social Democracy
PHARE	Poland/Hungary Aid for the Restructuring of Economies
PSD	Social Democratic Party
SAPARD	Special Accession Programme for Agriculture and Rural Development
SDP	Social Democratic Party
SPC	State Planning Committee

CHAPTER ONE

INTRODUCTION

1.1 Motivations and Purpose

In 1990, when communist countries in Europe have fallen down into crisis. The world were said, this is the highly worst ever in history late 20th century. There was no historic precedent that directly paralleled with the collapse of the communist economic system in Eastern Europe. With such conditions, those countries were led to economic ruin. So immediately, most of Eastern Europe countries are trying to replace their ideology and to find a new way for their economic, definitely this effort is not simple and easy. They need many years to rebuild economic and political conditions. They thought, this condition could only be overcome by the implementation of a more market-orientated system. With unstable conditions they have, and considering two big institutions like IMF and world Bank which have responsibility to lend fresh money for a country.¹ So, Romania agreed with IMF² to come and bring a set of policies of economic liberalization and macroeconomic stabilization, known as the 'Washington consensus'³. This Washington consensus programme was first adopted in Poland in 1990, and came to be accepted as the basic model for the transition to a market

¹ This situation will be build a mutual dependence between a country that need fund supply and the IMF is seeking profits from the loan interest amount

² The IMF as an organization of 187 countries (as of July 2010), working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty. <http://www.imf.org/external/about.htm> (accessed on December12, 2011)

³ Washington Consensus was created in 1989 by the economist John Williamson to describe a set of ten relatively specific economic policy prescriptions that he considered constituted the "standard" reform package promoted for crisis-wracked developing countries. The name is Washington because some institutions like IMF, World Bank and US Treasury Department are from Washington. <http://www.cid.harvard.edu/cidtrade/issues/washington.html> (accessed on May 2, 2013)

economy, although differentiated from country to country according to particular circumstances.⁴ These policies are consisted of four interrelated measures: macroeconomic stabilization; internal economic liberalization; the development of a private sector; and the liberalization of trade and investment.⁵

Still in the same case, when European union or communist countries in Europe or particularly Eastern Europe like paragraph above, they all have done to change economic system. Also for Romania, Romania in the same way to find economic system to rebuild economic for itself. In 1991-1993, Romania and others communist in Europe concluded association agreements with the European Community (EC-it became the EU in 1993).⁶ At a 1993 meeting of EC leaders in Copenhagen, Denmark, they were agreed to extend the prospect of full membership to the associated states provided they met certain economic and political criteria.⁷ These included :

- a. Progress towards the creation of a liberal democracy;
- b. Establishment of a functioning market economy capable of withstanding competitive pressures;
- c. And the ability to undertake the commitments of full economic and monetary union.⁸

In 1990s, Romania was going slowly in transition such as to a market economy, the restructuring of industry and agriculture, and macroeconomic stabilization. These transitions were implemented in some years because a combination of adverse starting conditions is not well like a lack of political

⁴ Alan Smith (ed.), *Central and South-Eastern Europe 2008*, 8th edn. London: Routledge, 2007, p. 4-5

⁵ Ibid. p. 4-5

⁶ Romania and other communist countries the writer mean is Bulgaria, the Czech Republic, Hungary, Poland, and Slovakia.

⁷ In other explain to describe the general policy, Copenhagen Criteria is formulated by 3 aspects : political, economic and legislative.

⁸ *European Commission Enlargement*. [http://ec.europa.eu/enlargement/enlargement_process/](http://ec.europa.eu/enlargement/enlargement_process/accession_process/criteria/index_en.htm)accession_process/criteria/index_en.htm, (accessed on October 01, 2011)

support for radical reforms and bureaucratic obstruction. In any circumstances, a society was doing of extreme austerity during the debt-repayment programme was reluctant to withstand the impact of the radical economic changes associated with a rapid transition to a market economy for almost one decade.⁹

Romania needs 16 years to join European Union member state, its been calculated since 1990-2006, during the time Romania did many transitions. Romania has started the first transition in 1990 which remarked by dictatorial regime end and the political chaos¹⁰ until Romania has created record as the one of the high economic growth in Europe in 2006.¹¹ To facilitate understanding, this thesis is divided the transition into four phases. The first phase is in 1990-1996, after politic chaos and the politic parties play the key role to create a quick election. One of the politic party is the winner trough election process, when the government was changed its mark the transition to a new way. The government had pursued a gradual transition to a market economy, which privatization is the liberalism policy, the continuation of large subsidies to loss-making, state-owned industries (including air transport, railways¹², coal-mining, etc). The second phase began in late November 1996, when the political circumstances were changed because the stick government was moved to centre-right Democratic Convention of Romania (DCR). After that the new administration is completely changed, they were bring a major shift of emphasis in economic policy towards market-orientated reforms constructed with IMF as the assistance. But the implementation

⁹ Alan Smith (ed.), *Central and South-Eastern Europe 2008*, 8th edn. Ibid, p. 499.

¹⁰ *Ibid.*

¹¹ *Swiss – Romanian Economic Situation 2006/2007*, http://www.ccer.ro/userfiles/articlesFiles/Report%202007_05141255.pdf, (accessed on December 20, 2011)

¹² It seems the government has pay attention to facilitate public transportation which also has large benefit.

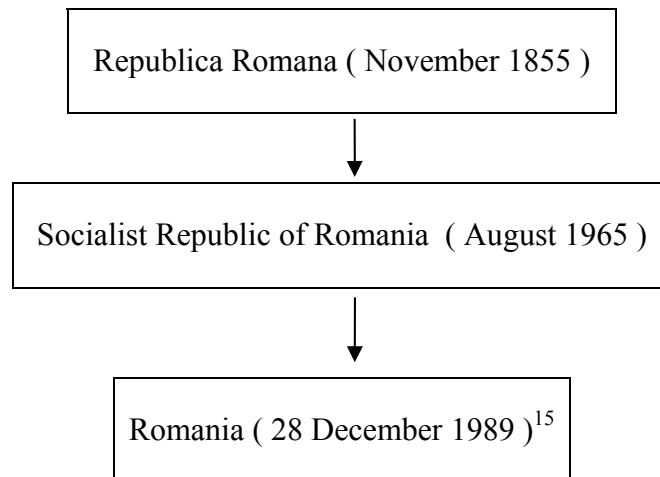
of market-orientated policies is not satisfied and was impeded by Parliament, state bureaucrats and managers of stated-owned enterprises.¹³

The third phase was started count from late November 2000, and the third free election was held after cold war in Romania. This election is to pick and assign the parliamentary and presidential, that means the economic and political development will be affected by both parliamentary and presidential election results. After elections, the new Government was implemented a strategy of gradual privatization and macroeconomic stabilization as part of a stand-by agreement with the IMF, which was completed in October 2003. The fourth phase of economic policy commenced in December 2004, the Government has supported a large policy of market liberalism and reduced government intervention in the economy, involving the introduction of a uniform rate of income and profits tax, the accelerated privatization of utilities, the reduction of industrial subsidies, the introduction of legislation to create more flexible labour markets and a vigorous anti corruption campaign. At that time not just Government makes some reform, because at the same time the reform was followed by National Bank of Romania to change the conduct of monetary policy and liberalized capital flows in preparation for EU entry. The European Commission finally concluded that Romania had earned the status of a functioning market economy, preparing the way for EU entry in 2007.¹⁴

¹³ Alan Smith (ed.), *Central and South-Eastern Europe 2008*, 8th edn. Ibid, p. 499

¹⁴ Alan Smith, *ibid*.

The Romania name in history



The motivations of writing this thesis are:

- Based on the author's curiosity and interest about the reform on economic policy of Romania as the candidate European Union Member.
- Build upon consideration of the EU position in the world order. With its 27 Member State, it is combine the population of almost 500 millions and producing a quarter of world's National Product (GNP). This makes the EU became a global player.
- To analyze how Romania as the communist country which was in short period time become capitalist. It was interesting to learn more about the policies that they took.

¹⁵ <http://www.roconsulboston.com/Pages/InfoPages/Commentary/RomaniaName/Origin.html> (accessed on March 14, 2012)

1.2 Research Questions

The objective of this thesis is to analyse the economic policies as the strategy in Romania to become a member of European Union. Furthermore, this thesis wants to elaborate Romania-EU goals in Europe. Therefore, this thesis is try to formulate the research project into the form of question :

1. Why did Romania want to join European Union ?
2. What kind of economic policies in Romania are used as a strategy to fulfill the Copenhagen Criteria as requirements?

1.3 Research Limitations

Although this thesis was carefully prepared, the author still awared of this limitations and shortcomings on this thesis as the following :

- a. This thesis focuses on economic policies to develop micro and macro economics in Romania. And in political situation, this thesis does not mention the development of every political party, considering big number of political parties. Although this thesis fully aware that political parties are an important pillar in a country. But this thesis is mention about the political in general which could affect on Romania condition.
- b. This thesis is realize that democracy is a part of the capitalist ideology, even the application of democracy can reflect the quality of the capitalist value itself. But this thesis does not address the development of democracy that occurred in Romania. And also this thesis is not compare the democratic process in Romania with Eastern Europe countries.

- c. For the discussion of issues concerning the European Union, this thesis is describe the establishment of the European Union that occurred in the 1950s. This thesis only describes the early formation of the 3 process on integrate to be European Union, namely the ECSC, EEC and EAEC. This thesis realize on every EU treaties are important in the development on EU, but the priority on this thesis is the EU role on the Romania's accession

1.4 Literature Review

To elaborate the problem and to make the quality of content, this thesis used any material. But there are some special books that greatly influenced of writing this thesis. This thesis is using some of publication that written on Romania economic situation and condition. And a part of books are mention about the policies that Romania used to deal with some issue. David Phinnemore stated about the Romania history until Romania in accession to the EU.

This thesis also provides the historical background between Romania and EU before accession. This thesis used several literatures on Romania history in general and Romania policies in particular that provide a good content. To help understanding, this thesis put several tables to describe the Romania economic condition at that time

1.5 Research Methodology

In this thesis will be based upon a qualitative method to examine the EU role and Romania interest. *“Qualitative research is a research strategy that*

usually emphasizes words rather than quantification in the collection and analysis of data. As a research strategy, it is inductivist, constructionist, and interpretivist."¹⁶ A central issue in qualitative research is validity also known credibility, people can find many ways of establishing validity, like recheck the data to prove by using official EU and Romania sites and books.¹⁷

This thesis use qualitative research to integrating data collection and data analysis with techniques which has linkage with the subject. This thesis is not use primary research, means doing interview or survey in Romania despite both are including qualitative approach. This thesis is a qualitative research which using descriptive approach. Descriptive data was only to present and explain the obtained data, and then to analyze based on the concepts or theories. This thesis which tried to describe the cooperation among Romania and European Union since 2000-2008. This thesis is pure for academic orientation and expectation could contribute to add college research references in international relations.

The writing techniques are used by the author mostly on library research, by collecting data, facts and information that assist authors to examine the content of the thesis. The research process was formulated with the use of both primary and secondary material. Wide ranges of sources were explored to explain the thesis inquiry and provide materials and data to support the entire of this research.

This thesis analyses the documents and publications provided by EU and Romania official, governments, agencies, and also private sector. This thesis approaches the problems within a historical context in order to provide a basic argument in explain making policies reason and as a basic background for clarification of examined issues. However, the main discussion is in 2000-2008

¹⁶ Alan Bryman, *Social Research Method*, New York: Oxford University Press, 2001, p. 264.

¹⁷ What is Qualitative Research, <http://www.qsrinternational.com/what-is-qualitative-research.aspx> (accessed on December 15, 2011)

period that emphasize the role of Romania Government to create economic and political policies and trends link between EU-Romania about historical context with more recent situation.

In this work, this thesis use various books, journal, articles and other relevant documents have been used as well. The internet was widely used to search the relevant data, especially for the recent update. The combination of Romania primary documents and secondary material was draw upon. The primary documents from both of European Union and Romania such as, statements, policy documents, summit outcomes, treaties and legal basis. It is provide an insight of policy from experts in the field. This mostly used to analyse the Romania and European Union's foreign policy and the EU's roles in international affairs. This thesis utilize the official sites of Romania and European Union in particularly to provide an information about economic and political policy; the purpose, the policy process, how it works and the outcome. In addition to Romania and European Union official website, the use of other sources was widely used to support the completeness of this thesis. A wide range of theoretical and empirical sources was used to answer the research questions.

The research was formulated with the use of both primary and secondary material. large range of sources were used and explored to explain the conceptual framework. A combination of primary documents and secondary material was draw upon. The internet was widely used in search. Primary: official sites of Romania and European Union , statements, policy documents, summit outcomes and treaties. Secondary material on EU's roles as a global actor, Romania's economic and political policies and Romania in general were also extensively used.

1.6 Thesis Structure

This thesis is consist of five chapters. It is aim to further elaborate on the problem.

Chapter 1 is mention about introduction, motivations, research question, research limitations, research methodology and structure of this thesis. The first is opening case about Romania economic and political conditions including short explain concerning Copenhagen Criteria as requirements and main point. In this chapter has several sections. The motivation of this project is to set main purpose for this thesis. In the middle section is research limitations to explain the lack factors that the author must to face. The fourth section is research methodology, this section is the direction and set my thesis to be accountable. And the last section is the structure of this thesis, the structure is like main body framework paper in this thesis.

Chapter 2 is mention about Romania's history in World War 1 and World War II. And also talk about communist regime in Romania since 1947-1989. Afterwards, this thesis is mention about the process of European Union during the Cold War era. As the closing chapter, this thesis will find the correlation between Romania-EU. In this chapter is straight to talk about the Romania economic and political transition.

Chapter 3 is mention some explanation to next chapter. This chapter is also the key role because in this part has some clue to answer the question. This chapter is talk about Romania economic and a bit political policies of gradually transition. This part is mention about Romania economic reform post communist regime. Afterwards, Romania changed the economy ideology into capitalist to fulfill Copenhagen Criteria as requirements. In political policies, Romania is implementing the democracy, basic human rights, nationalism and freedom. After

that, this chapter content is mention about the Romania meets the start point in cooperating with EU.

Chapter 4 is be the head chapter as well the part to answer the question. In this chapter is the head content that Romania has to fix the barriers and problems before join the EU. After next, Romania is fit to join EU after solve their economic conditions. This part also mention about Romania is in processing to join EU after create the highest economic growth record in Europe (2006). And then, Romania has to prepare the institution before adopt euro. In this process, Romania has to complete 35 Chapters as requirements by EU Commission.

Chapter 5 is mention about conclusion or closing statement in this thesis. In this part, this thesis is answer a little bit about Romania interest to join the EU. And also talk about the positive impacts for Romania and EU after become integrate. In this chapter also talk a bit about critic.

The thesis structure will be arranged as :

- Chapter One : Introduction : Romania economic and political conditions after Cold War and Copenhagen Criteria**
- Chapter Two : Romania and European Union histories**
- Chapter Three : Romania reform to join the European Union**
- Chapter Four : Romania is on the way into European Union**
- Chapter Five : Conclusion**

CHAPTER TWO

ROMANIA AND EUROPEAN UNION HISTORIES

2.1 Romania

Romania is adopted democracy, so that Romania has multi-party system even though with a highly fragmented political landscape and every domain party had the power changed every couple of decades. And every politic parties have to compete each other through soft or high political deal. Romanian politics in the interwar period were dominated by the Liberal Party, with the National Peasant Party representing the main opposition.¹⁸ The high political tension was reflected between 2 big parties, when liberal party was discredited as far as the peasant mass of the population was concerned by their anti-peasant fiscal policies. The political faction wishing to express peasant feelings was the peasant party, in 1919. When peasants put themselves in the face of the industrial era were pointless because it could never catch up with states already geared to industrial production, and Romanian could put themselves to concentrate on home-based production.¹⁹ That is the one of many problems they have to face with the limited power they had.

After World War I, Romania's elite is faced with the task of organizing and consolidating the much expanded state. Since the peasantry had helped the Romanian army during the war and increasingly regarded themselves as citizens, so that their demands should be obeyed. Romania has expanded the territory. The expansion of Romania considerably increased the country's economic potential. The enlarged territory has caused provide more for agricultural area. With the area

¹⁸ In 1937, elections were contested by 13 major parties and 54 secondary organisations, reflecting the diversity of views among the much expanded electorate.

¹⁹ R. J. Crampton, *Eastern Europe In The Twentieth Century*, London: Routledge, 1994, p. 109

support, Romania become a major producer and exporter of grain in 1930.²⁰ Romania was the fifth largest agricultural producer in the world. There was increasing economic diversification and a move away from an economy dominated by agriculture. In the early 1970s until 1990, Romania was doing some reform programs which are trying to achieve and clear the obstacles it faces. Romania has the greatest difficulty level in creating the institutions in their history when they trying to convert the economic policies from communism to capitalism, the new institutions were to encourage the new system of economic policy.²¹ This thesis is explore the reform programs into some phases under governments regime.

2.1.1. Communist in Romania (1921-1960)

After World War I, The leftist Social Democratic Party (PSD) had long been a favorite among the industrial working class, but unlike the Bolshevik movement,²² Romania's labor movement was relatively weak and PSD had a difficult time gaining support. In 1921, an extreme left faction of PSD split off to form the Communist Party.²³ In this year, the Communist Party was born with the small power but getting huge by the time. Romania political movement that tends to “the right”, has encouraged the creation of a left-wing party strength of the less

²⁰ David Phinnemore, *The EU & Romania*, London: Federal Trust for Education and Research, 2006, p. 8.

²¹ Dragos Petrescu, *Building the Nation, Instrumentalizing Nationalism: Revisiting Romanian National-Communism, 1956-1989*, Nationalities Papers, Vol. 37, July 2009, p. 524-525

²² The success of the Bolsheviks gave the Communist international they founded almost unchallengeable authority over the various national parties. This caused problems when its line came to reflect internal Bolshevik squabbles. Actually, communists needed allies, and discontented peasants and national minorities as well as social democrats at once suggested themselves. Robin Okey, *Eastern Europe 1740-1985*, New York: Routledge, 1986, p. 177.

²³ http://romerica.com/rom/hist_mod_ad1920_ov.htm (accessed on October 17, 2013)

popular.²⁴ Communist agitators²⁵ worked feverishly to recruit young urban industrial workers. These agitators are concentrated much of their effort toward the ethnic minorities in Romania's newly acquired territories, stoking the emotional fires of their barely repressed anger against Romania's current government.

