The Economic Integration Maturity of Romania and Bulgaria

Oleg Tankovsky and Viktória Endrődi-Kovács

Abstract The paper discusses the issue of integration maturity in the case of Romania and Bulgaria. These countries joined the European Union in 2007 and since then several economic issues and problems were revealed related to their accession. The aim of this paper is to analyze the economic integration maturity of Romania and Bulgaria at the time of their accession and since then. The paper suggests that although these countries fulfilled the Copenhagen criteria were not fully prepared to join the EU markets. The paper forms the hypothesis that Romania and Bulgaria did not fulfill all the criteria of economic integration maturity and were not fully ready to join the EU in 2007. However, by the time of their accession, their readiness was appropriate to join. To prove this, the paper uses the methodology of economic integration maturity. The concept of integration maturity is more complex than the economic accession criteria since it shows how a candidate country is able to exploit the benefits of membership and minimize its drawbacks before and after the accession. Based on data analysis and document analysis it can be examined how successfully these countries could exploit the economic stimulating effects of joining the economic integration, how effectively took advantage in cohesion and convergence to the other member states during their membership. In sum, it can be stated whether Romania and Bulgaria were able to exploit the benefits of their membership and minimize the drawbacks.

Keywords Integration maturity · European Union · Convergence · Romania · Bulgaria

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A. Horobet et al. (eds.), *Global, Regional and Local Perspectives on the Economies of Southeastern Europe*, Springer Proceedings in Business and Economics,
https://doi.org/10.1007/978-3-030-57953-1_6

1 Introduction

Bulgaria and Romania joined the European Union on 1st July 2007. Although the two countries have fulfilled the Copenhagen criteria and could join, these countries cannot fully realize the benefits of membership and some economic problems have been emerged since their accession—e.g. these countries are still the less developed in the European Union (see GDP per capita) or there were several scandals related to using EU budget for developing purposes. Moreover, in recent years, concerns have grown about their respect for rule of law and the independence of judiciary. In the framework of Cooperation and Verification Mechanism these two countries are oversighted by the EU whether they fulfilling the 17 recommendations (European Commission 2018). A question arises whether these countries were really ready to join the European Union? This topic is more than relevant and actual as the EU presidency is currently held by Romania and Bulgaria applied for EU's Exchange Rate Mechanism II last year (Reuters 2019). The aim of this paper to answer this question but from a different point of view than fulfilling Copenhagen or Maastricht criteria. The originality of this paper is that it introduces Romania's and Bulgaria's ability to gain from EU membership and readiness of (euro) membership by using a complex methodology and by giving a complex economic analyses. The paper uses the methodology of integration maturity (focusing on its economic criteria), which measures in a more appropriate way how an official candidate country is ready to join an integration. Moreover, it gives an outlook how a member can benefit from membership. In sum, the paper gives an economic outlook of the two countries since 2007 from the point of view of European integration, which have not been analysed since their accession.

In the next chapter first the theory of this integration maturity will be introduced than its methodology. Then, in Chap. 4, the two country will be introduced from their accession until nowadays based on this theory.

2 Theory of Integration Maturity

Every integration has its own criteria to let new members in. In the case of the European Union (at that time European Economic Community), the first criteria were introduced by the Treaty of Rome. These were just the followings: the candidate country should be European and democratic (Baldwyn and Wyplosz 2004). As integration enlarged, candidates' integration preparedness has become more and more relevant. As a result, the European Communities formulated concrete accession criteria in 1991 in connection with the transition to an economic and monetary union (Palánkai 2011). Following the Maastricht criteria for the introduction of the euro, new conditions were created in connection with Eastern enlargement in 1993, the so-called Copenhagen criteria, which are: stability of institutions guaranteeing democracy, rule of law, human rights and respect for and protection of minorities;

functioning market economy and the capacity to cope with competition and market forces; and adaptation of acquis communautaire. So there is a political criterion, an economic criterion and an administrative and institutional criterion (European Commission 2019). So, if a country would like to join the European Union, they have to fulfill the Copenhagen criteria and the European Commission prepare reports how the candidate fulfills the criteria.

