



Revitalising the Single Market

for the Next 30 Years

April 2024

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Revitalizarea Pieței Unice pentru următorii 30 de ani

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ISBN: 978-606-94761-9-2

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Publicat de Editura FREE

Editura FREE

Republicii 202, Comarnic, Prahova

România

editurafree.ro / freepublishing.eu

Pentru orice solicitare: contact@editurafree.ro

Studiu publicat și pe ies-europe.ro, site-ul Institutului European pentru Studii Economice.

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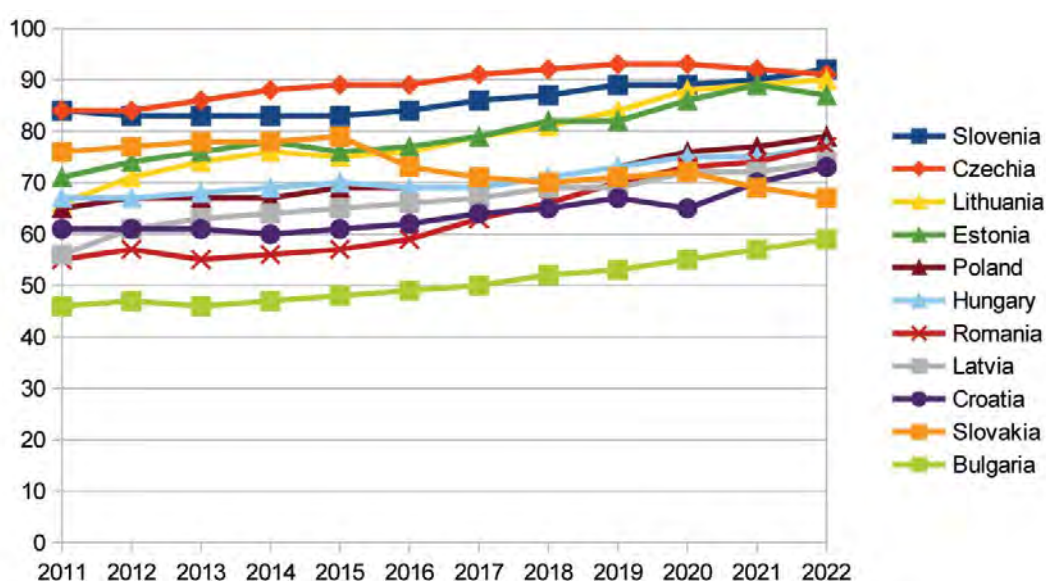
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Romania joined the EU in 2007, three years after the biggest enlargement of this organization. The lag was a consequence of the “lost decade” of the nineties, a painfully slow transition handled by hesitant former communist apparatchiks. The hesitation was mostly economic (delayed and fraudulent privatisations) and political (violent reaction against anti-communist opposition and civil society), but not geopolitical (Romania’s accession to EU was established as a strategic national objective by all relevant political parties since 1995, year of the official application and all relevant parties applauded the 2004 admission in NATO).

The accession timing was not very fortunate. Romania and Bulgaria joined the Union just before the 2008 crisis, when the public opinion in the Western parts of the EU already turned against Eastern European migrants (the famous “Polish plumber”). Consequently, the last restrictions against Romanian workers were lifted only in 2014.

Despite that, overall, Romania’s membership of the EU was a success story: standards of living increased significantly since 2000, when this perspective became a realistic anticipation. From X% of EU average in 2000, Romania’s GDP / capita. increased at Y% in 2007 and reached Z% in 2023. In some prosperity pockets, the standard of living is above EU average and higher than some regions of the “Old Europe”. The evolution of the standard of living (PPS) relative to other ECE countries and to EU average is illustrating a catching-up process.

Figure 1: GDP per capita in CEE countries (2011-2022), PPS (% , EU-27 = 100%)



Source: Oehler-Şincai (2022)

However, there are some shadows in this overall bright picture: on average, Romania remains for now one of the poorest EU countries, with a significant part of a rural population struggling on the verge of absolute poverty.

All these achievements are under an increasing threat. Surprisingly, in recent years, anti-EU political forces are growing in Romania. Their strength comes from a combination of factors: political frustrations and economic concerns. Romania is still not accepted in the Schengen agreement, (which represents an indirect but significant burden on the free movement of citizens and services), while new regulations are perceived discriminatory (especially against Romanian transporters and agri-food industry) or excessively costly (energy and automotive industry).