On 1 September 1939, the Second World War is break out and the Romania under King Carol II officially adopted a neutrality position. But the situation is rapidly changing in Europe during 1940,²⁶ and a part of territorial disputes were resolved unfavourably to Romania, it is resulting in the loss of most of the territory they have. This situation put Carol to the corner with the little choice but had to accede. Those territorial lossed were a blow from which they never recovered. Facing mounting hostility, the King Carol granted dictatorial powers to an army officer, General Ion Antonescu.²⁷ The general Antonescu was concern to restore internal order after the chaos of Carol's dictatorship and to preserve Romania's territorial integrity as far as possible.²⁸

Starting on 4-11 February 1945, a week of intensive bargaining by the leaders of the three major allied powers ends in Yalta, a Soviet resort town on the Black Sea. It was the second conference of the "big three" allied leaders, they are United State President Franklin Delano Roosevelt, British Prime Minister

²⁴ Under USSR influenced, in 1923 Communist international advised the Romanian Communist party to support the separation of Basarabia, Bucovina, Transylvania, and southern Dobrogea from Greater Romania. But this advise made the Communist Party even more unpopular in the eyes of Romanian citizens.

²⁵ Agigators is the leader who used violence or sudden force.

²⁶ <http://www.infoplease.com/country/romania.html> (accessed on 17 November 2013)

²⁷ Trough military *Coup de etat*, General Ion Antonescu was become the head of the government. Antonescu led a group of renegade military officers as they stormed the palace, claiming that King Carol lacked sufficient authority as a monarch against the loss of Romanian territory. Between 1930 – 1940, Romania had 18 different heads of government. This case has proved how weak governance on the real levels of political in that time.

²⁸ David Phinnemore, *The EU & Romania*, ibid, p. 10.

Winston Churchill, and Soviet Premier Joseph Stalin.²⁹ The Yalta conference also known as Crimea Conference³⁰ Stalin and Churchill reached their famous ‘percentages agreement’³¹ in which Churchill agreed to give the Soviet Union a free hand in Romania and Greece.³² Unfortunately, by the time, the leaders had walked away from the Yalta Summit, there was no clear definition of the terms. France, Britain, and the United States considered the Yalta agreement to be paramount, but the Soviet Union favoured the earlier Moscow agreement in which Churchill specified the percentages of Soviet influence.

Afterwards, Romania was occupied country and Stalin lost no time bringing it under Soviet Union control and installing the Romanian Communist Party (PCR) in legitimate. Since this time, this Romanian Communist Party was took the long period and played the role in local politics. The Romanian Communist Party had been founded in 1921 but had always occupied a marginal position in Romanian political life. It found itself in a position to shape Romania’s future. This party has further strengthened caused the communist regime that continues to grow in the region. With Soviet Union backing and supporting communists increasingly the Romanian Communist Party took control of Romania using a combination of intimidation, manipulation of the democratic

²⁹ <http://www.history.com/this-day-in-history/yalta-conference-ends>, accessed on 25 September 2013.

³⁰ Yalta had allegedly led to a secret agreement to divide Europe into spheres of influence. The division of Europe led to a nuclear arms race that was used as a deterrent by both the West and the East against each other. And the clearly result, Yalta conference led to thousands of troops being deployed permanently along the Iron Curtain (Cold War) <http://www.britannica.com/EBchecked/topic/651424/Yalta-Conference> (accessed on September 4, 2013)

³¹ ³¹ The Yalta’s meeting was the second of three wartime conferences among the Big Three. The meeting was intended mainly to discuss the re-establishment of the nations of war-torn Europe. With victory over Germany three months away, Churchill and Stalin were more intent on dividing Europe into zones of political influences than in placing military considerations. Within a few years, with the Cold War dividing the continent. <http://history.state.gov/milestones/1937-1945/yalta-conf> (accessed on September 3, 2013)

³² Late 1943-first half of 1944, Romania involved world war II.

process and outright violence.³³ PCR was became a national mass party immediately, PCR with Soviet Union assistance helped the party to strengthen its political legitimacy among different national and social groups. In March 1945, the communist dominated the government because of Soviet Union gave pressure and stress that violence, coercion, and intimidation have been main instruments used by the Communist Party to implement its goals.

In February 1947, Romania was signed the final peace treaty with the Allies, since this term Romania's border changed once again.³⁴ 3 months later, the Marshall Plan was introduced to economically assist postwar countries in their reconstruction efforts.³⁵ Unfortunately, Romania is incapable to take advantage of the money flowing from the Marshall Plan, so that Romania fell into a period of economic and political crisis. And then, the condition is getting worst when the Soviet-Romanian banks were not so agree to government control and the fight against inflation was made more difficult as a result.³⁶ The inflation could be happened when Romanian prefer to kept the money rather than spend to buy a products. The high price and high unemployment are the some of factor caused inflation. The high price of goods were force romania people to economize so that its resulting in stagnated the velocity of money to boost the local economy. And high unemployment will force people to decrease the standard of living. These two points are the bad things that will weaken the national economy in a short period and will be followed by national crisis. High inflation because the government could not give guarantee the life of its people and the people choose the only way to insure themselves. Following this case the Romania Minister of

³³ David Phinnemore, *The EU & Romania*, *ibid*, p. 11

³⁴ http://romerica.com/rom/hist_mod_ad1940_ov.htm (accessed on September 29, 2013)

³⁵ <http://www.marshallfoundation.org/TheMarshallPlan.htm> (accessed on September 29, 2013)

³⁶ By mid-1947, Romania faced economic chaos. Romania is like the other Eastern European nations operating under Soviet domination, refused to participate in the Marshall plan. However, some foreign aid, including relief from the United States, Slowly trickled in to help feed the population

the National Economy State was set up for all branches of manufacturing in 1947, checked on delivery of reparations to the Soviet Union and assisted in the preparations for outright nationalisation of enterprises with some specialist people of installed power.³⁷ This Minister was set about a complete political, economic, social and cultural transformation of Romania. He was pursued a policy of undeviating loyalty to Stalin making Romania the most pliant of the Soviet satellites in Eastern Europe.³⁸ The Soviet satellites were worked their way towards a stage that has been variously labelled as ‘nationalism communism’. Each of the fraternal parties was to claim the right to fix its own separate ‘road to socialism’. The determination of the communist regime is to retain absolute control over politics and society and oppose any liberal initiatives in economics, prevented the possibility of a democratic transition largely resourced. After that, the State Planning Commission was established in 1948 and from their work emerged the one year reconstruction plans of 1949 and 1950 which restored industrial output to the top of level. These plans in which state funds have been invested.³⁹

In the equation of time, the political situation in Romania is changing and political change has influenced the changing policy in economic. Single party rule was introduced and many of the leaders of the pre-war democratic parties were imprisoned.⁴⁰ For the most in Eastern Europe, the Communist was used the purge of collaborators as a pretext for the eliminating their own opponents.⁴¹ This thesis is talk a little bit about the characteristics of the communist. In some of communist countries, there are many approaches in implementing the policy. But

³⁷ <http://web.ebscohost.com/ehost/detail?sid=f1f23747> (accessed on March 14, 2013)

³⁸ David Turnock, *The Romanian Economy in the Twentieth Century*, Australia: Croom Helm Ltd. 1986. p. 160-161.

³⁹ Danciu S. *Coordonate Fundamentale ale Conducerii Planificate a Activitatii Economico-Sociale in RSR*, Bucharest: Ed. Academiei RSR, 1976. p. 41.

⁴⁰ In true Stalin style, the communists unleashed their full fury against the weakened opposition parties. Their program of political terrorism caught both the National Peasant Party and the National Liberal Party in its vice grips, arresting numerous politicians and forcing others into exile.

⁴¹ Norman Davies, *Europe*, Great Britain: Oxford University Press, 1996, p. 1060-1061

there are some similarities economic policy, The usual way of approaching the reforms of Eastern Europe and the ex-Soviet Union is to emphasize the following features :

1. Price liberalization and the marketization of the economy,
2. Privatization and the construction of property rights,
3. Macroeconomic stabilization,
4. Current account convertibility/capital account liberalization.⁴²

The first and second point are focus on the microeconomics of the process of adjustment, while the last two points are focus on the macroeconomics of the process. There are clearly strong overlaps between all four areas. In general, the overall process is seen as one of establishing a fully-fledge market economy.⁴³ This thesis can show the number of policies that followed the communist character of it is own. Industries, mines, transport, banks, cinemas and health institutions were nationalised. During the time, private land ownership was abolished in 1949 and the process of agricultural collectivisation has started. The market economy was replaced by central planning with the first Five Year Plan being introduced in 1951.

Following Stalin industrialisation⁴⁴ has seen as the key to modernisation and successive plans provided for extensive investment in heavy industry. In the First Five-Year Plan of 1951-1955, communist planners earmarked 57 percent of all investments for industry, with more than three-quarters of that going to heavy industry. The planners were promised the workers an 80 percent improvement in their standard of living by the end of the Plan (1955).⁴⁵ The Five Year Plan was

⁴² Stanley Fischer, *Economic reform in the USSR and the role aid*, Washington DC: Brooking papers on economic activity, 1991, p. 289-301.

⁴³ Edward Elgar, *The Economic Emergence of a New Europe?*, Great Britain: Cambridge, 1993, p. 159.

⁴⁴ Between 1948 and 1952 the communist government dismantled Romania's traditional heritage and patterned the new society according to the Stalinist model. Any opposition to this transformation was met with a brutality typical of Stalinist methods

⁴⁵ http://romerica.com/rom/hist_mod_ad1951_yr.htm (accessed on March 15, 2013)

most unbalanced, concentrating on sectors basic to the modernisation of the whole economy.⁴⁶

This has brought all industry under state control and all industrial development was planned by the state. The state would decide what would be produced, how much would be produced and where it should be produced. Each plan set a target which industries had to meet. Each factory was set a target which it had to meet. The targets were completely unrealistic and could not be met but vast improvements were made. This is reflected in several aspects, one of which is the condition of agriculture in Romania.⁴⁷

Agriculture was hardly assisted in its task by the allocation of only 10% of the total investment. Compulsory deliveries were made by the farms at low prices, home consumption was limited by rationing the towns and collectivisation was expected to boost efficiency.⁴⁸ However some serious problems arose in the early 1950s. the Collectivisation program was bitterly contested by the peasants and since 1952 was a bad year for agriculture the planned surpluses for export could not be obtained. At the same time it was becoming clear that oil production could not increase indefinitely in view of the high level of investment needed in exploration drilling.

“The planned management of the national economy is one of the fundamental, essential and inalienable attributes of the sovereignty of the socialist state – the state plan being the chief means through which the socialist state achieves its political and socio-economic objectives, establishes the directions and rates of development of the national economy, its fundamental proportions, the accumulations, the measures for raising the people’s living standard and the cultural level. The sovereignty of the socialist state requires that it effectively and fully

⁴⁶ <http://www.historylearningsite.co.uk/Stalin.htm> (accessed on March 6, 2013)

⁴⁷ http://history1900s.about.com/od/people/ss/Stalin_6.htm (accessed on March 2, 2013)

⁴⁸ Phinnemore, *Ibid*, p. 163

avails itself of the means for the practical implementation of these attributes”.⁴⁹

In the Marxist ideology, the communists are demanded that the country switch from an agrarian economy to an industrial economy, and preferably one weighted toward heavy industry.⁵⁰ The evolution of the communist regime in Romania stands out as a different case. Outside of the economy aspects, the communist also set about creating a new society, this meant completely recasting Romanian national values and history. Education was reorganised to stress Marxist principles. Romanian history was entirely rewritten to stress the Russian influence on Romania’s development.

A. The Economic Conditions Under Ceausescu (1967-1989)

After Stalin’s death, Romania maintained a policy of total loyalty to the Soviet Union. However, in the 1960s a Soviet planner proposed an economic division within the Soviet bloc, whereby some countries would specialise in industry and others in agriculture. Romania was allocated a predominantly agricultural role, something that was unacceptable to the country’s leadership. The proposal was abandoned, but it caused a major change in Romania’s relations with Moscow. Romania was started to distance with Soviet Union and to stress Romania’s national interests instead. In 1964 the leadership issued a ‘declaration of independence’ which asserted Romania’s right to determine its own course of development. The President of Romania speaking of sovereignty and autonomy as if they were objective laws of social and historical development.

⁴⁹ Gregory Gleason, *Federalism and Nationalism: The Struggle for Republican Right in the USSR*, Boulder, Colo: Westview Press, 1990. p. 7.

⁵⁰ Walter A. Kemp, *Nationalism and Communism in Eastern Europe and the Soviet Union*, London: Macmillan Press Ltd, 1999. p. 149-150

In January 1965, President of Romania was diagnosed with liver cancer. On 19 March 1965, the President is too weak to remain active and he died 3 days later.⁵¹ And the one of politician, Nicolae Ceaușescu was became the unofficial First Secretary of the Central Committee of the Romanian Communist Party. He took the actions to bring Romania into the new communist country with some policies. In a report made to the 9th Congress of the Romanian Communist Party on 19 July 1965, Ceausescu wrote:

“following the disappearance of the exploiting classes the nation has grown stronger and its unity has been cemented. It is only under socialism that the real community of economic interests, the common socialist culture of all citizens who live on the same territory can fully express themselves”⁵²

This statement implies that the nation is living reality and will continue to exist in the future and that is all in the past efforts of the nation have come to triumph under socialism and the leadership of the Communist Party.⁵³ The statement is create a situation in which Romanian society is socialist in economic and politic and nationalist in soul. Ceausescu continued the pas policy of maintaining Romania’s independence from the Soviet Union.

This challenge brought Ceausescu massive and apparently genuine popularity within Romania. The fact in 1968, Ceausescu has followed the invitations for official visits to Western countries like United Kingdom and USA. In January 1967, Romania hosted a "secret" delegation from the Federal Republic of Germany (West Germany), leading to the subsequent exchange of diplomatic missions in the two countries.in fact, Romania was the first Soviet Bloc country to establish diplomatic relations with West Germany. In April 1968, French President Charles De Gaulle has been visited Romania and congratulated Ceaușescu for his

⁵¹ http://romerica.com/rom/hist_mod_ad1965_yr.htm (accessed on March 15, 2013)

⁵² George Schopflin, *Romania Nationalism*, Soviet: Survey, 1974. p. 92

⁵³ George Schopflin, *Romania Nationalism*, ibid.

alleged independence from the rest of the communist bloc.⁵⁴ Several other Western leaders applauded Ceaușescu's defiance of the Soviet Union, standing back on the sidelines to see if Moscow would punish him for his insubordination.

Ceausescu increasingly sought to present himself as a reforming communist, pursuing an independent foreign policy within the Soviet Bloc. Romania had good political relations with Western Europe. It was often described as “the France of the East Bloc”. It has brought the result that Romania gained international credibility and its Nicolae Ceausescu became a special guest of western European political leaders. The democratic West has a different perspective from the disastrous conditions of the Romanian population and from the dictatorial internal politics of Ceausescu and saw in Romania a strong opponent of the Soviet politics in a Cold War ready to get warm.⁵⁵

Ceausescu has denounced the excesses of the past era and the early years of his rule seemed to promise a more open and liberal Romania. The economic policies pursued during the communist period and during the era of Nicolae Ceausescu (1965-1989) in particular, complicated the process of transition to a market economy in Romania. Economic policy in the communist period has entailed an extreme variant of the Stalinist policy of rapid industrialization. This involved the construction of a heavy industrial base in a predominantly agrarian economy, the collectivization of agriculture and the transfer of labour from agriculture to industry, together with the introduction of a highly centralized system of economic management and restrictions on the private sector.⁵⁶ Under Ceaușescu's rule, Romania has evolved into the most highly centralized power structure in Eastern Europe.

⁵⁴ http://romerica.com/rom/hist_mod_ad1968_yr.htm (accessed on March 15, 2013)

⁵⁵ Liana Muller, *Romania's Way into the EU*. 2002.

<http://www.iet.ntnu.no/~ralf/muller/pubs/romEU.pdf>, p. 9 (accessed on October 10, 2011)

⁵⁶ http://romerica.com/rom/hist_mod_ad1965_yr.htm (accessed on August 12, 2013)

Industrial growth was achieved by allocating a large proportion of national income to investment, concentrated in heavy industry. A low priority was given to investment in infrastructure and social and cultural facilities.⁵⁷ Industrial output had risen by 650 percent between 1950 and 1965. This dramatic growth had been achieved by the state's investment capital into heavy industry. The strategy of industrialization was accelerated when Ceausescu came to power in 1965, with greater emphasis on investment in the machine-tool and petrochemical industries, Ceausescu targets for industrial development created major imbalances between the demand for energy and raw materials and domestic sources of supply.⁵⁸

During the post war years, the Romanian economic system has developed in many ways, similar to those of other centrally planned economies. The state-owned virtually all means of production, except for a small proportion of the land is given for private farmers. The State Planning Committee (SPC), which prepared the plan targets based on Communist party directives, was responsible for the detailed planning of all economic activity.

All the plans are controlled by government through ministries. One the plan was approved, the Government monitored its implementation as well as managed economic activity directly through the branch ministries. And then each branch ministries covering a different sector of economy, also allocated inputs and decided on product use⁵⁹ and distribution. For the prices, which were strictly regulated and did not play an allocative role, were determined in the context of the plan on mark up basis. Moreover, until the early 1970s,⁶⁰ only labour and

⁵⁷ Alan Smith, (ed.), *Central and South-Eastern Europe*, Ibid, p. 491-492.

⁵⁸ <http://www.britannica.com/EBchecked/topic/100972/Nicolae-Ceausescu> (accessed on August 12, 2013)

⁵⁹ The product use is consumption that product and try to find demand value.

⁶⁰ In 2 April 1975, a commercial agreement was signed in Bucharest between the United States and Romania. The agreement offered Romania the chance to become the first Soviet bloc country to receive Most Favored Nation status. In fact, in 1975 the non-communist world accounted for well

intermediate products were taken into account in the calculation of costs: no charge was made for capital, land, or natural resources. Time to time, consumer prices were kept fairly stable, while producer prices were adjusted occasionally to reflect changes in costs. The only prices that were market-determined were those of agricultural produce sold by private farmers in the so-called peasant markets, which were limited in size.⁶¹

In 1967, the Ceausescu Government has embarked on the strategy of import. The strategy was intended to facilitate imports of Western machinery and equipment and to encourage the development of joint ventures and cooperation agreements with Western multinational corporations in order to modernize Romanian industry. It was attempted to build up a technological base in advanced engineering industries, in which Romania had little experience and expertise.⁶² Ceausescu is continued to prioritise the expansion of heavy industry, this entailed importing vast quantities of raw materials thus running up large foreign debts. In true Marxist style, he was renewed his plans to emphasize heavy industry over consumer goods. Romania once again returned to the micromanagement of the economy, with Ceaușescu acting as the focal point of all decisions affecting production.