Nevertheless, based on the lessons of previous accession rounds, it became obvious that economic, political, administrative, and institutional accession requirements, which are set by the European Union, do not reflect on the readiness of a candidate country to enter the Union. Overall, these requirements are not coherent, clearly structured and well composed. The research gap is to develop and adapt a more complex theory and methodology to measure whether a country is mature to join the European Union and benefit from the membership. If we consider the European Commission's enlargement reports, we can observe that it uses a more complex analysis than Copenhagen criteria and uses more economic indicators.

Some theories have emerged how to measure integration preparedness, integration capacity alternatively than the European Union does (e.g. Schimmelfennig et al. 2015 or Bergs 2001), from which the most complex is Tibor Palánkai's integration maturity theory. It gives a more complex approach to determine whether a country is mature to access or not (Palánkai 2006) than the Coppenhagen/Maastricht criteria or other theories. Although this concept and methodology have not been adapted to the cases of Bulgaria and Romania yet, it can be, since this concept was developed to measure a country's preparedness to join the EU, mainly for Central and Eastern European countries.

'The integration maturity is an ability to maximize benefits from the integration and to minimize its costs and drawbacks. It can be measured by the balance of costs and benefits. If membership is a positive sum game, overall the country can gain/profit from it; the country is mature to enter integration' (Palánkai 2011, p. 378). Accession criteria define the minimum of membership criteria, while maturity far beyond that and it examines the general criteria of successful and efficient integration, which can be measured before and after the accession (Palánkai 2006).

Four dimensions of integration maturity can be distinguished: economic, political, institutional and social; in this analysis, the focus is on the first one since economic dimension is the most objective, tangible and quantifiable dimension, which can give relatively objective conclusions. Moreover, by using economic data other dimensions can be covered, too (e.g. by using EBRD's transition index or Maastricht criteria can show us the institutional and political willingness to fulfil EU's willingness).

According to Palánkai (2010), the economic integration maturity can be defined by the following basic criteria: functioning market economy, competitiveness, macroeconomic stability, convergence, and financing ability. Functioning market economy is one of the Copenhagen criteria. It presupposes free movement of market participants and prices determined by the market conditions. Competitiveness is also partly an accession criterion until it was reformulated. It expresses that new members should be able to cope with the competitive pressures of the EU markets and compete against other European enterprises. But it should be analyzed in a more complex way using

micro and macro approaches; countries compete also against their social, economic and institutional systems. Macroeconomic stability is crucial in order to get the benefits from the integration itself. Convergence is necessary in order to avoid the negative consequences of the accession. It is well known that integration between a less developed and developed industrialized countries can be a source of serious problems. For example, as a result of sharpening competition, most producers may lose or lose markets, which might be resulted in a severe deterioration in the current account and balance of payments of underdeveloped countries. This can cause serious problems in terms of employment, budget and halt economic growth. In addition, a more developed state is abler to adapt to changed competitive conditions, more easily mobilizes its capital resources and converts to more modern techniques. Financing ability contains availability of domestic capital resources, how an economy is capable to produce the resources for its own development and how a country operates in capital markets; so it shows the ability of a particular country to absorb capital, both in terms of external investments of private capital (e.g. foreign direct investments) and the intake of budgetary transfers (Palánkai 2011).

3 Methodology

Our main hypothesis is that Romania and Bulgaria were partially ready to join the EU in 2007, as only some of the main criteria of economic integration maturity have not been contented. On the one hand, quantitative figures will be presented and analyzed, on the other hand, as qualitative analysis, reports and literature will be shown. We are going to use the theory of economic integration maturity and its methodology. The analyses will be carried out based on the criteria of functioning market economy, competitiveness, convergence, macro-stability, financing ability.