The economic development of Romania was also not in suitability with Soviet plans. Romania is the economic country based on agricultural typical. Romania was embarked on an industrial build-up based on its own resources and increased trade with Western Europe. Romania planed its economic disaster in five-year terms as all communist countries used to do, but it had its own strategy to achieve that goal. The ambitious plans of Nicolae Ceausescu to not have any

over half of Romania's foreign trade. In Dimitri G. Demekas and Mohsin S. Khan, *The Romanian Economic Reform Program*, Washington DC: International Monetary Fund, 1991, p. 3

⁶¹ Dimitri G. Demekas and Mohsin S. Khan, *The Romanian Economic Reform Program*, *ibid*, p. 3

⁶² David Turnock, *The Romanian Economy in the Twentieth Century*, *ibid*, p. 166-167

external debts, combined with the nationalization of industry, the collectivisation of agriculture and a bad management transformed Romania in a country with serious economic problems. Romania was not a typical best partner of Soviet and this opened its way to finding new partners in Western Europe.⁶³ Romania is the first country of Central and Eastern Europe to have official relations with the European Community. Even long before the communism era, Romania had contractual relations with the European Community: a Generalized System of Preferences Agreement in 1974 and an Agreement on Industrial Products in 1980.⁶⁴

During the first twelve years that Ceaușescu was in control, the Romanian economy has experienced as one of the most dynamic growth rates in the world. But by the mid 1970s, Romania was experiencing major balance of payments difficulties and encountered growing problems in servicing its external debt. These were exacerbated by a decline in output of crude petroleum following an earthquake in 1977, with its epicentre in the major crude petroleum-producing regions, which turned Romania into a net petroleum importer. The increase in world petroleum prices in 1979 and Romania's dependence on crude petroleum imported from the Organization of the Petroleum Exporting Countries (OPEC) resulted in unsustainable balance of payment deficits and external debt, which forced Romania to suspend interest payments and to reschedule debt in 1982.⁶⁵ With Romania's cancerous foreign debt crisis, relations with the West began to deteriorate rapidly. In another economic aspects, the quality of the country's industrial output is become weak and Romania was unable to export to West.⁶⁶

⁶³Liana Muller, *Romania's Way into the EU*. Ibid, p. 9 (accessed on October 01, 2011)

⁶⁴ Ibid, p. 9

⁶⁵<http://www.britannica.com/EBchecked/topic/100972/Nicolae-Ceausescu> (accessed on September 11, 2013)

⁶⁶ Ibid.

At the same time, the production of consumer goods for the domestic market was neglected, frustrating the demands of the population for an improved standard of living. Ceaușescu could not possibly blame himself for making these bad economic choices. Instead, he was accused the West of engaging in economic imperialism. To solve the economic crisis that he created, Ceaușescu will soon institute a string of insane, suicidal economic policies. He will drastically slash the number of imports from the more advanced Western capitalist countries, for example, while at the same time selling off Romanian goods⁶⁷ on Western markets at "dumping" prices.

Table I: Romania's industry and Agriculture: Number of Workers, Investment shares, and Sectoral Contributions to GDP (1980-1990)

	Number of Workers (in 1,000s)	Investment by Branch (Million lei at current prices)	Sectoral Contribution to GDP (billion lei at current prices)
1980			
Industry	3030,2	107058	308,3
	51,6%	50,9%	50,0%
Agriculture	472,7	27244	78,2
	8,1%	12,9%	12,7%
Other branches	2365,8	76149	230,4
	40,3%	36,2%	37,3%
1985			
Industry	3171,7	119121	376,1
	52,1%	48,3%	46,0%
Agriculture	526,6	43769	115,6
	8,7%	17,8%	14,2%
Other branches	2386,1	83412	325,7
	39,2%	33,9%	39,8%
1990			
Industry	3387,4	74513	347,6
	53,0%	44,3%	40,5%

⁶⁷ David Phinnemore, *The EU & Romania*, Ibid, p. 13.

Agriculture	542,1	29041	181,6
	8,5%	17,2%	21,2%
Other branches	2467,2	64856	328,7
	38,5%	38,5%	38,5%

Sources: Romanian Statistical Yearbook⁶⁸

By 1989 imports from the industrial West had been reduced to one-third (1/3) of their 1980 levels and in April 1989 Ceausescu announced that Romanian external debt had been eliminated.⁶⁹ In short story, the year 1989 was a momentous year for Romania as well as all the other communist countries. Under Ceaușescu, Romania had become increasingly isolated. The international press began writing a series of articles in opposition to Romania's violation of human rights. The people of Eastern Europe, including those living in Romania, lived under the totalitarian grip of Soviet-style communism. They were not allowed to criticize the government. There was one and only one political party, with no way for the people to vote for alternative candidates. There was no free press nor freedom of religion. They could not travel, except to other communist or communist-approved countries. In other words, Eastern Europeans lacked the most basic human rights that the rest of the world took for granted.

Following the worst economic situation in East Bloc history, the communist regimes were collapsed throughout Central and Eastern Europe in the autumn of 1989, only Romania under Ceausescu seemed prepared to resist. In 16 December 1989, the protest had spread to the large area, they protesting against the violence of communist regime.

⁶⁸ Romanian Statistical Yearbook, 1991:98-99, 508-509, 512-513 and National Commission for Statistic. Romanian Statistical Yearbook, 1994: 360-361. Shen, Raphael, *The restructuring of Romania's economy: a paradigm of flexibility and adaptability*, Westport CT: Praeger Publishers, 1997, p. 30.

⁶⁹ Ibid.

In December 1989, with the fall of Nicolae Ceaucescu, Romania was reached a turning point in its history.⁷⁰ The provisional Government that took over announced immediately a sharp and permanent break with the past, both political and economic. In 1990, the provisional Government launched a major reform program to restructure the economy, of which two features are particularly noteworthy. First, the program was wide-ranging, touching on all the important aspects of the economy.⁷¹ This is not to suggest that the Romanian reformers possessed a well-defined blueprint for reform; on the contrary, it is apparent that the reform process has been as much of a learning experience for the reformers as it has for the economic agents. Second, the program the made to develop almost entirely by the Romanian reformers themselves, who put together the overall strategy and the main elements of the program without the assistance of foreign advisers and multilateral institutions.⁷² Only after the basic groundwork had been laid did they solicit and obtain external support and advice. Romania going to reform the program in 1990 which also in the same way with Eastern European countries. The goals and policies were similar to those of other countries in the region, but with important differences in detail.

2.2. The Process of European Union During the Cold War

Far backward, most people think that Europe is a continent full of wars and the number of people who really know about Europe is limited. There is one thing that very unique when talking about Europe. The unique thing had happened at the time of the post-World War II. As time goes, Europe has divided into 3

⁷⁰ Romanian argued, the longest president in Romania history Nicolae Ceaucescu is the most dictator according his policies.

⁷¹ Dimitri, G. Demekas, and Mohsin S. Khan, *The Romanian Economic Reform Program*, Ibid p. 1

⁷² Ibid.

groups with the composition as 2 big groups and 1 small group. They are Western Europe, Eastern Europe and neutral states.

In post-World War II, Western Europe is easily defined: it consisted of the countries which were not occupied by the Soviet Army and which did not fall under communist control. These countries belonged to two distinct groups. One was made up of neutrals, who stayed outside the various military and economic associations of the era. And the rest group was made up of those who became members either of the North Atlantic Treaty Organization (NATO)⁷³ or of the European Economic Community (EEC)⁷⁴ or both.

The second biggest group in Europe is Eastern Europe. Eastern Europe in the post-war era had two distinct meanings. It could reasonable be taken to refer to any part of the Continent which lay on the Soviet side of the Iron Curtain. In this sense, it included the European countries which had been incorporated into the Soviet Union and others which had not. And the second meaning the countries were used as satellites of the Soviet Union.

The last is the third group or called Neutral States. In World War context, the eleven neutral states were existed in 1945; four countries which had avoided involvement in first or second World War also declined to be drawn into the post-war military blocs. But two countries such Switzerland and Sweden achieved neutral status in the early post-war years. And most neutral states did not make to join the European Economic Community. These 2 states were remained consistent in his stance as a neutral states since an ages ago.⁷⁵

⁷³ The countries were joined NATO such as: Belgium, Denmark, France, West Germany, Greece, Netherlands, etc.

⁷⁴ The countries were only joined EEC and were not join NATO such as: Finland, Sweden, etc.

⁷⁵ Norman Davies, *Europe*, *ibid*, p. 1087.

But in a short time, European countries is changed at all through high level of cooperation and they deserve to be an example for the countries in this earth. This placed Europe as the worst place in the century and also the place with a very rapid economic change in the century. The process of integration within the EU is taking place against a background of pressure for enlargement. This may create a European Union of at least 28 states by the early part of the 21st century. This EU integration has much of the political controversy and lack of clarity about what the future will be come about as a result of the EU having to response to the rapidly changing geopolitical environment and economic support.⁷⁶ Economic integration of all levels definitely requires an accompanying level of political integration.⁷⁷ The process of political integration is therefore inseparable from the process of economic integration. The European Union is a group of independent states that have agreed to a considerable pooling of their national sovereignty for the economic integration to succeed. The interests of the Member States of the European Union can cooperate in this way.

European Union is based on three European Communities, which were established by treaty: the European Coal and Steel Community (ECSC), the European Community (EC) and the European Atomic Energy Community (Euratom). The European Community (EC) or European Economic Community (EEC)⁷⁸ is the most prominent of these international legal persons owing to its general sphere of operation.⁷⁹ Prior to this Community integration process and in

⁷⁶ Ian Barnes and Pamela M. Barnes, *The Enlarged European Union*, (New York: Longman Group, 1995), p. 2.

⁷⁷ *Ibid.* p. 3.

⁷⁸ The European Economic Community (EEC) and European Atomic Energy Community (Euratom) were established by separate treaties signed in Rome on 25 March 1957 (effective from 1 January 1958).

⁷⁹ The capacity of the Community to enter into legal relations with third states of other international organisations has been undisputed. The Court already referred to 'its own personality, its own legal capacity and capacity of representation on the international world. The status enjoyed by the Community as a 'legal person' was already established by Article 281 Treaty establishing the European Community (TEC), which simply states that the Community shall have legal

parallel, European States have engaged in other forms of co-operation. Indeed, the Member States of the European Union have concluded agreements amongst themselves concerning co-operation in areas falling outside the Communities sphere of operation with which they do not associate the same legal consequences as they attach to Community action. In 1992, the link which existed in practice between the two integration paths was institutionalised by packaging them into the European Union, yet without altering the specific legal character of either path. As a result, the distinction remains between Community and non-Community action, whereby only acts of the institutions based on one of the Community Treaties constitute a source of “Community law”.⁸⁰

2.2.1. The Establishment of Economic Cooperation in Europe (1951-1993)

2.2.1.1 The European Coal and Steel Community (1951)

This thesis focuses about economic aspects on the establishment of European Union and not on aspects of strategy defense or another. There are many steps that the European Union did or as known as treaty that has legal power. According to Javier Solana on his speech that EU is not just an island, it is a huge part of global community in large aspects. For large parts of the world, the world Europe itself has become associated with philosophy of humanity,

personality. The same provision makes clear that a number of legal capacities are connected to this status: ‘In each of the Member States, the Community shall enjoy the most extensive legal capacity accorded to legal persons under their laws. Steven Blockmans and Adam Lazowski, *The European Union and Its Neighbours*, Netherlands: T.M.C Asser Press, 2006, p. 22-23.

⁸⁰ Koen Lenaerts, Piet Van Nuffel and Robert Bray, *Constitutional Law of the European Union*, London: Sweet and Maxwell Limited, 2006, p. 3.

solidarity and integration. Therefore the EU has to play a bigger role to work for the global common good.⁸¹ At the first The European integration process is to go peace project. The EU has come along way since its establishment at the European Coal and Steel Community (ECSC)⁸² on 18 April 1951 by fifth founding members; Germany, Italy, France, Belgium, Netherland, and Luxembourg.⁸³

This thesis could say this ECSC model was bring the succeed that the EU has encountered by preventing violent conflicts from reoccurring within its borders rapidly leads one to the idea that the EU can also contribute to the prevention of conflicts outside its territory.⁸⁴ In this time, the great hope for peace could be achieved through the furtherance of integration in specific sectors of the economy , such as agriculture or coal – with popular name they called ECSC⁸⁵ which more organized – with this sectors governed by supranational institutions. ECSC was chosen because it was the most important economic industries at the time and had been influential in the friction that resulted in two world wars. The objective of ECSC program was created economic expansion, growth of employment and a rising standard of living in the member states by means of

⁸¹ Javier Solana, ‘The Future of the European Union as an International Actor’, speech at Kongrad Adenauer Foundation, Brussels, 24 January 2005. In Ole Elgstrom and Michael Smith (eds.), *The European Union’s Roles in International Politics: Concepts and analysis* (Oxon, NY: Routledge, 2006), p. 11.

⁸² The ECSC was the forerunner of the European Economic Community.

⁸³ Peter N. Stearns (ed.), *Encyclopedia of European social history from 1350 to 2000* (New York: Charles Scribner’s Sons, 2001), p. XXXIV. Indeed, the ECSC was first proposed by French foreign minister it was Robert Schuman in 1950 to prevent further war between two big Countries France and Germany, and then this project was been followed by several countries so-called fifth founding members.

⁸⁴ Vincent Kronenberger and Jan Wouters (eds.), *The European Union and Conflict Prevention* (The Hague: T.M.C. Asser Press, 2004), p. XVII.

⁸⁵ The ECSC process of ratification was completed by the end of June1952.

creating a common market in coal and steel that would be managed by joint institutions on the basis of agreed policies.⁸⁶

The ECSC was a group of states that had agreed to a pooling of sovereignty over a relatively limited area of economic activity. Supranational institutions were established to ensure that the ECSC functioned. The ECSC was based on a functional approach to the process of European integration which set specific aims and transferred genuine legislative power to the Community in designated fields in order to achieve them.⁸⁷ The ECSC Treaty established a common market in coal and steel by abolishing and prohibiting within the Community all import and export duties and charges having equivalent effect and all quantitative restriction on the movement of products.

The ECSC institutions had given the task of ensuring an orderly supply to the market, equal access to sources of production, the lowest possible prices, the encouragement of more efficient and modernised production and resource utilisation, improved working conditions and the growth of the international trade.⁸⁸ The main purpose of the ECSC was to anchor the state of Germany so firmly into an organisation with the state of France that the benefits from continuing with the integrative process would outweigh any other motivation. Although methods of decision-making would be determined by member states outside the specific sector of the economy. Nonetheless the ECSC members were considered that the success of integration in one sector would create ‘spillover’ pressures that would result in a demand for more integration in other areas.⁸⁹ Jean

⁸⁶ Alasdair Blair, *The European Union Since 1945*, Great Britain: Pearson Education Limited, 2010, p. 23

⁸⁷ Ibid.

⁸⁸ Alasdair Blair, *The European Union Since 1945*, ibid.

⁸⁹ E.B Hass, *The uniting of Europe: Political, Social, and Economic Forces 1950-57*, 2nd edition, (Stevens, 1968), p. 283. In Alasdair Blair, *The European Union since 1945* (Great Britain: Pearson, 2010), p. 22.

Monnet's assumption was that in an effort to capitalise on the benefits of integration, member states would agree to other policy areas being incorporated into the European benefit.⁹⁰ Jean Monnet was succeeded to established the ECSC formed the basis of the institutional framework of the European Union and this phase leading to create European Economic Community (EEC) which established in 1957 through Treaties of Rome.

The European union has been built through some series of treaties that represent proving commitments by the Member States. This process began with three separate treaties from 1951-1957; the ECSC is the first established in 1951, an another Communities were formed in 1958 by the Treaties sign in Rome; the European Economic Community and EURATOM. The purpose of EURATOM was to enable peaceful use to be made of nuclear power. The 1957 Treaty of Rome integrated the industries of six European countries: Belgium, France, Germany, Italy, Luxembourg and the Netherlands to form the EEC. The EEC aimed to unite its Member States economies under a single market. The fact that the signatories of the Treaty of Rome were independent nation states, the Treaty had provided for the major decisions being made by the Member States to be subject to one decision.⁹¹

2.2.1.2 The European Economic Community (1957)

The Success of the ECSC initially led to plans to bring political matters, such as defence and foreign policy, also under the umbrella of a supranational organisation but, following the failure of the European Defence Community, the advocates of European integration switched to a more realistic economic and

⁹⁰ Jean Monnet, memoirs (translated by R. Mayne), (New York: Doubleday and Company, 1978) In Alasdair Blair, *The European Union since 1945* (Great Britain: Pearson, 2010), p. 22.

⁹¹ Ian Barnes and Pamela M. Barnes, *The Enlarged European Union*, *ibid.* p. 8.

social approach.⁹² Starting from a plan which had been put forward by the Dutch Foreign Minister Johan Willem Beyen, the Benelux countries proposed establishing a common market and co-ordinating policy decisions relating to a market support. By the Resolution of Messina on 2 June 1955, the Member States subscribed to these proposals and charged an intergovernmental committee, chaired by the Belgian Foreign Minister Paul-Henri Spaak, with working out the still embryonic ideas. The Spaak Report amounted to an all embracing programme for the establishment of a common market, which was too detailed to be put in a treaty.⁹³ The resultant broad substantive approach made it necessary to rethink the regulatory process capable of reacting to economic and social developments.

The European Economic Community was established in Rome on March 25, 1957 and entered into force in 1 January 1958, took over the substantive aims and institutional structure proposed in the Spaak Report. The EEC Treaty is set for the objectives contemplated by the Contracting Parties. The European Economic Community (EEC), the most prominent example of a free trade area, actually is what economists call a customs union. Whereas member nations in a free trade area remove all barriers to trade among themselves, in a customs union they also adopt uniform tariffs on goods and services from outside the union.⁹⁴ The EEC is currently attempting to transform itself from a customs union to a true common market in which capital and labor, and not just goods, are allowed to flow freely from one country to another.