Functioning market economy is listed in the Copenhagen criteria. Basically, in case of every integrational cooperation in order to be integrated, it is necessary to have the basic conditions of a market economy to ensure that the free movement of goods is guaranteed and that internal trade starts to flourish (Baldwin and Wyplosz 2004). The European Union does not provide an exact methodology of how to measure it, only general conditions have been laid down for the Central and Eastern European countries which had a socialist past. With these recommendations, they were able to move from planning economy to free market economy in their own rhythm. The European Bank of Reconstruction and Development prepares case studies in every year on the state of transformation of the examined economies (EBRD 2005). Among other things, their research takes into account the competition policy of each country, the level of privatization, the functionality of the securities market, price liberalization or the process of infrastructure development. Subsequently, an objective complex indicator comes out, as a result, ranging from 1 to 5. The lower figure indicating the need for further reforms. We will compare these indicators established by the EBRD

one by one, and we will calculate with their average therefore in cases when the average result is below than 3.4, that economy cannot or just partially be considered as mature for economic integration.

In case of competitiveness, the EU does not provide a concrete or specific methodology neither, but only different guidelines and patterns. For instance: a country seeking full membership needs to implement the competition law of the EU and fulfill all of its criteria. However, there are several economic research institutes, which are publishing case studies with a detailed competitiveness report. In this paper, we will use the IMD (Institute for Management Development) and WEF (World Economic Forum) studies to examine the competitiveness of Romania and Bulgaria.

Convergence is an important aspect of our research, as with the assistance of it, we are able to measure the level of development of an economy, and we can also compare the results of that economy to the EU members average. As trade among different economies in the mid and long term, can lead to asymmetric interdependencies, most of the times creating a negative impact in the underdeveloped countries, it is highly important to examine the convergence among the member states and the newly joined countries. A complex economic indicator is lacking in this case as well, so we will create our analyzation matrix using the methodology of László Práger (2005). According to him, we can get a relatively objective view of the convergence of a country's economy when we measure the macro-economic indicators (GDP, GDP per capita), the level of integration of a concrete society to information technologies, the social indicators (life expectancy, number of hospitals) or the balance of payments (current account balance, public debt).

Macroeconomic stability is usually measured with 3 indicators: GDP growth, unemployment rate and inflation. These indicators are representing the main indexes of an economy, and if the analyzed period is picked correctly, the chosen development path shall be bright and clean. The most important question is to make the right comparison with other economies (Palánkai 2006). In our case, we have more opportunities to compare with the EU average during the last 15 years, or with the Eurozone members, or with other neighboring but EU member countries.

Financing ability requires not only one economy's maturity but the EU's maturity as well as integration. Even in the Copenhagen criteria, it is mentioned that the integration needs to have the skill to converge the newly joined state. Basically, it does depend on the will of the previously joined member states if they would like to provide enough resources for the catching up process of the new member (Guérot 2004). Moreover, it is also worth examining the acquisition of foreign capital, and its changes. In our case, as Romania and Bulgaria already a member, the absorption ratio of the EU funds will also be analyzed, since how they can demand more resources when they cannot use the currently available amount.