⁹² http://europa.eu/legislation_summaries/institutional_affairs/treaties/treaties_eec_en.htm (accessed October 12, 2013)

⁹³ Koen Lenaerts, Piet Van Nuffel and Robert Bray, *Constitutional Law of the European Union*, *ibid.*, p. 6

⁹⁴ <http://www.econlib.org/library/Enc1/EuropeanEconomicCommunity.html> (accessed October 25, 2013)

In the preamble,⁹⁵ the signatories are consist of:

1. Determined to lay the foundations of an ever closer union among the peoples of Europe, resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe, affirming as the essential objective of their efforts the constant improvements of the living and working conditions of their peoples,
2. Recognising that the removal of existing obstacles calls for concerted action in order to guarantee steady expansion, balanced trade and fair competition;
3. Anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less-favoured regions;
4. Desiring to contribute, by means of a common commercial policy, to the progressive abolition of restrictions on international trade;
5. Intending to confirm the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations;
6. Resolved by thus pooling their resources to preserve and strengthen peace and liberty, and calling upon the other peoples of Europe who share their ideal to join in their efforts.⁹⁶

In Article 2 of the EEC Treaty announces ambitious aims to be achieved through the establishment of a common market and the progressive approximation of the Member States economic policies. Article 3 of the EEC Treaty looks forward to the achievement of four economic freedoms.⁹⁷ Free movement of goods, persons, services, and capital form the pillars on which the common market is based. In order to prevent undertakings and Member States from frustrating the common market, free competition was to be secured. The EEC's most important achievement has been its customs union. It was completed in 1968,

⁹⁵ The EEC Treaty consists of 240 articles in six separate parts, preceded by a preamble

⁹⁶ http://europa.eu/legislation_summaries/institutional_affairs/treaties/treaties_eec_en.htm (accessed on October 25, 2013)

⁹⁷ http://europa.eu/legislation_summaries/institutional_affairs/treaties/treaties_eec_en.htm (accessed on October 25, 2013)

when each of the six members abolished tariffs and quotas on goods from the other five member countries and adopted a common external tariff on goods from the rest of the world.⁹⁸ The evolution from a free trade area to a customs union followed inevitably: had the participants maintained different external tariffs, exports from, say, Japan could have been imported through the low-tariff countries and transshipped to the others, circumventing the high tariffs. The customs union has propelled the growth of intra-Community trade from less than 40 percent to over 60 percent of the total trade of the participating countries.⁹⁹

2.2.1.3 The European Atomic Energy Community (1958)

At the same time as the EEC Treaty, the Treaty establishing a European Atomic Energy Community (EAEC) was signed. It also entered into force on January 1, 1958. It shall be the task of the Community to contribute to the raising of the standard of living in the Member States and to the development of relations with the other countries by creating the conditions necessary for the speedy establishment and growth of nuclear industries.¹⁰⁰ The EAEC Treaty provided for common policies on research, safety standards, investment and installations, supplies of ores and fuels, application of the nuclear industry, right of ownership in fissile materials and international relations in the field of nuclear energy, and introduced a common market. The EAEC Treaty created the EAEC Supply Agency, which has been operational since 1 June 1960.

⁹⁸ Ibid.

⁹⁹ Ibid.

¹⁰⁰ Treaty Establishing The European Atomic Energy (EURATOM)
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:11957A/TXT:EN:PDF> (accessed on September 27, 2013)

The EAEC Treaty does not embody the detailed market rules of the ECSC Treaty, but does share the Treaty's sectoral approach. As long ago as when the EEC Treaty and the EAEC Treaty came into being, the Member States concluded the Convention on certain institutions Common to the European Communities. That convention provided that there should be one Parliament and one Court of Justice serving the three Communities in accordance with the powers conferred on those institutions by the different Treaties. At the same time it was provided that one Economic and social Committee was to perform such tasks as the EEC Treaty establishing a Single Council and a Single Commission of the European Communities, known as Merger Treaty, which was concluded on April 8, 1965 and entered into effect on July 1, 1967, was a further step in that direction. The Council and the Commission continued to play the roles specifically ascribed to them by the various treaties. In addition, the Merger treaty unified the Staff Regulations and laid down the principle that there should be a single budget of the European Communities. According to its preamble, the Merger Treaty was intended to effect the unification of the three Communities, but did not itself lead to that outcome.¹⁰¹

The differences between the Community Treaties in terms of the powers of the institutions and their substantive provisions are not reflected at the organisational level, since the institutions which each Treaty brought into being in parallel have been merged. Accordingly, the same institutions exercise different powers under each of the Treaties. This may be termed the organisational unity and functional diversity of the Communities.

By the EU Treaty, the Contracting Parties established a European Union, founded on the European Communities and supplemented by the policies and

¹⁰¹ Linthorst Homan, *The Merger of the European Communities*, C.M.L.R., 1965, p. 397-419 in Koen Lenaerts, Piet Van Nuffel and Robert Bray, *Constitutional Law of the European Union*, *ibid.* p. 10-11.

forms of co-operation established by the new Treaty. The EU Treaty establishes a legal link between the Communities and the supplementary policies and forms of co-operation: there is to be one procedure for acceding to the Union, supplanting the various accession procedures provided for in the ECSC, EEC and EAEC Treaties and one procedure for amending the various Treaties on which the Union is founded. Yet the EU Treaty has not conferred legal personality on the Union as a whole. It was initially suggested that the whole entity should be called a Union with a federal mission, but some Member States were strongly opposed to this.¹⁰² In the end, the Intergovernmental Conference characterised the Treaty as a new stage in the process of creating an even closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen. According to Contracting Parties did not regard the European Union as completing the integration process, but as a new step forwards union among the peoples of Europe. In this way, the EU Treaty makes it clear that the Union is more than an organisation of States; it is of direct concern to the various regions and to the citizen.¹⁰³

The Union is founded on principles common to the Member States, namely liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, as amended by the Amsterdam Treaty. It is to respect fundamental rights, as guaranteed by the European Convention for the Protection of Human Rights and Fundamental Freedoms signed in Rome in 4 November 1950¹⁰⁴ and as they result from the constitutional traditions common to the Member States, as general principles of Community law. The Union recognises nationals of the Member States as citizens of the Union.

¹⁰² Ibid.

¹⁰³ Koen Lenaerts, Piet Van Nuffel and Robert Bray, *Constitutional Law of the European Union*, *ibid.*, p 10-11

¹⁰⁴ *Ibid.*, p. 50-51

In that treaties could cause the EU as one of the most enlargements in all centuries. The expansion in membership are keep raising from 15 to 25 member states through the accession of eight countries from Central and Eastern Europe and two from the Mediterranean transformed the geographic size, economic importance and political reach of the EU. This enlargement process brought the world to some of the most contentious debates in the history of European integration about what the EU stands for and how far they could. The Treaty had emerged with over 50 years of reform and adjustment to the EU; it attempted to set out a clear sense of what the EU could do as well as what powers should remain with the member states.

2.3 Romania – European Union Relations (1974-1995)

After the Second World War, Romania belonged to the Eastern Block. It was determined by the geographical position of Romania and the strong interest of the Soviet Union to have Romania to be part of communist. The western powers sacrificed Romania in the division of spheres of influence also considering its geographical position. The elections were falsified and Romania was determined to give up democracy and embark in the disastrous communist system. Democracy failed in Romania, but anti-Russian attitude remained even among the politicians. From 1964 under Nicolae Ceausescu, Romania pursued a dogmatic course in domestic policy and Romania's foreign policy was the most independent of all the members of the Warsaw Pact.¹⁰⁵

¹⁰⁵ A. Mayhew, *The European Union's Policy toward Central and Eastern Europe*, Cambridge: Cambridge University Press, 1998, p. 6.

Romania was not a typical Soviet Satellite and this opened its way to finding new partners in Western Europe. Romania is the first country of Central and Eastern Europe to have official relations with the European Community. Even before the fall of Iron Curtain, Romania had contractual relations with the European Community: a Generalized System of the Preferences Agreement in 1947 and an Agreement on Industrial Products in 1980.¹⁰⁶

Relations between the European Union and Romania mirror other political and legal developments in the region in lots of ways. In legal terms, they follow exactly the same pattern used in the relations with the other Central and Eastern European countries.¹⁰⁷ The differences and specificity of the relations with Romania can be easily identified when economic and political factors are taken on board. With its weak economy, outdated infrastructure and reduced investment capacity, Romania remained at the one of the membership candidates list. Romania's relations with the European Communities were almost non-existent in the period preceding the fall of the Iron Curtain. They received a new dimension after the political changes of December 1989, when the democratisation of the country started and the economic reforms were launched. In legal terms, the first important step was the trade agreement that entered into force on 1 May 1991.¹⁰⁸ And the trade part became operational on 1 May 1993 on the basis of an interim agreement.¹⁰⁹ The Europe Agreement has not only provided a vital legal framework for cooperation between the parties, but has also influenced the shape

¹⁰⁶ A. Mayhew, *The European Union's Policy toward Central and Eastern Europe*, Cambridge: Cambridge University Press, 1998, p. 6.

¹⁰⁷ Ibid.

¹⁰⁸ This Europe Agreement is between the European Economic Community and the European Atomic Energy Community, and Romania was of the other part on Trade and Commercial and economic Cooperation.

¹⁰⁹ Interim Agreement on Trade and Trade-Related Matters between the European Economic Community and the European Coal and Steel Community, and Romania was of the other part. In Steven Blockmans and Adam Lazowski, *The European Union and Its Neighbours*, Netherlands: T.M.C Asser Press, 2006, p. 249.

of economic and political reforms in Romania during the past fifteen years. Moreover, it has gradually become one of the pre-accession vehicles.¹¹⁰

The external activity of the EU is to large extent motivate by the need to address a multiplicity of security concerns that stem from the bloc's eastward expansion. These concerns arise from the fact that the countries of Eastern Europe lie in close proximity to some of the world's most unstable regions and serve as a potential gateway for asylum seeker to EU. They also play a pivotal role in the East-West hydrocarbons trade owing to their location on the pipeline route between consumers in Western Europe and the oil and gas producing regions of the former USSR. The Eastern European states are also important for securing peace and stability around the EU on account not only of their proximity to an area where poor governance and armed conflict abound, but also because of the uncertainty of their democratic transformation which carries with it the risk of political instability and civil strife.¹¹¹ These and other related factors combine to turn the states of Eastern Europe into and object of intense interest for, and a target of systemic intervention by, the EU and its member states anxious to control the security situation on their eastern periphery.

In 1990s, the relation between East-West Europe were rather limited in character, reflecting the political realities on both sides of the European continent. The challenges of political and economic integration in the West and the difficult process of nation building in the East precluded the EU from actively engaging with the former Soviet states.¹¹² However, East-West Europe relations have been shaped by a range of factors and concerns at both the upper and lower ends of the

¹¹⁰ M. Cremona, edition, *The Enlargement of the European Union*, Oxford: Oxford University Press, 2003, p. 9.

¹¹¹ Jens-Uwe Wunderlich and David J. Bailey, *The European Union and Global Governance*, United Kingdom: Routledge, 2011, p. 285

¹¹² I. Macleod, I.D. Hendry, and Stephen Hyett, *The External Relations of the European Communities*, New York: Oxford University Press, 1996, p. 211-215.

security spectrum. Considerations include soft security threats such as illegal immigration. They also comprise various political and economic objectives regarding access to strategic commodities like petroleum and natural gas, and the desire to promote political pluralism as a way of tackling instability and bad governance in nearby regions. EU activity in Eastern Europe is explicitly motivated by the need to counter these and other perceived threats.¹¹³

In this part, this thesis would to describe the relations between Uropean Union and Romania during the Cold War. After the Second World War, Romania belonged to the Eastern Block. It was caused the geographical position of Romania and the strong interest of the Soviet Union to pull Romania in the Communist block. The western powers sacrificed Romania in the division of spheres of influence also considering its geographical position. The elections were falsified and Romania was determined to give up democracy and embark in the disastrous communist system. Democracy has failed in Romania, but an anti-Russian attitude remained even among the politicians. And from 1964 Romania was under Nicolae Ceausescu as the iron curtain leader, Romania pursued a dogmatic course in domestic policy. Romania's foreign policy was the most independent of all the members of Warsaw Pact.

Romania had good political relations with Western Europe. It was often described as “the france of the East Bloc”. An important moment in the political development of Romania and the strengthening of its relations with the West was its refusal to take part in the invasion of Czechoslovakia and its opposition to the idea of the Soviet power to take similar actions in the other countries.¹¹⁴ The result was that Romania gained international credibility and its Nicolae Ceausescu

¹¹³ I. Macleod, I.D. Hendry, and Stephen Hyett, *The External Relations of the European Communities*, New York: Oxford University Press, 1996, p. 211-215

¹¹⁴Liana Muller, *Romania's Way into the EU*. <http://www.iet.ntnu.no/~ralf/muller/pubs/romEU.pdf>. p. 9 (accessed on October 10, 2011)

became a special guset of western European political leaders. The democratic West has different perspective from the disastrous conditions of the Romanian population and from the dictatorial internal politics of Ceausescu and saw in Romania a strong opponent of the Soviet politics in a Cold War ready to get warm.¹¹⁵

The economic development of Romania was also not in suitability with Soviet plans. Romania is the economic country based on agricultural typical. Romania was embarked on an industrial build-up based on its own resources and increased trade with Western Europe. Romania planed its economic disaster in five-year terms as all communist countries used to do, but it had its own strategy to achieve that goal. The ambitious plans of Nicolae Ceausescu to not have any external debts, combined with the nationalization of industry, the collectivisation of agriculture and a bad managment transformed Romania in a country with serious economic problems. Romania was not a typical best partner of Soviet and this opened its way to finding new partners in Western Europe. Romania is the first country of Central and Eastern Europe to have official relations with the European Community. Even long before the communism era, Romania had contractual relations with the European Community: a Generalized System of Preferences Agreement in 1974 and an Agreement on Industrial Products in 1980.¹¹⁶

Romania interests and aspirations relative to EU membership cannot be dissociated from the political developments in Europe following the Second World War, the fall of the Iron curtain and the end of communism in 1989, as well as Romania's place in the history of the European continent. Although the prospect of EU accession was offered several years later, 1989 can be considered

¹¹⁵ Liana Muller, *Romania's Way into the EU*. <http://www.iet.ntnu.no/~ralf/muller/pubs/romEU.pdf>. p. 9 (accessed on October 10, 2011)Ibid.

¹¹⁶Ibid.

as the starting point on the road leading to an EU member.¹¹⁷ The fall of communist regimes resulted to join European and international organisations. Romania adopted this approach as a means of facilitating reintegration into the world economic and political community, as well as a way of breaking with the past and of distancing itself from Soviet influence.¹¹⁸ After 1990, Romania is implementing the democratic (Western) values and joining the Western economic, political and security institutions which had contributed decisively to the promotion and strengthening of these values.

Romania's diplomatic relations with the European Union date from 1990. Following Romania's return to democracy, a trade and Cooperation Agreement was signed in 1991. The European Union-Romania relations culminated with the signing of the Europe Association Agreement on 1 february 1993, which entered into force two years later for an unlimited period.

The European Council meeting in Copenhagen in June 1993 laid down for the first time the political, economic and *acquis* criteria for membership, that have guided the accession process and the Commission's regular assessments of the readiness of Romania. The political criteria require Romania to ensure the stability of institutions guaranteeing democracy, the rule of law, human rights and the respect for and protection of minorities; these requirements are enshrined as constitutional principles in the Treaty on European Union and have been emphasised in the Charter of Fundamental Rights of the European Union.¹¹⁹ The economic criteria require the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. The *acquis* criterion refers to the ability to take on the obligations of

¹¹⁷ Phinnemore, *ibid*, p. 95

¹¹⁸ *Ibid*.

¹¹⁹ Commission opinion of 22 February 2005 on the applications for accession to the European Union by the Republic of Bulgaria and Romania, in <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:157:0003:0004:EN:PDF> (accessed on October 03, 2013)

membership arising from the Union's legislation, the *acquis communautaire*, including adherence to the aims of political, economic and monetary union.¹²⁰

The agreement prepared for the creation of a free trade area and was a forerunner of possible accession. Romania submits its application for European Union membership on 22 June 1995. EU accession was thus seen as part of an historic process in which the Central and Eastern European countries would overcome a division of the continent which had lasted for more than 40 years and join the area of peace, stability and prosperity created during this period.

The formal application of the Europe Agreement set the stage for:

1. Romania's participation in the structured political dialogue between the European Union and the associated countries,
2. The improved access of Romanian products to the community market; since 1996, by applying the asymmetry principle provided for in the Association Agreement, the European Union unilaterally promoted the liberalization of commercial exchanges with Romania,
3. The involvement of Romania in projects concerning the expansion and development of trans-European infrastructure networks (transportation, communications, energy),
4. Romania's participation in various Community programmes (research, industrial cooperation, energy, environmental protection, etc.),
5. Support for personnel training.¹²¹

Although the decisions taken by the Copenhagen European Council in 1993 clearly opened the way to EU enlargement towards the 'associated countries of central and eastern Europe, it was not clear at that time what the precise geographical scope of this enlargement would be. It is worth remembering that historical and geographical reasons were often used in promoting and arguing in favour of EU membership.

¹²⁰ Liana Muller, *Romania's Way into the EU*. <http://www.iet.ntnu.no/~ralf/muller/pubs/romEU.pdf>. p. 9 (accessed on October 10, 2011)Ibid.

¹²¹Ibid.

CHAPTER III ROMANIA REFORM TO JOIN THE EUROPEAN UNION

3.1 Big Reform in Romania

The Romania in 1989 can be considered as the starting point on the road leading to an EU member. The fall of communist regimes were resulted all across Central and Eastern Europe to join European organizations. A huge destruction in the economy has been effected on the political situation, where the communist economic system has destroyed the core point in economic power. In this case communist ideology has failed, as well as the Romanian Communist Party has ended. Communist party has lost the trust and voter to lead. Under communism there had been only one-party monopoly. The decree re-established the legality of a multiparty system of government. After the collapse of the communist party as a political party, then emerged 2 major parties who rules politics in Romania.¹²² At this time, the Romanian would like to realize and eliminate the communist party, but it was not easy to embodiment and the communist party is still exist. The emergence of a new phase has begun in 1990, the Party of Romania Social Democracy (known as National Salvation Front – FSN)¹²³ and Social Democratic Party (SDP) took the politic control to the new of Romania with one ideology. But there is only one political party that has the most impact on Romania and that party is NSF. The immediate priority of the FSN is took power following the December 1989 revolution.

¹²² http://romerica.com/rom/hist_mod_ad1990_yr.htm (accessed on October 18, 2013)

¹²³ Party of Romania Social Democracy (PRSD) = National Salvation Front (FSN). Because the FNS before is the big organization and register itself as a full-fledged political party.