4 The Economic Integration Maturity of Romania and Bulgaria

4.1 Functioning Market Economy

Bulgaria had some similarities compared to Romania regarding the EBRD transition topics, but in overall it was in a better shape than its northern neighbor. Bulgaria had a 3.4 score on average regarding the transition indicators. There were many aspects where they performed well and received a good score (4). Similarly, as in Romania, the reform of price and trade liberalization has been quickly implemented, but they could also reach good results in small and large-scale privatization (EBRD, 2008). However, the enterprise reform was not that successful as it was expected. Bulgaria outperformed Romania in the process of infrastructure reform. According to the 2007 EBRD report, it is highlighted that Bulgaria made some huge steps forward, but the economy's flexibility has to be furtherly improved in order to reach a higher level of integration. The barriers to market entry needs to be decreased which would also improve the business environment that could result in more foreign investment therefore, fighting against corruption has one of the highest priority. In order to have a more efficient and less bureaucratic energy sector, on the one hand, the privatization has to be finished, and on the other hand, technology transfer and modernization of infrastructure has to be implemented. One of the biggest threat for the Bulgarian economy was the large external imbalance which had to be financed. The global financial crisis had major negative effect on the Bulgarian economy. As the enterprise restructuring still did not reach the required level, the Bulgarians were addressed with new policies, which can provide a successful structural shift from the non-tradeable to the tradeable sector (EBRD 2013). As the modernization of infrastructure still needs further improvements, the competitiveness of the country has decreased. One of the most problematic fields were still the energy sector, as market opening and building interconnectors with neighboring countries are expected. Eventually, some major progress could have been recorded in the financial structures of the country. Joining the ERM II is a real opportunity for the Bulgarians. They are already fulfilling the macroeconomic conditions, but they need to continue with the key reforms, including tighter cooperation with the European Central Bank, introducing new macro-prudential instruments and anti-money laundering frameworks (EBRD, 2018). Improving the business environment could affect higher foreign investments, but retraining of qualified workers and developing the skills of the current labor force is crucial as well.

In the case of Romania, we measure the existence of the functioning market economy by examining the EBRD transformation indicators between 2005 and 2018. The first date is coming from just before their accession to the integration and then every year has been analyzed. In the first reviewed year, Romania had a 3.25 score on average among EBRD indicators. The lowest value was measured in the area of financial structures, the reform of banking sector had a score of three, which was acceptable especially because they could improve this number throughout the years,

but they have missed the reforms of non-bank financial institutions (2.3). The highest value was measured in the area of price and trade liberalization by the EBRD, where Romania has received a 4.3 score (EBRD 2005). By the year 2010, after 3 years of EU membership, they performed better and almost every indicator reached the score of 3. However, the enterprise restructuring is still lacking, in 5 years they improved their results from 2.3 to 2.7, but it was still the most problematic area after the financial crises. It has also been addressed to them as one of the key challenges already in 2007. Another critical area was the investments of the private sector, its framework should have been improved in order to modernize the infrastructure more effectively and to have a better absorption ratio of the EU structural funds. Even as an EU member, Romania still faces transition challenges, the most influential lag is in the infrastructure and energy sector (EBRD 2008). The quality of the road network is not reaching the EU standards yet, and competition is limited in the energy sector. The financing ability of small and medium enterprises is also not reaching the sufficient level. In the most up to date report, three main priorities have been highlighted for the Romanian economy (EBRD 2018). Further independence of the judicial system could assist transparency and also the success of the government's anti-corruption commitment. Basically, the privatization of state-owned companies did not change significantly during the past 8 years. The government, especially in the transport and energy sector, should prioritize this question as major improvements are expected in this field. The third most problematic area is the business environment. Firms are still facing difficulties in accessing skilled labor. There is an inefficient government bureaucracy and the bad quality of infrastructure is providing challenges for doing business efficiently. In overall, Romania made some huge step forwards during the past 12 years, but some significant issues can still be addressed. There was a robust progress regarding the non-performing loans, just in 5 years the ratio decreased from 22% to 5.7%. The level of investments is also higher than in the neighboring countries. Currently, Romania is close to reach the level of developed countries, which could attract even more foreign investment in the coming years.

4.2 Competitiveness

Bulgaria has been ranked as 72nd most competitive country before its accession (WEF 2007). The most problematic area was the role of institutions. They have been ranked 109th from 125 countries in this field, which is a quite bad result from an already EU member state. Mainly, the inefficient government bureaucracy, access to financing and the high level of corruption are providing obstacles for small and medium-size business in Bulgaria (IMD 2011). The highest result has been measured in the field of health and primary education. They received a 6.6 score from 7, which is considered as a great result, but previously they were struggling with illiteracy in the poorest regions. By 2013, they have already performed better [4.3 overall scores compared to 4 in 2007]. However, improvement has already started in the field of institutions, but the judicial independence is still not equaling the required level, and

organized crime is reaching a massively high volume in the country [130th from 148 countries], and the efficiency of legal framework is lacking (WEF 2013). For investors, the role of innovative industries can be a worrying sign: cooperation among universities and industries is insignificant, and the overall spending on R&D is far from sufficient (IMD 2016). Bulgaria performed had great macroeconomic results in 2012 and 2013. The general government debt was relatively low (18.5%), the budget balance was also well-planned (0.5% deficit), and the inflation was very low (2.4%) which was a good result in comparison to the Eurozone members.

Romania had the 68th position in 2007 regarding competitiveness. What could have been noted as their advantage at that time is the technological readiness, the availability of research and training services and the number of trained scientists and engineers. The level of government debt was not too high; it has increased the credibility and competitiveness of the country. Macroeconomic stability was not present in these years, inflation and exchange rate volatility was not satisfying, neither the volume of state debt. The other most problematic factors for doing business in Romania were the following: tax regulations (especially tax rates), policy instability, high level of corruption and inefficient bureaucracy. The overall infrastructure quality was one of the lowest even in the South-East European region. By 2012, the country started to emerge in many fields. However, the GDP per capita decreased in comparison to 2007, but without the financial crises it could have been much higher. The total amount of GDP almost doubled in this period, their share of the world total has also increased. Overall, the competitiveness did not emerge significantly, as in the most problematic fields just quick solutions have been implemented, efficient change of regulations was not performed. The tax rates were still extremely high; it has significantly lowered the competitiveness of Romanian small and medium-sized enterprises on the common European and global markets. The government could not achieve groundbreaking results in the fight against corruption, even in 2017 and 2018 there were massive problems in the country regarding it (civil protests). Except for some improvements in higher education and business innovation, in most of the measured fields, Romania could not achieve a better result compared to 2007 regarding competitiveness; therefore, the overall rank has also decreased. According to the latest WEF report, they are ranked as 52nd (WEF 2017). Overall, they were able to increase their performance in most of the analyzed aspects, however, major improvements are still yet to come.

4.3 Convergence

Bulgaria had major improvements in the last 15–20 years; it doubled its real GDP (see Table 1). From this aspect, a remarkable development process took place in the country, but it lags behind in the Central and Eastern European (CEE) region, where the average real GDP per capita is almost double than the Bulgarian data; 12,000 EUR. Our next indicator is the share of households with internet access. In Bulgaria from 2007 to 2018, this number has almost reached the EU average.

Table 1 Real GDP per capita (EUR) in Romania and Bulgaria in selected years

Real GDP per capita (EUR)	2000	2005	2007	2009	2011	2014	2017
Bulgaria	3000	4200	4800	5000	5300	5500	6300
Romania	n.a	5100	6100	6400	6300	7000	8300

Source Eurostat (2019)

Basically, this ratio has been growing year by year, currently, it is 72%. Creating new telecommunication infrastructures has played an important role, but as it is a paid service also provides us some hints about the wealth of the Bulgarian society. In 2007, this number was only 19%. In the whole EU, the current average is 87% and Bulgaria has the lowest ratio but it is expected to grow in the following years (Seybert 2011).

There were no significant changes in the life expectancy at birth in Bulgaria in the recent period. In 2000, it was around 71.6 years; since then it is rising but very slightly. According to the latest information's, Bulgarians have 74.6 years of life expectancy at their birth. With this result, they are only outperforming Latvia and Lithuania from the EU. In the case of Bulgaria a bright progress can be noted from Table 2. Due to the global financial crisis, and new regulations from 2007 until 2010 they were suffering from a 30% deficit in their budget. Except in 2016, the government could reduce the deficit year by year. The process has been stabilized in the country, during 2017 there was a period when they could even produce almost a 20% surplus. However, it is important to note that the country's economy is relying on the cohesion funds, but it can be considered as a great result as they could improve domestic consumption as well.