3.1.1 Economic and Politic in the Transition (1990-1996)

After National Salvation Front (FSN) came to power, the FSN was a broad coalition of reform communists, technocrats, military officers, dissidents and intellectuals. The priority of the Government of the FSN, which took power following the December 1989 revolution, was to win popular support by improving consumption, suppressed during the policy of debt-repayment. After the destruction of the political situation, the conditions demanded for the establishment of the new government and concern about changes. In this term, comes the new leader to fill the empty government. The FSN has two key figures that the most influential, they are Ion Iliescu and Petre Roman. Ion Iliescu is the former member of the Romanian Communist Party. Ion Iliescu is the one of some great politicians in Romania. In May of 1990, Romania was held its first post-revolutionary parliamentary and presidential elections. By this time, the FSN had transformed itself into a political party and a dominant political force.¹²⁴ Prior to these elections the FSN had issued a decree law that permitted political parties to form and soon after this, a number of parties on the right and the left came into being exist. On 23 January, the FSN changed its mind about the FSN being stop as organization and registered itself as a full fledged political party and decided to put Ion Iliescu forward as a candidate in the elections. The FSN easily won the presidency and a parliamentary majority in the May 1990 elections. On 20 May 1990, Ion Iliescu was elected President with 85.2% of the vote¹²⁵ and Petre Roman was appointed Prime Minister.¹²⁶

¹²⁴ Wojciech Kostecki, *Transformation of Post-Communist States*, USA: ST. Martin's Press, inc, 2000, p. 185-186

¹²⁵ but the Iliescu's victory was not accepted easily by minority groups by saying "We don't want neo-communism". http://romerica.com/rom/hist_mod_ad1990_yr.htm (accessed on September 13, 2013)

¹²⁶ Thomas J. Keil and Jacqueline M. Keil, *Reconstructing a Legal Basis for Capitalist Labor Relations in Post-Revolutionary Romania*, www.ebcghost.com (accessed on October 12, 2013)

This thesis is mention a bit about the constitution and the local government, this thesis found a lot of changes that occurred in post-communist regime. The interesting thing is that a lot of changed that occur in the structure of government in short period time. Romania's President is elected by universal, free, direct and secret vote, the President serving a maximum for four years. In here, the constitution system is changing to compare of communist regime. The system of local government was reformed under the terms, the basic principle of local government is local autonomy and the decentralization of public services.¹²⁷ The lowest tier of local government is the local council of a city or commune; mayors and council members are elected by constituents in each relevant area, to serve for a period of four years

This thesis is back to Romania reform and progress after Iliescu has been elected. President Iliescu gained popularity by relaxing the savage austerity of the Ceausescu era. Collectivized villagers, elderly citizens and workers in heavy industry, all the reason to feel insecure about the future, found noisy electoral competition unsettling and were more comfortable with socialist paternalism.¹²⁸ The slow pace of the transition to a market economy can only be attributed in part to the adverse economic circumstances facing the country.¹²⁹ The government pursued a gradual transition to a market economy, which involved a slow pace of privatization, state-owned industries,¹³⁰ limited reforms to the agrarian sector and highly limited reforms to the financial sector. The reasons why Romania reform

¹²⁷ Tom Gallagher (ed.). *Central and South-Eastern Europe 2004*, 4th edn. London: Routledge, 2007, p. 503

¹²⁸ J. Keil and Jacqueline M. Keil, *Reconstructing a Legal Basis for Capitalist Labor Relations in Post-Revolutionary Romania*, *ibid*, p. 487.

¹²⁹ <http://romania-on-line.net/whoswho/IliescuIon.htm> (accessed on October 01, 2013)

¹³⁰ The industries are including coal-mining, power-generation, metallurgy, and engineering, railways and air transport.

was slower and less effective than in the rest of the Central and Eastern European Countries are to be found, in the economic and political conditions inherited from fifty years of hard-line Communist dictatorship and on the other hand is in political culture developed after 1990.

In the late 1990 the Prime Minister, Petre Roman introduced a programme of structural reforms, intended to bring about the transition to a market economy within a 2 years period. The programme included the gradual liberalization of prices and the removal of subsidies to basic consumer goods, including food products.¹³¹ A stabilization programme, involving strict fiscal and monetary policies, was drawn up with the approval of the IMF. Romania witnessed its first transitional recession and three digit inflation rates during 1990-1992. When the plan goes wrong, the economic situation is began to deteriorated in 1992. State of the economy has been devastated damaging economic development transition. In August, 1992 miners' unions and other labor organizations began a series of public demonstrations against the government. They were protesting rising prices and increasing unemployment. In November, 1992 physicians and nurses struck. The health care workers wanted a fifteen per cent wage increase and, in a clearly articulated political demand, they also demanded increased government investment in the rapidly deteriorating health care system. At the time, experienced physicians were earning (\$81.00) per month, while the state sector average wage was (\$54.00).¹³² They returned to work when the government gave them a fifty per cent wage increase. The strikes taking place between 1990 and the end of 1992 served as the backdrop for national elections under the newly

¹³¹ http://romerica.com/rom/hist_mod_ad1990_yr.htm (accessed on October 02, 2013)

¹³² J. Keil and Jacqueline M. Keil, *Reconstructing a Legal Basis for Capitalist Labor Relations in Post-Revolutionary Romania*, *ibid*, p 487.

adopted Romanian constitution. By the time of the 1992 elections, the FSN had split into two factions that eventually became two parties, one led by Ion Iliescu and the other by Petre Roman. In the first elections held under the new constitution in the fall of 1992, the Iliescu faction easily won the presidency and it took a plurality of the seats in the national assembly, allowing it to form a minority government. Political decision makers found it difficult to combine the requirements for setting up a functioning market economy and establishing the rule of law and democracy with the immense social and political forces that continued to promote the conservation of the economic and institutional structures of a centrally planned economy.¹³³

In 1993 the demonstration had happened and call for the government to resign continued unabated, it became evident that the law was not enough to restrain trade unions. The government turned to a form of corporatism that appeared to be working in other Eastern and Central European countries, where trade unions were far more restrained than they had been in Romania. On April 7, 1993 a meeting was held in Bucharest during which representatives of the Government, trade unions, and employer's organizations agreed to work to establish what they called an Economic and Social Council that would exist at the national level. They also created what they called a Tripartite Secretariat, which was given legal standing as a non-government, non-profit organization, in July 1993.¹³⁴ The overall purpose of the organization was to create structures and social processes that allow labor, management, and the Government to engage in

¹³³ J. Keil and Jacqueline M. Keil, *Reconstructing a Legal Basis for Capitalist Labor Relations in Post-Revolutionary Romania*, *ibid.*

¹³⁴ *Ibid.*

creative dialogue at the national, regional, and enterprise levels. The hope was that such dialogue would lessen social conflict and harness all three groups to a common purpose of moving Romania through its transition.

Following the political changes in Central and Eastern Europe, the European Community's main aim with the Europe Agreements was the reassessment of its political relations with these countries and the gradual liberalisation of trade. Although the European Agreement was not adjusted to provide a preparatory legal framework for EU membership, it does mention gradual integration into the Community. In Article 1 European Agreement Romania, which contains a list of aims of the association, reads as follows:

The objectives of this association are:

- a. To provide an appropriate framework for the political dialogue between the Parties allowing the development of close political relations,
- b. To promote the expansion of trade and the harmonious economic relations between the Parties and so to foster the economic development in Romania,
- c. To provide a basis for economic, social, financial and cultural cooperation,
- d. To support Romania's efforts to develop its economy and to complete the conversion into a market economy, and consolidate its democracy,
- e. To set up institutions suitable to make the association effective,
- f. To provide a framework for Romania's gradual integration into the Community. To this end, Romania shall work towards fulfilling the necessary conditions.¹³⁵

The Iliescu President promised to put a concern about democracy and political pluralism; the establishment of the state of law; the building up of the civil society; the observance of the dignity and respect for human and minority

¹³⁵ Steven Blockmans and Adam Lazowski, *The European Union and Its Neighbours*, *ibid.*, p. 252-253

rights,¹³⁶ the economic reform and the transition to market economy, and wide opening to the world. But the bad news in the first transition in Romania, the government drew critics from the West, especially from World Bank and IMF have claimed that Romanian privatization has proceeded far too slowly, that a good part of privatization on effort was misdirected in that it turned over ownership of too many state enterprises to workers and former state managers, and that privatization has been marked by corruption,¹³⁷ allowing those with political connection to stole the state property

The strikes taking place between 1990 and the end of 1992 served as the backdrop for national elections under the newly adopted Romanian constitution. By the time of the 1992 elections, the FSN had split into two factions that eventually became two parties, one led by Ion Iliescu and the other by Petre Roman. In the first elections held under the new constitution in the fall of 1992, the Iliescu faction easily won the presidency and it took a plurality of the seats in the national assembly, allowing it to form a minority government.

Following elections in September 1992 a minority Government was formed, headed by the pro-Iliescu wing of the FNS, which ruled with the support of socialist and nationalist parties that were broadly opposed to a rapid transition to a market economy. Nicolae Văcăroiu became prime minister and formed a new government as a coalition.¹³⁸ The Government's commitment to structural reform and inflationary macroeconomic policies.

¹³⁶ Human rights are including the freedom of speech, freedom to associate and manifest oneself.

¹³⁷ Thomas J. Keil and Jacqueline M. Keil, *Reconstructing a Legal Basis for Capitalist Labor Relations in Post-Revolutionary Romania*, www.ebcohost.com (accessed on October 12, 2013)

¹³⁸ http://romerica.com/rom/hist_mod_ad1992_yr.htm (accessed on October 20, 2013)

Table II: Basic Parameters of Romanian Economic Performance (1990-2000)

	1990-92	1993-96	1997-2000
GDP growth	-25.1%	17.6%	-12.5%
Industrial output growth	-54.0%	24.0%	-23.0%
Net average real wage growth	-22.6%	8.3%	-15.4%
Current account balance	-\$5,772m	-\$6,045m	-\$7,679m
Foreign direct investment	\$92m	\$1,118m	\$5,422m
Poverty (population)	No data	20.1%	35.9%
External Debt	\$3.2m	\$8.3m	\$10.6m
Annual Inflation end-year	199.2%	56.9%	40.7%
Income per capita	\$3,542	\$4,591	\$5,660
Registered unemployment	8.2	6.6	10.5

Source: Bucharest: Comisia Anti-Saraciei si Promovare a Incluziunii Sociale, 2005 (www.caspis.ro)¹³⁹

A brief attempt was made to bring about macroeconomic stabilization in 1993-1994. The National Bank of Romania (NBR), under the governance of Mugur Isarescu. He introduced a strategy that included more restrictive monetary and fiscal policies and the maintenance of a stable nominal exchange rate after a sharp devaluation. And this strategy proved to lead success and managed to encourage the growth of Romanian economy. In 1993-1994, Romania economic growth 2,4% and accelerated increase 3,2 % in 1995. And for inflation was reduced from 256% in 1993 to 28 % in 1995.¹⁴⁰

The failure to implement any serious structural reforms and to attract any significant foreign direct investment between 1990-1994 meant that largely resulted in an increase in imports and the resurgence of inflationary pressures.¹⁴¹ The government attempted to surpress these by imposing price controls over state-owned industry and imposing constraints over the domestic foreign exchange market. A positive dynamic of overall output and diminishing inflation occurred

¹³⁹ The source is in David Phinnemore, *The EU & Romania*, ibid, p. 32

¹⁴⁰ Tom Gallagher, (ed.). *Central and South-Eastern Europe 2004*, ibid., p. 493

¹⁴¹ Ibid.

during 1993-1996, while the private sector was steadily and get a place in the economy. The economy must be privatized to make no one will invest their savings on a large scale in countries where state ownership dominates. The state owned banks were the main tools for providing subsidies to loss-making companies. Because of insufficient restructuring, strains kept accumulating in the economy during this period and these strains showed up in the rapid increase of foreign debt and in difficulties in financing external deficits.¹⁴²

3.1.2 Economic Policy and Reforms (1996-2000)

Over the past year or so, the left-wing National Salvation Front party (FSN), the ruling political coalition led by Iliescu, had been slowly disintegrating. Against a political backdrop of years long stagnation, economic recession, social depression, and rampant corruption, Iliescu's FSN found itself increasingly isolated, no longer holding a parliamentary majority.¹⁴³ In 1996, another coalition of political parties emerged in Romania. The Democratic Convention of Romania (DCR), led by Emil Constantinescu consisted of a coalition of 15 smaller parties. The elections of November 1996 resulted in the return of a centre-right,¹⁴⁴ DCR party has dominated.

The FSN has lost the election in 1996 because the support of segments of the electorate based on his populist economic agenda and the past "failures" of the FSN to meet these voters needs.¹⁴⁵ The FSN had lost the support of a large number of workers, especially workers in unions. In part, the FSN had lost worker support to the CDR in 1996 because the FSN had not been able to meet its

¹⁴² Tom Gallagher, (ed.). *Central and South-Eastern Europe 2004*, *ibid.*, p. 492-493

¹⁴³ http://romerica.com/rom/hist_mod_ad1996_yr.htm (accessed on October 03, 2013)

¹⁴⁴ *Ibid.*

¹⁴⁵ *Ibid.*

commitments to preserve the old socialist system of production, at least until such a time that a transition could be made to privatized industry in which workers deemed redundant could be provided jobs at adequate wage levels. The fact that the FSN had been more or less compelled by the IMF, the World Bank, and the EU to pursue economic and social policies it would have preferred not to adopt.¹⁴⁶

Mostly based on inter-war historical parties, many years to become fully organized, Romania had its first genuine alternation of power only in 1996, when politicians are trying to oppose the former regime to secure the DCR party as a majority. Iliescu as a former President left power peacefully and so ended the Romanian political transition. Constantinescu's victory was hailed both in Romania and in the West as a historic turning point. It was perceived as a new beginning for Romania, Constantinescu promised radical reforms as well as an accelerated return to a market economy. He vowed to push for the return of privatization and to launch a major drive against corruption.¹⁴⁷

The second distinct economic phase covers the administration of the centre-right coalition government of the centre-right coalition government of the DCR from 1996-2000. The elections of November 1996 resulted the DCR dominated. And the Government announced plans to implement a strategy for the rapid introduction of a market economy, under the guidance of the IMF, that was broadly similar to the 'shock therapy' reforms introduced in 1990.¹⁴⁸ This involved price liberalisation and an attempt to align domestic prices with world market prices, the removal of subsidies to loss-making enterprises and public utilities and subsidies on consumer goods and services including food and energy,

¹⁴⁶ Thomas J Keil, and Jacqueline M. Keil, *Reconstructing a Legal Basis for Capitalist Labor Relations in Post-Revolutionary Romania*, Ibid.

¹⁴⁷ Tom Gallagher, (ed.). *Central and South-Eastern Europe 2004*, Ibid

¹⁴⁸ *ibid.*, p 500

the abolition of import controls and the introduction of a single market-determined exchange rate, tighter fiscal and monetary policies, including a major reduction in the budget deficit and the elimination of soft credits by the central bank to agriculture and industry.¹⁴⁹ The Government announced that because they think it would accelerate measures to restructure the economy and would pursue a more market-orientated microeconomic policy. The government's economic programme included proposals to accelerate structural reforms by privatising large and medium scale state-owned enterprises and banks and by restructuring loss-making public utilities and energy producers. The restructuring of loss-making public utilities prior to privatisation involved the closure of loss-making mines and cuts in capacity and major redundancies in the metallurgical, engineering and petrochemical industries.¹⁵⁰

The Government's macroeconomic policy resulted in a substantial reduction in real incomes. Price liberalization released repressed inflationary pressures, resulting in the re-emergence of triple-digit inflation. Real wages decreased by one-third in the first three months after the elections, with income inequality widening and a large number of low-wage earners falling into poverty, as salaries failed to keep pace with prices increases for energy and foodstuffs. In 1997 real GDP declined by 6,9% and industrial output by 5,9%. This resulted partly from the restructuring and closure of loss-making industries, and partly from reductions in real wages, which affected demand for consumer goods and services compounding the problems of the new sector.¹⁵¹

¹⁴⁹ Tom Gallagher, (ed.). *Central and South-Eastern Europe 2008*, Ibid

¹⁵⁰ Ibid.

¹⁵¹ Ibid.

However proposals for accelerated privatisation and industrial restructuring fell badly behind the schedule in 1997 as a result of a combination of disagreements within the governing coalition and resistance by the state bureaucracy and the trade unions. In April 1998, the prime minister was replaced by Radu Vasile.¹⁵² Vasile drafted a new set of reform proposals, which were again intended to accelerate privatization of a state-owned enterprises and banks, to implement restructure public utilities and to close major loss-making enterprises. However, economic performance continued to deteriorate throughout 1998 and 1999 with further declines in GDP, double-digit inflation and continued deficits on the current account of the balance of payments. The closure of enterprises and coal-mines resulted in a resurgence of violent public demonstrations throughout 1999, involving clashes with the police,, outbreaks of strikes and widespread labour unrest.¹⁵³ In December 1999, Vasile was replaced as prime minister by the governor of the National Bank, call Mugur Isarescu.

The new prime minister, Isarescu announced a new set of proposals to accelerate privatization and to stabilize the economy, together with fiscal reforms intended to reduce the tax charge on private companies. The economy staged a minor recovery in 2000, the GDP has increased by 1,8%, largely as a result of growth in exports and investment, which contributed to a decline in unemployment. However, the return to economic growth since 1996 could not disguise the major problems confronting the economy. Real wages and consumption continued to decline. Inflation remained at over 40%, as fiscal policy was relaxed in an attempt to stimulate growth by easing the tax charge on companies and individuals.

¹⁵² David Phinnemore, *The EU & Romania*, ibid, p. 34

¹⁵³ Tom Gallagher, (ed.). *Central and South-Eastern Europe 2008*, Ibid

3.1.3 Accelerated Economic Policy and Performance 2000-2004

The FSN Party return became the single largest party in the new Parliament after the legislative elections of November 2000, and formed a minority Government under Adrian Nastase who represented the modernising wing of the party. The Government made membership of western institution, including the North Atlantic Treaty Organization (NATO) and the EU, its major foreign policy goals.¹⁵⁴ The Government would require the creation of a functioning market economy. The latter required it to tighten macroeconomic policies and to accelerate economic reforms. Policies agreed by the Government with the EU, the IMF and the World Bank included the reduction of costs and the elimination of losses in state-owned enterprises; the privatization and closure of large loss-making state-owned enterprises; the restructuring of the financial sector of gas and electricity production and distribution, and the profitable state-owned petroleum company; and the implementation of a macroeconomic stabilization policy under the surveillance of the IMF.¹⁵⁵

The new Government proved to be more successful than its predecessors in enacting the legislation required to facilitate economic reform, in restructuring the institutions associated with such reform, and in conducting negotiations with domestic unions, the EU, IMF and World Bank. However, successive reports by the European Commission into the progress of reform in Romania drew attention to the disparity between passing reform legislation at the centre and implementing it at a more basic level.¹⁵⁶

¹⁵⁴ Alan Smith, (ed.), *Central and South-Eastern Europe 2008* p.500

¹⁵⁵ Ibid.