Romania's overall picture was very similar to the Bulgarian example, in the first 10 years of capitalism, they were struggling and almost no improvements could be noted regarding real GDP per capita. However, a massive improvement could have been noticed in a short period lately. Romania has started its convergence process to the CEE countries, but further improvement is still needed. The ratio of households with internet access in Romania has been growing similarly to the EU. Almost in 10 years, this number has doubled. 81% of households have stable internet access

Table 2 Life Expectancy at Birth and Inflation ratio per GDP in Bulgaria and Romania in selected years

Indicator/year	2000	2005	2007	2009	2011	2014	2017
Life Expectancy at birth (yrs) in Bulgaria	71.66	72.56	72.66	73.46	74.15	74.41	74.61
Life Expectancy at birth (yrs) in Romania	71.16	71.87	72.56	73.36	74.46	74.90	75.01
Inflation in Bulgaria	10.3%	5%	8.4%	2.7%	4.2%	-1.4%	2.06%
Inflation in Romania	45.6%	9%	4.8%	5.5%	5.7%	1.06%	1.33%

Source Eurostat (2019)

in Romania. In 2007 it was only 22% which was one of the lowest on the continent. Currently even Croatia is outperforming Romania, however, they have joined the EU 6 years later. Basically, they have the same ratio, but the Romanian government needs to implement new regulations in order to achieve higher result in this field. The infrastructure of the country is far from desirable, we reckon that major improvements would be beneficial for the country's economy and would provide higher well-being for its citizens as well. Romania performed better regarding life expectancy. In the first years of the new millennium, they were behind Bulgaria. In 2000 71.1 years was the average, but by 2010, they could reach the same level as their southern neighbor. From that point, they were constantly outperforming them. However, compared to the EU average, it is still not a considerable result, but the improvement in 18 years is significant. If they can keep up with the good progress, in a short period the EU average can be reached. The current account balance of Romania has been fluctuating, especially during their first years of EU membership. In 2007 and 2008 even 15% deficit has been reached, then a major depreciation of the national currency has been implemented by the central government. Until 2013, they were still struggling, and 7–9% of the deficit was still present in the Romanian budget (Dritsaki 2016). For a three-year period, they could deal with the maximum 3% deficit regulation, throughout the past three years they had 4–5% again, and 6% at the end of 2017.

4.4 Macroeconomic Stability

Bulgaria's GDP growth was quite stable during the previous years. From the early 2000s they were able to reach a stable 6–7% growth in average until 2009 when a 3.5% drop has been measured (see Table 3). Compared to other countries it was not even a bad result, but further growth has stopped for some years, until 2014 they could not reach even 2%. In the last 4 years, an economic boom could have been noticed, similarly to other CEE countries, however, their highest achievement was 3.9%, but the constant grow is unquestionable. The unemployment rate was around 7% when they were accessed to the EU. As a result of the crisis, it was rising until 2013 when it has reached 12.9%. The government introduced some new labor force

Table 3 GDP growth and unemployment rate in Bulgaria and Romania in selected years

Indicator/year	2000	2005	2007	2009	2011	2014	2017
GDP growth in Bulgaria (%)	4.94	7.123	7.344	−3.581	6.021	1.328	3.561
GDP growth in Romania (%)	2.395	4.179	6.867	-5.912	8.259	3.076	6.947
Unemployment rate in Bulgaria (%)	16.21	10.08	6.88	13.73	10.28	12.94	6.159
Unemployment rate in Romania (%)	6.969	7.17	6.41	6.95	6.96	7.1	4.929

Source Eurostat (2019)

related regulations, and they could stop the process. Since then, the unemployment ratio is constantly dropping in the country, currently, it is around 6%. The level of inflation is in tight relations with the current account balance, therefore we can see similar results (Eurostat 2019).