¹⁵⁶ Ibid.

The Government negotiated an 18 month standby agreement with the IMF in October 2001. This was the first standby agreement to be completed following five failures in the 1990s. Which required it progressively to reduce budget deficits, the growth of money supply and inflation; to implement strict controls on wages in state-owned enterprises; to eliminate losses in the state sector; to increase energy sector; and to eliminate enterprises arrears to the budget and to energy suppliers. The agreement also required the Government to accelerate privatization and the restructuring of state-owned industries prior to privatization, and to improve bank supervision and regulation. The Government had some success in meeting the macroeconomic targets contained in the agreement with the IMF,¹⁵⁷ although it was less successful in implementing the required structural changes.

The Government progressively reduced the budget deficit between 2001 and 2004, which helped to reduce the inflation from 45% in 2000 to 9,3% in 2004. Economic growth accelerated to 5,7% in 2001 and a growth rate of 4,9% was achieved in both 2002 and 2003, before increasing to 8,3% in 2004. However, the resumption of economic growth resulted in an increase in imports of machinery, components and raw, semi-processed materials and consumer goods (including cars); this occurred as the result of a combination of rapid increases in real wages and in the availability of consumer credit, as foreign-owned banks began to diversify into retail banking. The current account deficit increased from US\$1,400 millions in 2000 to US\$6,382 millions in 2004 equivalent to 8,7% of GDP.¹⁵⁸

The FSN government also started to implement, following prompting from the EU and the IMF, the sale of gas and electricity distributors to foreign companies. The slow pace of privatization and restructuring of Romanian industry

¹⁵⁷ Alan Smith, (ed.), *Central and South-Eastern Europe 2008*, ibid. p.500-501

¹⁵⁸ Ibid.

has been a major factor contributing to trade deficits, as obsolete state-owned enterprises, predominantly in the engineering industries, were incapable of competing in EU markets, and relied on imported energy to sustain production. Consequently, the IMF made structural reforms and accelerated privatization a basic condition for lending included in its standby agreements with Romania. Somehow, the Government continually encountered problems in meeting the structural targets contained in the IMF standby agreements. The IMF repeatedly warned about the large-scale losses of state-owned enterprises, as well as the high level of wages and overstaffing, and the level of both inter-prises arrears and those owed to energy suppliers, as well as arrears in payments to the state budget. There was specific criticism of high production-costs and losses among energy companies and the failure to privatize the sector.¹⁵⁹ Despite failing to meet targets for the privatization of remaining state-owned banks and for limiting wages in the public sector, the Government succeeded in meeting the majority of macroeconomic targets contained in the agreement in 2003, and completed a standby agreement for the first time since the collapse of communism.

The IMF approved a two-year precautionary standby agreement in July 2004, despite concerns over the surge in consumer credit in 2003 that had contributed to growth in consumption expenditure, and worries about the slow pace of structural reform in the energy sector. The IMF's principal reservations focused on the slow pace privatization, particularly within the energy sector. Although most small and medium-sized companies had been privatized by the end of 2003, and a number of high profile privatizations were effected in 2001-2002.¹⁶⁰ In 2002 the Government introduced a strategy of accelerated privatization, which involved selling companies relatively cheaply, with a

¹⁵⁹ Alan Smith, (ed.), *Central and South-Eastern Europe 2008*, *ibid.*, p 500-501

¹⁶⁰ *Ibid.*

commitment from the new owners to invest in the modernization of the business and to maintain employment levels for a specified period.

Table III: Evolution of Main Macroeconomic Indicators in Romania (2000-2004)

	2000	2001	2002	2003	2004
Real GDP, % change	2.1	5.7	4.9	4.8	8.3
Inflation	40.7	30.3	17.8	14.1	9.3
Unemployment	10.5	8.8	8.4	7.4	6.2
Budget Deficit	-3.5	-3.3	-2.7	-2.3	-1.1
Current Account Deficit	-5.7	-5.6	-3.6	-5.8	-6.9
External Debt					
%Gross Domestic Product	30	31	35	32	30
%exports	80	81	85	85	81

Source: National Statistics¹⁶¹

Industrial privatization was accelerated in 2003 and 2004, with the sale of a number of loss-making enterprises in the engineering, metallurgical and chemicals industries for nominal sums, after the Government had agreed to cancel their debts. The Government successfully divested the country's third largest bank, Bank Agricola, Bank Post and the Astra insurance company in 2001-2002. The liberalization of the telecommunications sector was also achieved in 2003, predominantly foreign, companies to enter the market following the sale of a majority stake in the fixed-line telecommunications company (Romtelecom).¹⁶² The the worst problems occurred in the commercialization of energy sector, where progress was quite slow. The state repeatedly failed to meet targets for the privatization of the major natural gas and electricity distribution companies in 2003 and the privatization was rescheduled in 2004. The absence of domestic buyers for large-scale privatization meant that, by the time the schedule privatization was completed, all electricity and gas distribution systems,

¹⁶¹ The source is in A. Ott and K. Inglis, eds., *Handbook on European Enlargement. A Commentary on the Enlargement process*, Hague: T.M.C. Asser Press, 2002, p. 113

¹⁶² Ibid.

petroleum distribution and the majority of telecommunication systems, banks and financial services would be foreign-owned. The EU's annual report on progress towards accession, published in late 2004, finally recognized that Romania had fulfilled the criteria to be accorded the status of a functioning market economy, a prerequisite for entry into the EU.¹⁶³ Nevertheless, it stressed that continued and vigorous implementation of structural reforms would be required to enable the Romanian economy to withstand competitive pressures in the EU, indicating that all the economic obstacles to entry had not been overcome.

In other circumstances, the poverty always reflects the negative point of a country. Although the transition to a market economy has been gradual, it has been accompanied by increased poverty and in some cases deep poverty. Although unemployment fell in the period 2000-2004, there are pockets of high long-term unemployment, particularly in the northeast of the country and in other areas that have been affected by enterprise closures.¹⁶⁴ Unemployment remains low in the north-western counties bordering Hungary and Municipality. A report by the Commission for Anti-Poverty and promotion of Social Inclusion (CASPIIS) which measures poverty using a standardised methodology designed by the World Bank and comparing household per capita income with the cost of a minimum subsistence basket, shows that poverty grew from 20,1% in 2003.¹⁶⁵ The proportion of the population living in deep poverty grew from 6,3% in 1996 to 13,8% at the end of 2000 as GDP contracted, before falling to 8,6% in 2003 as GDP rose. Poverty is high amongst the Roma population, where the incidence was as high as 76,8% in 2003 and lowest amongst the Hungarian population, where

¹⁶³ Alan Smith, (ed.), *Central and South-Eastern Europe 2008*, ibid.

¹⁶⁴ Tom Gallagher, *Romania and the European Union*, Manchester: Manchester University Press, 2009 <http://www.seejps.ro/volume-i-number-i-democracy-and-civil-society/19-book-review-tom-gallagher-romania-and-the-european-union-how-the-weak-vanquished-the-strong.html> (accessed on July 5, 2013)

¹⁶⁵ Ibid.

the incidence was 14,9%.¹⁶⁶ In the same year, 38% of the rural of the rural population were in poverty compared with 13,8% of the urban population, with 13,9% and 3,8% respectively living in deep poverty.¹⁶⁷

3.2 Romania Starts Point Towards European Union Membership (1990-2002)

At the Copenhagen Summit in June 1993, the European Council turned its attention to the EU enlargement. It declared that “the associated countries in Central and Eastern Europe which desire shall become members of the European Union”, and it spelled out the so-called Copenhagen criteria, by which candidate countries would be judged for accession:

- a. Stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities,
- b. Existence of a functioning market economy, as well the capacity to cope with competitive pressure and market forces within the EU,
- c. Ability to take on the obligations of membership, including adherence to the aims of political, economic, and monetary union.¹⁶⁸

EU gave the certitude on the one side that the Central and Eastern Europe countries will be accepted in the Union, on the other side it is not up to the Union, but to the candidate countries to make the required progress for joining the EU. It was also decided that each country would join the Union when it is ready to go. The accession criteria defined by the European Council have introduced a new approach in the European Union’s strategy towards the associated countries. The

¹⁶⁶ Tom Gallagher, *Romania and the European Union*.

¹⁶⁷ Alan Smith, (ed.), *Central and South-Eastern Europe 2008*, *ibid*.

¹⁶⁸ Conditions of accession in <http://www.iet.ntnu.no/~ralf/muller/pubs/romEU.pdf> (accessed on October 2, 2013)

Copenhagen criteria are a continuation of the political requirements stated in the Europe Agreements, which is the importance of economic conditionality in the accession preparations.¹⁶⁹ The accession criteria for the first time stressed the power synchronisation of legal and institutional measures with economic policies. A message is sent to the candidate countries by two of these criteria, namely the importance of creating a functioning market economy and the need for the candidate country to resist the competitive pressure coming from the internal market following its accession. At that time, the European Union is like to remind the candidates once again that the legislative approximation indeed requires the approximation of sectoral policies and a closer consideration of the micro and macro effects of the accession preparations.

Romania submitted its application for EU membership on 22 June 1995. Following the Commissions negative assessment, Romania was not invited to join the first group of countries to start accession negotiations in March 1998. And this was followed by a positive decision of the Helsinki European Council in 1999.¹⁷⁰

Nevertheless, the prospect of accession to the EU opened the door for a new type of political change, a change pushed from below but taking advantage of external conditionality, necessary in a society where powerful people remained above the law. From 1996, democratization progressed slowly but irreversibly in nearly every field, although overall performance remained below Central European levels.¹⁷¹ Although Europeanization has remained largely formal and superficial in many areas, in practically every area where the top-down approach

¹⁶⁹ C. Hillion, ed., *EU Enlargement. A Legal Approach*, Oxford: Hart Publishing, 2004, p. 1

¹⁷⁰ Ott and Inglis, *op.cit.*, p. 113.

¹⁷¹ Diamond, L. And Morlino, L. ed., *Assessing the Quality of Democracy*, Baltimore: Johns Hopkins University Press, 2005, p. 213-237.

only was tried, it worked each time when domestic promoters pushed for it.¹⁷² The EU was especially concerned with the state of corruption.

Human rights protection, effective local autonomy and regional policy are the three basic fields that have strong transnational dimensions for the EU members. These need to be taken into seriously when the fulfilment of political criteria and the capacity of the candidate to take on the obligations of membership are assessed by the European Union. Furthermore, it is important to consider that protection of economic rights, effective local public administration, the rule of law, the independence of the judiciary and the transparency of administrative procedures are not purely political issues.¹⁷³ In economic terms, they can be seen as market entry barriers and may hinder competition. In Romania case, their interaction was hardly considered in the most recent regular reports. This is a result of the European Union's general approach when assessing the accession criteria were detailed in the Commission's regular reports, from which the candidate countries could deduce the economic legal and political measures that they were supposed to implement.¹⁷⁴

These reports have worked as central instruments for framing national strategies and their effectiveness, certain weaknesses do manifest themselves when considering the achievements of the candidates within the context of their domestic conditionality.¹⁷⁵ These reports are to compare the achievements of the individual candidate country to purchase and the best practice in the EU Member

¹⁷² For successes and limits of Romania's Europeanization see Mungiu-Pippidi, A. *EU Enlargement and Democracy Progress*, in Emerson, M. ed., *Democratization of the European Neighborhood*, Brussels: Centre for European Policy, 2005, p. 15-37.

¹⁷³ Phinnemore, *ibid*, p. 30

¹⁷⁴ 2002 Regular Report on Romania's Progress towards Accession, SEC (2002) 1409; 2003 Regular Report on Romania's progress towards accession, p. 33-35. http://europa.eu.int/comm/enlargement/report_2003 in Steven Blockmans, and Adam Lazowski, *The European Union and Its Neighbours.*, *Ibid*. p. 258

¹⁷⁵ *Ibid*.

States, whereas the integration and assimilative capacity of these candidate countries also depend on a series of fundamental conditions that do not exist at all in the well-developed market economies and democracies of the Western European countries of manifest themselves differently.¹⁷⁶ In reality, this is not the case when we consider that the acquired is indeed in place in terms of legislation and the institutional framework, so the achievements of the candidate country receive high grades. The real problem is these rules are applied in interaction with the rest of the factors of the business and political environment of transnational market creation.

The significance of this different approach by the European Commission is the capacity to undertake the obligations of membership that matters and not the capacity to fulfil the accession criteria. There is a significant difference between two, although at the level of integration strategy they are regarded as being identical, since they are based on the requirements expected from the new members upon accession. The accession criteria went further than the obligations of membership framed in the Economic Community Treaty, where as the assessment of the economic performance of the candidates was based on much lighter criteria than what is actually required by membership. Furthermore, the Copenhagen criteria were set up on specific economic, political and social conditions of the candidates.¹⁷⁷ It was closely considered from the EU standpoint to what extent the transposition of requirement into the legal system of the candidates might bring their domestic political and economic situation into functional compatibility with the requirements framed in the accession criteria. Romania could not efficiently convert EU conditionality into domestic policies,

¹⁷⁶ Steven Blockmans, and Adam Lazowski, *The European Union and Its Neighbours*, *ibid.*

¹⁷⁷ http://europa.eu/legislation_summaries/glossary/accession_negotiations_en.htm (accessed on October 02, 2013)

although the preparations for accession could have been used efficiently to reduce domestic political market failure in the desperately needed reforms.

The 1995 authoritative report on the preparations of the candidate countries of Central and Eastern Europe for integration into the internal market of the Union raised the expectations of the associated countries by providing guidelines for their integration into the internal market, but without any bilateral consultation with the countries concerned. It recommended a two-stage approach for the implementation of the internal market *acquis*¹⁷⁸ to these countries, leaving them free to set the priorities of this complex economic, institutional and legal process in accordance with domestic conditions.¹⁷⁹ Romania started the legislative approximation enthusiastically, following the recommendations of the White Paper. However, it did so without a significant political commitment towards the approximation of its sectoral policies.¹⁸⁰ The latter was necessary in order to create the indispensable economic environment facilitating implementation of EU law. On the basis of these recommendations, Romania set up the first national plan that has been updated on an annual basis.¹⁸¹

¹⁷⁸ *Acquis communautaire* sometimes called the EU *acquis* and often shortened to *acquis* is the accumulated legislation, legal acts, and the court decisions which constitute the body of European Union law. The term is most often used in connection with preparations by candidate countries to join the Union. They must adopt, implement and enforce all the *acquis* to be allowed to join the EU. As well as changing national laws, this often means setting up or changing the necessary administrative or judicial bodies which oversee the legislation. That part of the *acquis communautaire*, which is concerned with regulation of employment and industrial relations, constitutes the foundation for Europeanisation of employment and industrial relations in the Member States of the EU, and the basis for a European system of employment and industrial relations. In <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/acquiscommunautaire.htm> (accessed on October 02, 2013)

¹⁷⁹ The first National Plan on Romania's Integration into the European Union was adopted in June 1999, <http://infoeurope.ro> in Steven Blockmans, and Adam Lazowski, *The European Union and Its Neighbours*, *ibid.* p. 259-260

¹⁸⁰ *Ibid.*

¹⁸¹ *Ibid.*

A multilateral framework for cooperation between Romania and the EU institutions need to establish in the field of all common policies, was intended by the European Union as a new stage in the development of institutional cooperation, but the effectiveness of this type of cooperation was low and it was instead regarded as a monologue. One of the characteristics of this period was therefore a high level of inefficiency in the implementation and enforcement of legislation and Romania lost track of the rest of the Eastern Europe countries in pursuing systemic economic reform under the umbrella of the Europe Agreement.

In December 1997 the meeting in Luxembourg, the European Council decided that the Accession Partnership would be the key feature of the enhanced pre-accession strategy, mobilising all forms of assistance to the candidate countries within a single framework.¹⁸² In this manner, the EU targets its assistance towards the specific needs of each candidate so as to provide support for overcoming particular problems in view of accession. This Accession Partnership has been decided by the Commission, after consulting Romania and on the basis of the principles, priorities, intermediate objectives and conditions which have been decided by the Council.¹⁸³ It takes into account the analysis in the 1999 Regular Report on the progress made by Romania towards membership.¹⁸⁴

The purpose of the Accession Partnership is to set out in a single framework the priority areas for further work identified in the Commission's 1999 Regular Report on the progress made by Romania towards membership of the European Union, the financial means available to help Romania implement these priorities and the conditions which will apply to that assistance. The Accession

¹⁸² <http://www.iet.ntnu.no/~ralf/muller/pubs/romEU.pdf> (accessed on October 2, 2013)

¹⁸³ http://ec.europa.eu/enlargement/archives/pdf/dwn/ap_02_00/ap_ro_99_en.pdf (accessed on October 02, 2013)

¹⁸⁴ Ibid.

Partnership guides Romania's efforts to meet its commitments under the Europe Agreement. Romania adopted a national plan for the adoption of the *acquis* and a national strategy of short-term economic development.¹⁸⁵ This situation requires the definition of intermediate stages in terms of priorities, each to be accompanied by precise objectives to be set in collaboration with the States concerned, the achievement of which will condition the degree of assistance granted and the progress of the negotiations under way with some States and the opening of new negotiations with the others. The priorities and intermediate objectives in the revised Accession Partnerships are again divided into two groups - short and medium term. Those listed under the short term have been selected on the basis that it is realistic to expect that Romania can complete or take them substantially forward by the end of 2000. The priorities listed under the medium term are expected to take more than one year to complete although work should, wherever possible, also begin on them during 2000.

After that the European Union is monitoring and scoring the candidate members progress of the implementation of the agreement The Accession partnership set out the principles, conditions and objectives that specify the adjustments required and the financial instruments provided by the European Union. The patterns of the reform measures were more suited to the specific conditions of Romania and less room was given to the decision makers in terms of choosing the timing and form of the measures required to achieve the targets set by the European Commission.¹⁸⁶ In parallel with the gradual liberalisation of trade within the framework of the agreement and the legal approximation achieved, the capacity to implement the timetable of the Accession Partnership was considered by the European Union as an indicator of Romania to ready for accession.

¹⁸⁵ http://ec.europa.eu/enlargement/archives/pdf/dwn/ap_02_00/ap_ro_99_en.pdf (accessed on November 03, 2013)

¹⁸⁶ <http://www.iet.ntnu.no/~ralf/muller/pubs/romEU.pdf> (accessed on October 2, 2013)

Within the framework of support for Romania to join the European Union by 2007, The European Union adopted the Roadmap for Romania, it was aimed at assisting to meet the accession criteria, at the Copenhagen European Council in December 2002.¹⁸⁷ The Roadmap indicates the tasks to be completed and the necessary financial support.

The Roadmap for Romania concentrates in particular on the administrative and judicial capacity required in order to implement the *acquis*, as well as on economic reform. Priorities set in the field of economic reform reflect the fact that the European Union considers the one by one achievements of the national strategy as satisfactory. However, achievements in some areas are regarded as less satisfactory: reduction of state aid, rate of inflation, energy costs, tax reform, bankruptcy procedures, budgetary reform, enforcement of property rights, transactions and prices for agricultural land, public enterprise reform, completion of privatization in the banking sector and public investment in infrastructure.¹⁸⁸ The effectiveness of these instruments can be assessed only within the context of the complex interaction of Romania's political development and international economic conditions. Since 2002, significant changes have occurred in the speed of legislative approximation, and the economic indicators of Romania have improved.¹⁸⁹

This thesis mention about the other condition about economic co-operation in the late 1980s but officially the programme was involved Romania in 1990. The extensive political changes and reforms in Eastern Europe led to a strengthening of links with the Economic Community (EC). In December 1989

¹⁸⁷ Communication from the Commission to the Council and the European Parliament, Roadmap for Bulgaria and Romania, COM (2002) 624 final, Brussels, 13 November 2002 in Steven Blockmans, and Adam Lazowski, *The European Union and Its Neighbours*, *ibid*, p. 262

¹⁸⁸ *Ibid*.

¹⁸⁹ The economic growth rate was 5 per cent in 2002, 5.2 per cent in 2003 and 8.3 per cent in 2004, http://europa.eu.int/comm/enlargement/romania/economical_profile.htm (accessed on July 6, 2013)

EC heads of government agreed to establish a European Bank for Reconstruction and Development (EBRD) to promote investment in Eastern Europe. The EBRD began operations in 1991.¹⁹⁰

In July 1989 the Economic Community was entrusted with the co-ordination of aid from member states of the Organisation for Economic Co-operation and Development (OECD)¹⁹¹ to Hungary and Poland, to support economic and political transition. This programme known as Operation PHARE (Poland/Hungary Aid for the Restructuring of Economies),¹⁹² was extended to assist the following countries with preparations for membership of the EU including Romania.

The PHARE programme¹⁹³ aimed to support their transition to democracy and a market economy. The EC delayed both Romania's inclusion in the PHARE programme and the conclusion of an agreement on trade and commercial and economic cooperation. Romania might have entertained of being negotiate a Europe Agreement, particularly given additional concerns about the new government's commitment to and progress with economic reform. The events of 1990 were concerns in the Council of Europe about admitting Romania. The EC formally recognized the independence of the three Baltic republics in August 1991 and extended the PHARE programme in December. Trade and co-operation agreements with the Romania was signed in May 1992.

¹⁹⁰ Steven Blockmans, and Adam Lazowski, *The European Union and Its Neighbours*, *ibid.*

¹⁹¹ The mission of the Organisation for Economic Co-operation and Development (OECD) is to promote policies that will improve the economic and social well-being of people around the world. In <http://www.oecd.org/about/> (accessed on October 02, 2013)

¹⁹² The PHARE Programme is the Programme of Community aid to the countries of Central and Eastern Europe is the main financial instrument of the pre-accession strategy for the Central and Eastern European countries (CEECs) which have applied for the membership of the European Union.

¹⁹³ europa.eu.int/comm/dgla/index.htm in Imogen Bell *Central and South-Eastern Europe 2004*, 4th edn. London: Routledge, 2003, p. 741-742

CHAPTER IV

ROMANIA IS ON THE WAY INTO EUROPEAN UNION

(2004-2007)

Countries aspiring to join the EU are asked to comply with two fundamental requirements: to have a functioning market economy and to be able to withstand competitive pressures in the internal market and economic and monetary union.¹⁹⁴ Romania's economic performance has improved substantially in recent years and it may be instructive to compare this with the situation of some new EU member states one year before Romania joined EU. The improvements are significant since they motivated the European Commission to grant Romania the status of a functioning market economy in 2004. But the Romania market economy cannot obscure significant weaknesses with regard to financial discipline, the enforcement of market regulations, the transparency and stability of the regulatory framework, the public administration and the judiciary, and the strain in the pensions system.¹⁹⁵ The deepening of reform is needed to make the economy stronger and capable of withstanding pressures inside the EU.

¹⁹⁴ A functioning market economy is quite curious terminologically. The notion can not be found in economic textbooks, since all market economies are functioning, whether well or bad. A good functioning market economy which relies on a sound institutional setup and low information and transaction costs. In David Phinnemore, *The EU & Romania*, *ibid*, p. 51.

¹⁹⁵ Leonard Orban, *Negotiating Accession: the Challenge of Interdepartmental Coordination*, <http://www.lse.ac.uk/europeanInstitute/research/hellenicObservatory/pdf/Various/Orban.pdf> (accessed on November 20, 2013)

4.1 Romania Solved the Barriers

In the whole 2004, Romania put himself in the intensive negotiation. In this year was the most difficult year for Romania to get accession to the EU. First, it was not the best period for finalizing EU talks, because the European Constitution gives the uncertainties surrounding the negotiations. Second, debates were still ongoing about whether Turkey should be offered accession. Third, difficulties in ten new member states following enlargement on 1 May added to the trend of euroscepticism in Europe. The pressure on Romania was even greater because Romania as an individual candidate due to the fewer number of candidates. Its preparations for membership were put under the spotlight more than before. The European Parliament became particularly vocal in its demands that Romania meet its obligations.¹⁹⁶

In this part, this thesis will explain about the 35 Chapters as the *acquis* of the accession negotiations for each candidate country. They have to complete all *acquis* are needed in order to meet accession conditions.¹⁹⁷ And in 2004, Romania cannot join EU because Romania did not complete 3 chapters as requirements condition. These incomplete conditions make Romania need more time to join EU. The incomplete chapters are Chapter 4 about free movement of Capital, Chapter 6 about competition policy and the last is chapter 22 about environment.

Free movement of capital which is marked the opening of the negotiations on the four freedoms on which the EU is based. The most difficult aspects concerned the motivation behind the requested transition periods on the acquisition of agricultural land, forest and forestry land by EU and European

¹⁹⁶ Lavina Stan, *Romania's EU Integration*, Carleton University: Ottawa, 2006
http://www.academia.edu/1657574/Romanias_EU_Accession_between_Political_Capacity_and_Political_Will

¹⁹⁷ http://ec.europa.eu/enlargement/policy/conditions-membership/chapters-of-the-acquis/index_en.htm (accessed on November 03, 2013)

Economic Area (EEA) citizens.¹⁹⁸ Negotiations on the free movement of capital were politically sensitive since property rights regarding agricultural land were only relative recently re-established in Romania after a long period of state ownership and complete state control of land use. The extension of the right to own property on land to foreigners upon accession would have resulted in an increase in land prices in Romania and would have created distortions on the land market. These would have led to social problems at regional and national level. During the negotiation process, Romania reduced its request for a transitional period from 15 to 7 years¹⁹⁹ and accepted the EU position on this issue. A five-year transitional period for the acquisition of land for secondary residences, excluding EU and EEA citizens residing in Romania from the scope. A seven-year transitional period for the acquisition of agricultural and forestry land, excluding self employed farmers residing in Romania from the scope.²⁰⁰

Romania has to accomplish Chapter 6 about competition policy.²⁰¹ The most difficult part of the negotiation process was implementation of the acquis regarding state aids, particularly in the steel sector, due to the large number of restructuring and privatization cases. For the conclusion of the negotiations on this chapter, the negotiation team had to convince all domestic institutions involved in this process to observe the competition rules.²⁰² Hence, regarding the steel sector, Romania is committed to: not granting or paying any state aids to the steel mills;

¹⁹⁸ http://ec.europa.eu/enlargement/archives/enlargement_process/future_prospects/negotiations/eu_10_bulgaria_romania/chapters/chap_4_en.htm (accessed on November 15, 2013)

¹⁹⁹ European Commission, http://ec.europa.eu/atoz_en.htm (accessed on November 3, 2013)

²⁰⁰ Gergana Noutcheva and Dimitar Bechev, *The Successful Laggards: Bulgaria and Romania's Accession to the EU* <http://eep.sagepub.com/content/22/1/114.full.pdf+html> (accessed on November 15, 2013)

²⁰¹ <http://www.cdep.ro/pls/dic/site.page?id=470&idl=2> (accessed on November 15, 2013)

²⁰² <https://www.wbginvestmentclimate.org/advisory-services/cross-cutting-issues/competition-policy/competition-policies-target-a-more-level-playing-field-in-romania.cfm> (accessed on November 23, 2013)

respecting the amounts of state aid established in the context of Protocol 2²⁰³ of the Europe Agreement; and respecting the total capacity reductions for finished products.²⁰⁴

And the last barrier that Romania had to settle is chapter 22 about environment. This chapter is quite hard to accomplish because of the complexity of the *acquis* in this field and its horizontal implications, alignments to the EU environmental norms have required profound transformation in all sectors of the economy.²⁰⁵ These have proved especially challenging in a country with careless in environmental protection. Preparations for membership in this chapter are presented in three particular challenges:

- a. Legal: most of the environment *acquis* is in the form of directives requiring transposition into national legal order;
- b. Administrative: planning, permitting and monitoring requires sufficiently staffed and well equipped environment administration at various levels;
- c. Financial: substantial investment in infrastructure and technology in order to make up for lacking of insufficient investments.²⁰⁶

With the details above, then Romania was took the steps to settlement the condition. Numerous meetings were therefore held between industry representatives and central administration in order to raise awareness of the new environmental requirements. Following these meetings, industry representatives

²⁰³ Interterritorial co-operation shall mean any concerted action designed to establish relations between territorial communities or authorities of two or more Contracting Parties, other than relations of transfrontier co-operation of neighbouring authorities, including the conclusion of co-operation agreements with territorial communities or authorities of other States. <http://conventions.coe.int/Treaty/en/Treaties/Html/169.htm> (accessed November 13, 2013)

²⁰⁴ <http://www.aneir-cpce.ro/chapter5/cp1.htm> (accessed on November 10, 2013)

²⁰⁵ Lavina Stan, *Romania's EU Integration*, op.cit.

²⁰⁶ http://ec.europa.eu/enlargement/archives/pdf/result_of_neg_final_council_version_st05859_0405_en.pdf (accessed on November 20, 2013)

provided the necessary arguments for the transitional arrangements requested by Romanian negotiations. Another challenging aspect for the Romanian negotiators was the lack of a collective environmental conscience. At the beginning of the negotiations on the environment chapter there was no real understanding of the need to conserve the country's natural heritage. There was also no public environmental education and information that could facilitate the absorption and understanding of the environmental need to ensure the quality of life of current and future generations.²⁰⁷

Table IV: GDP in Southeast Europe 1998-2000

	1998	1999	2000
Real GDP Growth			
Albania	8.0	8.0	8.0
Bosnia and Herzegovina	12.4	10.0	15.0
Bulgaria	3.5	2.5	4.0
Croatia	2.5	-1.0	2.5
FYR of Macedonia	2.9	2.7	6.0
Romania	-5.4	-3.2	1.3

Sources: country authorities and Fund staff estimates²⁰⁸

Romania's process of accession to EU was particularly complex and difficult. During the process, Romania had to overcome intricate internal and external challenges. First, Romania was a late starter compared to the other CEE countries and had to cope with a difficult macroeconomic environment. And between 1996-2000, when the most of the other candidate countries were preparing for accession to the EU, Romania was going through four years of economic recession. Second, Romania has unprepared to enter the EU accession. Most of the other candidate countries had already drawn up the necessary documents for the EU negotiations. In 2000, the Romanian administration did not

²⁰⁷<http://www.moep.gov.mk/WBStorage/Files/Answers%20to%20the%20European%20Commission's%20Questionnaire.pdf> (accessed on November 20, 2013)

²⁰⁸ *Southeast Europe: Regional Economic Prospects, External Financing Needs and IMF Programs*, <http://www.imf.org/external/np/eu1/see/> (accessed on December 28, 2013)

have the capacity to carry out impact studies or solid assessment to serve as a basis for the position papers submitted during negotiations. As a consequence, decisions on certain negotiating Chapters were taken without knowing the implications.²⁰⁹

Third, the team in charge of Romania's negotiations with the EU was created relatively late and the institutional process of internal coordination only began at the same time as the opening of negotiations. The team became fully operative by the end of 2001, because the contribution from a few senior experts with huge experience in the field of European affairs. However, the negotiation team strengthened, rapidly achieving the necessary technical expertise and ensuring the highest political involvement in the accession negotiation. Fifth, the negotiations had to be conducted with EU member states and domestic actors.²¹⁰ Internally, under difficult social and economic circumstances, the Romania negotiation team had to struggle whenever a country embarks upon the process of European integration. Because the country would be lose its sovereignty to a centralist decision-making process that would ignore its interests.²¹¹ But in the final result, this negotiation process had reached the meeting point.

Furthermore, although Romania's accession talks were part of a wider accession process comprising ten CEE countries as well as Cyprus and Malta, there were changes in the negotiating process with Romania. The opening of a chapter for negotiations was only recommended by the European Commission provided that Romania had fulfilled specific benchmarks. Depending on the chapter, benchmarks referred to legislative alignment or to a satisfactory track

²⁰⁹ <http://www.cecl.gr/RigasNetwork/databank/REPORTS/r25/Tanasescu%201-Annex%203.htm> (accessed on November 15, 2013)

²¹⁰ The meaning of the domestic actors in here are institutions of the central administration, local administration and multinational companies.

²¹¹ <http://www.cecl.gr/RigasNetwork/databank/REPORTS/r25/Tanasescu%201-Annex%203.htm> (accessed on November 17, 2013)

record in implementation of the *acquis* demonstrating the existence of an adequate administrative and judicial capacity.²¹²

This assessment of Romania's progress through the accession negotiations has tried to highlight the most difficult challenges that the Romania negotiation team had to face both internally and externally and how these were surpassed. Even though Romania was a late starter compared to the other CEE countries, had to overcome difficult social and economic circumstances, and did not take full advantage of the pre-negotiation stage. Despite domestic and external difficulties, Romania concentrated all its efforts in order to meet the Copenhagen Criteria required by the *acquis* and was capable of concluding the intensively negotiation by December 2004. Considering the pace of progress made by Romania in the fields identified by the European Commission as the most sensitive, Romania will be ready for accession on 1 January 2007. All the Romanian institutions are doing preparation for accession to the EU.

Romania had to comply with two criteria: legal criterion²¹³ and administrative capacity criterion.²¹⁴ Adopting negotiations, concluded in December 2004, focused on the terms in which Romania has adopted, implemented and enforced the *acquis* on possible transitional arrangements. Much of the reforms imposed by political and administrative criteria would have been done anyway, because they are specific to the transition period. The difference was within the allocated time frame, as European Union had pressed for Romania faster implementation.²¹⁵

²¹² <http://www.cecl.gr/RigasNetwork/databank/REPORTS/r25/Tanasescu%201-Annex%203.htm> (accessed on November 17, 2013)

²¹³ Legal criterion is adopting the EU *acquis*

²¹⁴ Administrative capacity criterion is consist of reforming and strengthening the administrative and judicial structures for allowing the adoption and implementation of the EU *acquis*.

http://www.ceswp.uaic.ro/articles/CESWP2010_I1_INC.pdf (accessed on September 4, 2013)

²¹⁵ *Ibid.*

Romania's economic advance should be judged from two perspectives: the first, at structural changes in the economy, and the second focused on macroeconomic policy. On the first, the steady expansion of the private sector in the economy has been accompanied by more entrepreneurial drive, more capital formation and export orientation.²¹⁶ The private sector's contribution to GDP formation is nearing 70% while it accounts for over 55% of social capital in the economy and more than 70% of the employed population. There has also been a significant rise in foreign trade and integration into EU markets. Trade with EU represents 70% of overall trade. The openness of the economy is also indicated by the share of foreign capital in the banking industry and telecommunications; energy markets are also opening rapidly, even more than EU member countries.²¹⁷

Table V: Evolution of Main Macroeconomic Indicators in Romania (2000-2005)

	2000	2001	2002	2003	2004	2005
Real GDP, % change	2.1	5.7	4.9	4.8	8.3	5.0
Inflation	40.7	30.3	17.8	14.1	9.3	8.0
Unemployment	10.5	8.8	8.4	7.4	6.2	5.8
Budget Deficit	-3.5	-3.3	-2.7	-2.3	-1.1	-0.8
Current Account Deficit	-5.7	-5.6	-3.6	-5.8	-6.9	-9.0
External Debt						
%Gross Domestic Product	30	31	35	32	30	31
%exports	80	81	85	85	81	80

Source: National Statistics²¹⁸

In 2004, the Government had implemented the conduct of economic policy and its been affected by the relatively loose fiscal policies pursued, which have complicated the process of reducing inflation, have resulted in a further widening of the deficits in the respective balances of trade and of payments and

²¹⁶ Ibid, p. 55-56

²¹⁷ David Phinnemore, *The EU & Romania*, ibid.

²¹⁸ Detken, C. ed., *The New EU Member States. Convergence and Stability – Third ECB Central Banking Conference, 21-22 October 2004*, Frankfurt: European Central bank, 2005, p. 63-67

have brought the Government into renewed conflict with the IMF.²¹⁹ The new Government immediately announced a set of economic policies, including: greater transparency in economic decision-making; deregulation; a simplification of the tax system and the reduction of direct taxes; accelerated privatization; the disintegration of state monopolies; the reduction of government subsidies; and the gradual reduction of inflation to close to EU levels.²²⁰ Its first major act was to replace the progressive system of income taxation with a uniform rate of income and corporation tax, at the low level of 16% from 1 January 2005.