From the 2000s until a major depreciation of the Bulgarian national currency in 2008, the inflation was around 7%. It is a relatively high result, but in the case of a converging and transforming economy, it happens quite often. In 2008 12.5% inflation has been measured (Eurostat 2019), but since then the Bulgarian national bank was very much aware of this question and did not let a higher inflation ratio than 3% as we can see it in Table 2. The Bulgarian leva is standing quite stable, it has been fixed to the euro's exchange rate. Summing it up, the macro-stability of the country has improved during the past 10 years. In the first years of EU membership, they were struggling and new regulations had to be implemented, but overall, the Bulgarian economy started a stable development path.

Regarding macroeconomic stability, the case of Romania is very similar to other Central Eastern European countries. However, before the accession to the EU, they were one of the runners up, recently their economy is also on a stable track and constant growth can be notified for the past 5 years. We have already mentioned that the GDP per capita counted on PPP in Romania has almost tripled in 20 years. Basically, the GDP growth has also shown us a similar development process as it is demonstrated in Table 3. Already from 2001, a rapid blooming has started, the Romanian economy was constantly growing by 5–6% until 2009. The financial crisis hit hard their activities; as a result of it in 2009 and 2010 a drop of 5.9% and 2.8% could be noted. Lessons have been learned, and after some years of struggling (just as like the Eurozone members), from 2013 the spillover effect of the economic boom reached Romania as well. They could save the 3% annual growth, and in 2017, they had a beetling result with 6.9%. The unemployment rate is not telling us that much like in Bulgaria, as during the last 15 years it was very stable in Romania. Basically, it was moving around 6–7% and not even the financial crisis could affect it negatively (Eurostat 2019). However, it is worth to mention that after the accession to the EU, a massive number of Romanian young talents left the country and migrated to big cities such London, Paris, Milano, Barcelona - according to the national statistics at least 2 million employees. Therefore, the Romanian government didn't have to face strong unemployment as the promise of higher salaries and better life quality convinced the younger generations to move. This process seems acceptable in the short term, but it will have major negative effects in the long term (for instance: aging societies) (Anghel et al. 2016). The inflation in Romania is showing us some interesting data. It is well-known that the Romanian Central Bank had a flexible exchange rate and they were devaluating the national currency for years. In 2000, there was a 45% of inflation in the country, which is far from acceptable. In the process of preparing for EU membership, they were able to stabilize the Romanian lei, from 2006 only 6–7% of inflation could be measured until 2011. In 2013 they have decided to implement new financial regulations, and in the past 5 years, they had a healthy 1–2% of inflation (Eurostat 2019). Regarding macroeconomic stability, we need to state that Romania didn't have an easy task, as their economy was one of the

most underdeveloped after the fall of communism. In spite of that, they were able to face most of the challenges and with critical thinking, they could start modernizing the economy, establishing new regulations, fighting against corruption, and as a result of it, a constant development started in the country.