The new Government privatized four of the country's eight electricity distributors in 2005, and continued to divest the remaining state-owned electricity and gas producers in 2006. By the end of 2006 the Government did major shares in the telecommunications industry, the information – technology sector, the financial sector, the pharmaceutical industry, the ferrous and non-ferrous metallurgical industries, the automotive industry, the brewing industry and the tobacco industry had all been privatized through the sale of majority stakes to strategic investors.²²¹ The new owners, which were almost entirely foreign multinational companies, modernized their access and integrated production into their global networks, with an emphasis on establishing production bases in Romania for export to other transition economies and the EU.²²² Foreign-currency earnings from privatization have helped to finance current account deficits, but the majority of major privatizations contracts have been cancelled after investors failed to meet contractual obligations.²²³

²¹⁹ Detken, C. ed., *The New EU Member States. Convergence and Stability – Third ECB Central Banking Conference, 21-22 October 2004*, *ibid.*

²²⁰ Tom Gallagher, (ed.). *Central and South-Eastern Europe 2008*, 8th edn. *ibid.* p. 501

²²¹ *Ibid.*

²²² List referred to in Article 20 of the Protocol: transitional measures, Romania. Treaty establishing a Constitution for Europe in <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:157:0138:0188:EN:PDF> (accessed October 03, 2013)

²²³ Tom Gallagher, (ed.). *Central and South-Eastern Europe 2008*, 8th edn. *ibid.* p. 501-502

At the end of 2006 President Basescu called for the examination of certain privatization contracts in the energy sector amidst allegations of corruption.²²⁴ Hence, the Government has experienced difficulties in privatizing or liquidating loss-making enterprises, which have continued to accrue arrears to the state budget and to energy suppliers. In 2005-2006, the central bank removed all remaining controls on capital movements in and out of the country, as part of its preparations for accession to the EU and entry into the European monetary system. The liberalization of capital flows increased the economy's vulnerability to short.²²⁵

4.2 Romania in Accession

The aim of Romania is to join the European Union at the beginning of 2007. At the Nice Intergovernmental Conference in 2001 some modifications to the EU's internal operating mechanisms were decided to be able to include the future member states into the policy-making system.

The changes that concern the candidate countries were included in the protocol on enlargement:

- a. Through the agreed system of voting, Romania gets 14 votes in the Council, 33 Members of Parliament and 15 members each in the Economic and Social Committee and the Committee of the regions,
- b. The new voting system for the Council of Ministers will come into effect on 1 January 2005, with new member states getting the voting rights now agreed for them as and when they join,
- c. For the 2004-2009 term, the European Parliament shall include representatives of the new member states "resulting from the accession treaties signed by 1 January 2004 at the latest",

²²⁴ Ibid.

²²⁵ Tom Gallagher, (ed.). *Central and South-Eastern Europe 2008*, 8th edn. ibid, p. 501-502

- d. The Commission will include one national of each of the member states from 1 January 2005. New member states will get a commissioner of their own. Thus, when the EU consists of 27 member states, it will apply the rotation system. The Commission will have fewer members than the number of member states.²²⁶

Obviously, not only the candidate countries have to prepare themselves for accession, the European Union has also to be ready to integrate the new comers. The decisions of Nice are considered just the first steps in this preparatory process. Another intergovernmental conference is planned for 2004, but this conference shall not constitute any form of obstacle or pre-condition to the enlargement process.²²⁷

For the countries may join the EU member states in the next integration steps, they have to introduce the euro jointly with some current entrants. Apart from the pursuit of stability-oriented monetary and fiscal policies, the key requirement for reaching this level is participation in the Exchange Rate Mechanism II (ERM II) for at least two years.²²⁸ After the successful completion of the last enlargement round, it seems natural to focus on the further integration steps. Apart from the monetary and fiscal policy challenges on the way to EU membership, exchange rate policies and the driving forces of exchange rate movements are of special interest for Romania

In order to evaluate the existence and persistence of exchange rate misalignments, this thesis will elaborate case-by-case of the linkages between exchange rates and other economic variables. In the case of Romania, this thesis

²²⁶ <http://www.iet.ntnu.no/~ralf/muller/pubs/romEU.pdf> (accessed on October 02, 2013)

²²⁷ Ibid.

²²⁸ For a literature survey on equilibrium exchange rate estimation with a focus on the new EU member States. In B. Egert, *Assessing Equilibrium Exchange Rates in CEE Acceding Countries: Can We Have DEER with BEER without FEER? A Critical Survey of the Literature, Focus on Transition*, 2, 2003, p. 38-106. In Jesus Crespo-Cuaresma, Jarko Fidrmuc, Maria Antoinette Silgoner, *On the Road: The Path of Bulgaria, Croatia and Romania to the EU and the Euro*, University of Glasgow: Taylor & Francis, Ltd. 2005, p. 843-849

will calculate the implied equilibrium exchange rate.²²⁹ But the most important thing of relatively flexible exchange rate is be more appropriate for the countries after financial stabilisation has been achieved.²³⁰ The potential Romania future to become EU member states is still one stage behind in the integration process.²³¹ For any new EU member state the way toward adopting the euro involves two steps. After gaining EU membership the next stage is participating the ERM II for at least two years. After this period, and only if the other Maastricht criteria are fulfilled, so the countries in task can reach the next level of integration by adopting the euro.

In the next stage integration process, Romania is facing the question of choosing the optimal exchange rate strategy in the run-up to EU membership with the aim of paving the way toward later adoption of the euro. All of the candidates member have declared their commitment to become regular members of the EU, and as there is no opting-out clause for new members, they are ultimately also expected to adopt the euro. When the countries are preparing for the EU membership may in principle choose any exchange rate regime suitable for their current economic policy mix. There are several reasons why such countries should orient their exchange rate policy toward the euro already during the process of the EU accession. First, exchange rate stability will supports economic relations with the EU, which is the most important trading partner and foreign investor in all potential EU member states. And second is a fixed exchange rate policies as a

²²⁹ The implied equilibrium exchange rate is define as the long-run relationship found in the data between the nominal exchange rate and macroeconomic fundamentals. In J. A. Frankel, *Experience of and Lessons from Exchange Rate Regime in Emerging Economies*, NBER, Cambridge: Working Paper, October 2003.

²³⁰ J. A. Frankel, *Experience of and Lessons from Exchange Rate Regime in Emerging Economies*, op. cit.

²³¹ Its mean, even the country is being successful as EU member states but without adopting euro currency, in other words, that country is not integrating fully in economic. This case is not fair to compare with Britain, because the Britain itself has high currency and bargaining power to refuse one currency or etc.

matter of common interest from the first day of EU membership and eventually to adopt the euro after fulfilment of the Maastricht criteria.²³²

For agricultural sector, Romania build a National Programme for accession to the EU. The Programme is Special Accession Programme for agriculture and Rural Development (SAPARD).²³³ And then the Programme is aim at evaluating the current status of Romania's preparation for accession to the EU, as well as describing the objectives and measures necessary in order to fulfil the accession criteria.²³⁴ The objective programme is to establish a Community framework for supporting sustainable and rural development in candidate countries, to solve problems affecting the long term adjustment of the agricultural sector and rural areas, to help implement the Community acquis in matters of the common agricultural policy and related policies. This Programme is grouped by 4 priorities:

- a. Improving the access to markets and competitiveness of agricultural processed products. Measures: processing and marketing of agricultural and fisheries products; improving the structures for quality, veterinary, and plant-health controls, foodstuffs and consumer protection,
- b. Improving infrastructures for rural development and agriculture. Measures; development and improvement of rural infrastructure; management of water resources for agriculture,
- c. Development of rural economy. Measures; investments in agricultural holdings; setting-up producer groups; agri-

²³² Maastricht criteria also known as Copenhagen criteria because it was located in Copenhagen. Jesus Crespo-Cuaresma, Jarko Fidrmuc, Maria Antoinette Silgoner, *On the Road: The Path of Bulgaria, Croatia and Romania to the EU and the Euro*, op.cit.

²³³ SAPARD is the financial instrument supporting agriculture and rural development.

²³⁴ Liana Muller, *Romania's Way into the EU*. Op.cit

environmental measures; development and diversification of economic activities; alternative income; forestry.

- d. Development of human resources. Measures; improving of the vocational training, technical assistance.²³⁵

This thesis will bring the Romania policies on every stage including adopt euro as a final stage. So it makes sense to judge EU accession as a possible solution to the secular desire of economic development and modernization of the country. This could show us that Romania needs in order to reduce the economic gaps that separate it from more developed European countries.

At this part, this thesis tells a bit about the Romania processes towards joining the EU. The process of joining the EU broadly consists of 3 stages. The first stage is when a country is ready, it is bring direct to an official candidate for membership but this does not necessarily mean that formal negotiations have been opened. The second is the candidate moves on to formal membership negotiations, a process that involve the adoption of established EU law, preparations to be in a position to properly apply and enforce it and implementation of judicial, administrative, economic and other reforms necessary for the country to meet the conditions for joining so-called accession criteria. In this second stage, the pace of negotiations then depends on the speed of reform and alignment with EU laws in each country,²³⁶ the duration of negotiations will decide the time when the candidates are officially fit for a member. The last stage is when the negotiations and accompanying reforms have been completed to the satisfaction of both sides the country can join the EU. Full-fledge membership of the EU will not only be

²³⁵ <http://ue.mae.ro/en/node/456> (accessed on November 22, 2013)

²³⁶ http://ec.europa.eu/enlargement/policy/steps-towards-joining/index_en.htm (accessed on August 9, 2013)

beneficial for Romania, but also for the entire Union. This is because enlargement represents a win-win situation with mutual benefits for all involved.

Fully-fledge membership of the EU will not only be beneficial for Romania, but also for the entire Union. This is because enlargement represents a win-win situation with mutual benefits for all involved.²³⁷ From the economic point of view, Romania's membership will be beneficial for the entire EU as it will extend the internal market and will increase the number of consumers. It will provide a common regulatory framework for European companies through its level and more transparent and predictable business environment and it could be facilitate the expansion of European companies towards Western Balkans. From the geostrategic and geopolitical point of view, Romania's membership will accomplish the project or the fifth wave of enlargement in a united Europe without new division lines. It will increase the international political credibility of the EU as an actor capable of finalizing assumed objectives and it will lead to the further stabilization of the region.

On participating in the EU internal market, which involves the four freedoms,²³⁸ it will bring advantage for Romanian companies, which may act in market with 500 million consumers. The accession forced Romanian companies to achieve a high level of competitiveness for dealing with European competition. this had implied some restructuring costs related to the technologies and the personnel used.

²³⁷ Romania and Bulgaria Join the EU <http://news.bbc.co.uk/2/hi/europe/6220591.stm> (accessed on August 6, 2013)

²³⁸ The four freedoms are goods, labor services and capital. http://ec.europa.eu/internal_market/top_layer/ (accessed on November 20, 2013)

In 1 January 2007, Romania had joined the European Union. Romania participates in the adoption and implementation of EU policies. According to the EU budget for 2007-2013, the EU will have three policy priorities, there are:

- a. Regional policies : focused on economic and social development;
- b. Foreign policies : for increasing the EU's role among non-member countries, candidate countries and third countries;
- c. Thematic policies : supported by community programs, known as domestic policies.²³⁹

The positive effects of accession will rely on medium and long term, consisting in creating an environment of stability and growth. Integration means the gradual approximation of economic structures, political and social rights on the big institution and not only becoming a member. So integration is a process that takes many years. For Romania, the integration process was began since 1993, when the European Agreement had been signed and will continue after Romania Joined the Union.

²³⁹ Domestic policies are concern about agriculture, rural development, research and development, energy, etc. http://www.ceswp.uaic.ro/articles/CESWP2010_I1_INC.pdf (accessed on November 10, 2013)

CHAPTER V CONCLUSION

The recent enlargement had an obvious impact on the external relations of the European Union. It has even been considered the most successful tool of EU foreign Policy. After all, many former neighbours now fall under the internal relations regime, which is call for a redefinition of both the Union's relations with its immediate surroundings and its position on the international world. The pre-accession strategy for new member has been turned into a neighbourhood strategy for some of a new candidate. The union has simply become bigger and its external relations regime has further developed on the basis of both treaty modifications and case law.

On European Union itself, the EU was born of desire to protect Europe from the scourge of war end. While attempts at European political unification reach into antiquity, the oldest direct linear ancestors of today's EU is the European Coal and Steel Community (ECSC) founded in 1950. The ECSC had broad powers to regulate the production and sale of coal and steel among its members. The ECSC founders were also intended to serve as a platform for closer integration between all European nations.

The external activity of the EU is to large extent motivate by the need to address a multiplicity of security concerns that stem from the bloc's eastward expansion. These concerns arise from the fact that the countries of Eastern Europe lie in close proximity to some of the world's most unstable regions and serve as a potential gateway for asylum seeker and dangerous or illicit cargoes bound for the EU. The Eastern European states are also important for securing peace and stability around the EU on account not only of their proximity to an area where poor governance and armed conflict, but also because of the uncertainty of their democratic transformation which carries with it the risk of political instability and

civil strife. These and other related factors combine to turn the states of Eastern Europe into an object of intense interest for, and a target of systemic intervention by, the EU and its member states anxious to control the security situation on their eastern periphery.

Romania concluded a trade and economic co-operation agreement with the European Communities in 1990, and a Europe Agreement was signed in 1993, coming into effect in 1995. Although Romania applied for membership of the European Union (EU), the European Commission recommended in 1997 that accession negotiations be deferred, owing to the need primarily for further economic reform in Romania.

Romania wanted to join the EU as a new member state because Romania has a bargain position with the lower salary in currently than other developed countries. Thereby, Romania will get the capital movement or investor which is looking for the country with the stable economic growth and safe. With economic reforms that Romania did, Romania was able to keep in safe the capital ownership of investors. And otherwise, Romania will have a huge market orientation through trading cooperated in regional and its cause the positive impact to the country revenue and economic growth in Romania itself. At this point, this thesis describes the mutual advantages between Romania and EU because the purpose of EU Eastern Enlargement itself is to create a security in Eastern Europe.

The report is stated that a considerable amount of work is still needed on environment, transport, employment, social affairs, home affairs, justice, agriculture, and substantial reform is essential to provide Romania with the structures and need for effective application and enforcement of the full body of Community law. Subsequent reports made similar calls for further reform so that Romania could meet all the accession criteria. In 1999, Romania was invited to

start accession negotiations. Despite the public commitment of a new government elected in 2000 to speed up integration with the EU, progress in the negotiations was the slowest than all candidates countries involved.

The EU has made 35 different policy fields (chapters) in Copenhagen Criteria. The one important thing for regional country who want to join is the candidate country has to complete 35 chapters²⁴⁰ as the requirement of the accession negotiations. And those chapters are not negotiable because the chapters is the part of rules of Copenhagen Criteria. And Romania was took many years to complete all chapters, but Romania and Bulgaria did not make in time. Thats why Romania and Bulgaria was joined the EU in 2007. By the end of 2003, Romania only can fill 22 of the 31 negotiating chapters had been closed. As a consequence, Romania did not join the EU as part of the 2004 enlargement. Join into European Union member will not only to share values and ideas, but it will bring greater certainty with regard to the country future economic and political orientation. And the end of 2004, Romania still did not complete 3 chapters as requirements condition. These incomplete conditions make Romania need more time to join EU. The incomplete chapters are Chapter 4 about free movement of Capital, Chapter 6 about competition policy and the last is chapter 22 about environment.

Between 1996-2004, Romania has maintained local economic to pursuit the behind of economic growth. The government was concerned on privatization toward national resources to create the employment fields. Because when the government can pressure the high unemployment, automatically the citizens are prefer to spending their money rather than keep it, so the government also can decrease the inflation indirectly. In 1999, the new Government immediately announced a set of economic policies, including: greater transparency in economic

²⁴⁰ That 35 chapters such as free movement of goods, capital, workers, economic and monetary policy, good institutios, environments, energy and etc.

decision-making; deregulation; a simplification of the tax system and the reduction of direct taxes; accelerated privatization; the disintegration of state monopolies; the reduction of government subsidies; and the gradual reduction of inflation to close to EU levels.

Within the framework of support for Romania to join the European Union by 2007, The European Union adopted the Roadmap for Romania, it was aimed at assisting to meet the accession criteria, at the Copenhagen European Council in December 2002. The Roadmap indicates the tasks to be completed and the necessary financial support. The Roadmap for Romania concentrates in particular on the administrative and judicial capacity required in order to implement the *acquis*, as well as on economic reform. Priorities set in the field of economic reform reflect the fact that the European Union considers the one by one achievements of the national strategy as satisfactory. However, achievements in some areas are regarded as less satisfactory: reduction of state aid, rate of inflation, energy costs, tax reform, bankruptcy procedures, budgetary reform, enforcement of property rights, transactions and prices for agricultural land, public enterprise reform, completion of privatization in the banking sector and public investment in infrastructure.

In 2005-2006, the central bank removed all remaining controls on capital movements in and out of the country, as part of its preparations for accession to the EU and entry into the European monetary system. Also the central bank has one main quest from Romania government to build a system to adopt euro (€). And Romania was took 2 years to prepare the system and institution to adopting euro currency. Because the stability of euro exchange rate will boost economic trough trading partner and foreign investor.

Romania has many problem in the transition to a market economy. The implementation to a market economy is going slowly following the collapse of communism. The transition is including the restructuring of industry and agriculture and macroeconomic stabilization . This reflected a combination of adverse starting conditions, lack of political support for radical reforms and bureaucratic obstruction. Progress towards the development of a functioning market economy in Romania has arguably been the slowest of all of the ten states to sign and accession treaty with the EU.

This has reflected a combination of difficult initial circumstances, political criteria, rejection and sabotage of reform policies by an entrenched but conclude the outstanding chapters by the end of 2004 bureaucracy which in many cases has survived from the communist era and the ability of reformed and reforms. This assessment of Romania's progress through the accession negotiations has tried to highlight the most difficult challenges that the Romania negotiation had to face both internally and externally and how these were surpassed. Even though Romania was a late starter compared to the other CEE countries, had to overcome difficult social and economic circumstances, and did not take full advantage of the pre-negotiation stage, it was able to close the gap and the negotiation strengthened rapidly, achieving the necessary technical expertise and respect from EU.

Despite domestic and external difficulties, Romania concentrated all its efforts in order to meet the criteria required by the *acquis* and was capable of concluding the intensive negotiation by mid-December 2004. Considering the pace of progress made by Romania in the fields identified by the European Commission as the most sensitive, Romania will be ready for accession on 1 January 2007. All the Romanian institutions and the entire strategy for internal preparation for accession to the EU have as strategic objective Romania's accession to the EU in 2007.

From the economic point of view, Romania's membership will be beneficial for the entire EU as it will extend the internal market and will increase the number of consumers; it will provide a common regulatory framework for European companies through its level playing field and a more transparent and predictable business environment. From the geostrategic and geopolitical point of view, Romania's membership will accomplish the project of the fifth wave of enlargement in a united Europe. It will increase the international political credibility of the EU as an actor capable of finalizing assumed objectives and it will lead to the further stabilization of the region.

With the entry of Romania in 2007, then Romania will have the huge advantage for transfer of information, capital, or even technology. And Romania also have a great opportunity to learn in maintain strong institutions with sophisticated systems. As the world said that the EU is the largest and most sophisticated institutional models that ever created. But its all depend on Romania on how long they need to copy the construction of the system and state institutions like what the European Union did.

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