4.5 Financing Ability

The FDI inflow per GDP in Bulgaria provided interesting results. From the early 2000s, foreign direct investment has been constantly growing. It has already reached a relatively high basis in 2001 and 2002, 5–6% of the GDP came in as direct investment. From this point, a major rise has started. In 2003 it was already 10%, three years later it was 23% and in 2007 it reached a record high 31%. As Bulgaria was about to join the European Union, firms have started their investments in advance. In the past 10 years, the level of FDI has never dropped below 3% of the GDP. It is not generating an extremely high ratio anymore, but a stable level of capital inflow has been reached (World Bank 2019). Regarding the absorption ratio of Bulgaria, it needs to be stated that right after their accession the 6-year common budget of the EU has started (2007–2013). In total, they could implement the 97% of every fund. Surprisingly, the cohesion funds were not fully used (97.36%), but 99.86% of the social funds has found their destinations. The case of Romania is showing us some similarities. A constant grow of FDI could have been measured from the late 1990s, however, it wasn't that high as in Bulgaria. In average, it was around 2–3% of the GDP, only in a 5-year period, it was higher. Its peak was in 2006 (8.9%), the year before their accession to the European markets. During the past 10 years, it was stabilized on 2–3% of the GDP, but on the other hand, this capital inflow provided technological innovation and modernization as well, which helped the Romanian economy to become more competitive. The absorption ratio of the EU funds in the period of 2007–2013 was not that high in Romania. They were able to make use of 90.49% of the total amount. The regional development fund had the highest ratio with 92%, but the social and cohesion funds did not even reach 90%. Please also note, that the absorption ratio was 100% almost in every other Central Eastern European country. It also strengthens our main statement, that Romania and Bulgaria have joined the integration earlier than they supposed to (Mirela et al. 2015).

5 Conclusions

According to legislative regulations, neither Bulgaria nor Romania could be considered as a perfectly mature economy and they were not completely ready to join the integration in 2007. Regarding to the most recent measures, Bulgaria is the 51st most competitive economy from 140 countries. They had major improvements in innovation capability and the higher level of attracting business as the cost of starting a

new business has dropped significantly. The efficiency of institutions and the inflexibility of the financial system are the most problematic areas these days. The level of organized crime is still one of the highest in Europe, and they need to focus more on property rights, especially on the protection of intellectual property. Overall, IT infrastructures are rapidly developing and the adoption of new systems are growing quickly. The labor market regulations are meeting the criteria's, its competitiveness has improved during the past 15 years mostly thanked to internal mobility, newly advocated labor policies, and modernized worker's rights (WEF 2018).

The most problematic area in Romania is still the financial system of the country. Financing small and medium-size companies are the most crucial part of it. Most of the credits are coming from abroad, the availability of domestic credits should be established and its position shall be strengthened if the Romanians want to avoid a future debt crisis. Improvements in non-performing loans could also be noted, but no significant results has been achieved. On the other hand, the business dynamism and the labor force regulations have been changed which resulted a considerable increase in the total competitiveness of the country. For instance, getting hired as a foreigner in Romania is much easier than before, and female participation has also increased. Unfortunately, the internal labor mobility is still very week, and the tax rate on labor shall be reduced, but the innovation capability has also been ameliorated. During the past 15 years, Romania has increased its global competitiveness and became attractive for further foreign investments. In several aspects, they need to continue the reforms, but they already had good progress (WEF 2018).

These countries have improved in many aspects since their membership, and in 2018 without any doubt, they are integrated part of the EU, but our analysis highlighted some of the shortcomings of their early joining process (related to all of the criteria). During the past 10 years, they were able to overcome many of their previous difficulties. Their competitiveness massively improved and the regional diversification has also developed. There are still some problematic fields, but their overall economic development cannot be questioned.

The strengths of this paper are that it provides a unique, objective and quantitative analysis how Bulgaria and Romania were ready join the European Union in 2007 and since then how these countries could benefit from membership. Such analysis has not been elaborated in the literature. Although, the paper has some weaknesses, too. First, since the methodology of integration maturity is complex, more indicators would have been involved and more literature would have been used for further explanations. Moreover, among basic criteria there are overlaps, which partly reinforce each other, but this can be confusing, too. From the findings, some research questions arise: how these results may change if we involve more indicators to the analysis; can these countries continue to improve their economic performance in the next few years? So, it is worth to extend and repeat the analysis in 5–10 years.

Acknowledgements The present publication is the outcome of the project "From Talent to Young Researcher project aimed at activities supporting the research career model in higher education", identifier EFOP-3.6.3-VEKOP-16-2017-00007 co-supported by the European Union, Hungary and the European Social Fund.

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