Membership in the single market means four basic freedoms - freedom of movement of goods, persons, services and capital (T. Muller 2016), and thus greater freedom for Romanian citizens and almost instantaneous reach to the entire market of over 450 million people,¹ but also the obligation to adopt EU legislation or membership in the single trade policy. For the group of ten countries joining the single market in 2004, this was a major step not only economically, but also politically, socially and culturally. It was also a major change, but a more gradual one, for the existing member countries, which we used to refer to as Western Europe during the Cold War.

Despite their names that suggest universality, these four freedoms concern only the citizens and companies from the European Economic Area. The only exception is the free movement of capital, which concerns the capital in general (worldwide), regardless of its country of origin. According to EU regulation, the free movement of people is understood as free movement of EU (or EEA) citizens. It should probably be renamed this way, otherwise any restriction towards non-member states' citizens would imply that they are not considered "people" by the EU.

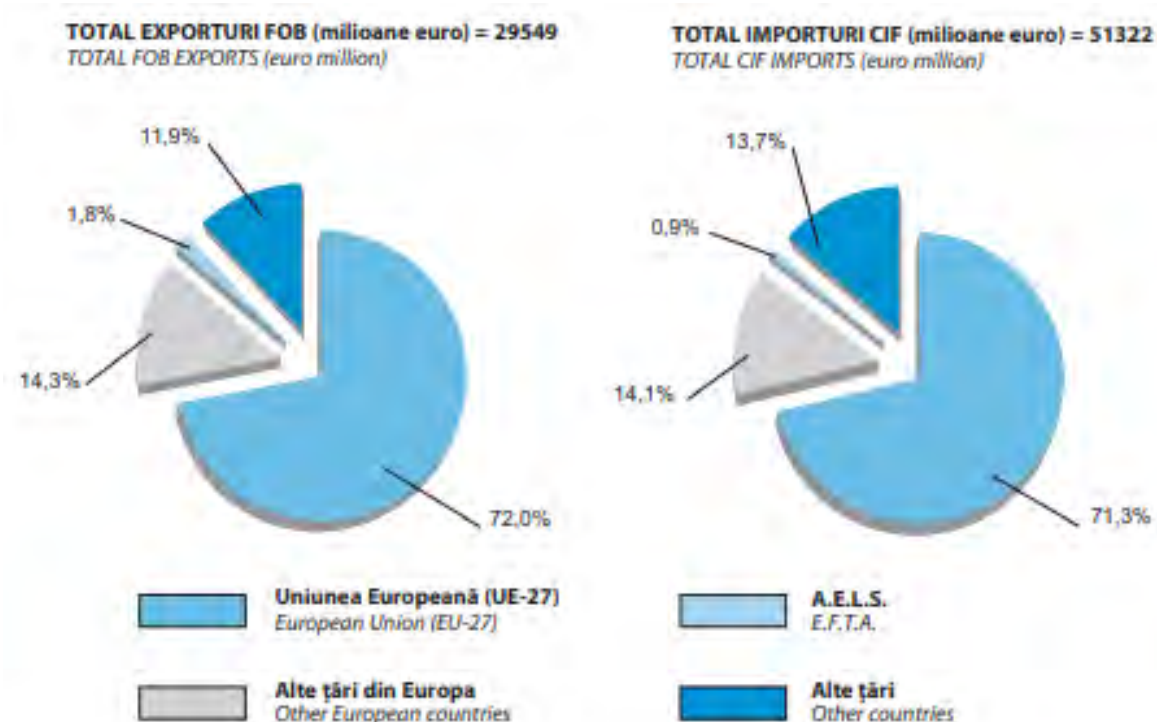
Free movement of goods

As for other countries, Romania's entry into the EU's internal market has been a major positive for its economy, in 't Veld (2019) estimates that non-membership in the internal market would mean a lower GDP of 9.2%. However, membership in the internal market also comes with inefficiencies that are within the power of European institutions to abolish or at least mitigate. These will be discussed below. These will be in particular protectionism and inefficient regulation, with an emphasis on digital markets.

Romania's economy is as integrated as possible into EU economy: about three quarters of foreign trade is with EU countries (INS, 2024). The economic integration process precedes EU accession. Indeed, Romania's trade partners were from EU in a similar proportion even in 2007, the year of its accession (INS, 2008).

¹ The European Union has 448 million inhabitants (as of 1 January 2023), plus 6 million in Norway, Liechtenstein and Iceland. If we also include the UK and Switzerland, which are not part of the European Economic Area but have such a deep treaty arrangement with it that for our purposes they can be described as de facto members, we arrive at 530 million inhabitants (Eurostat 2023b).

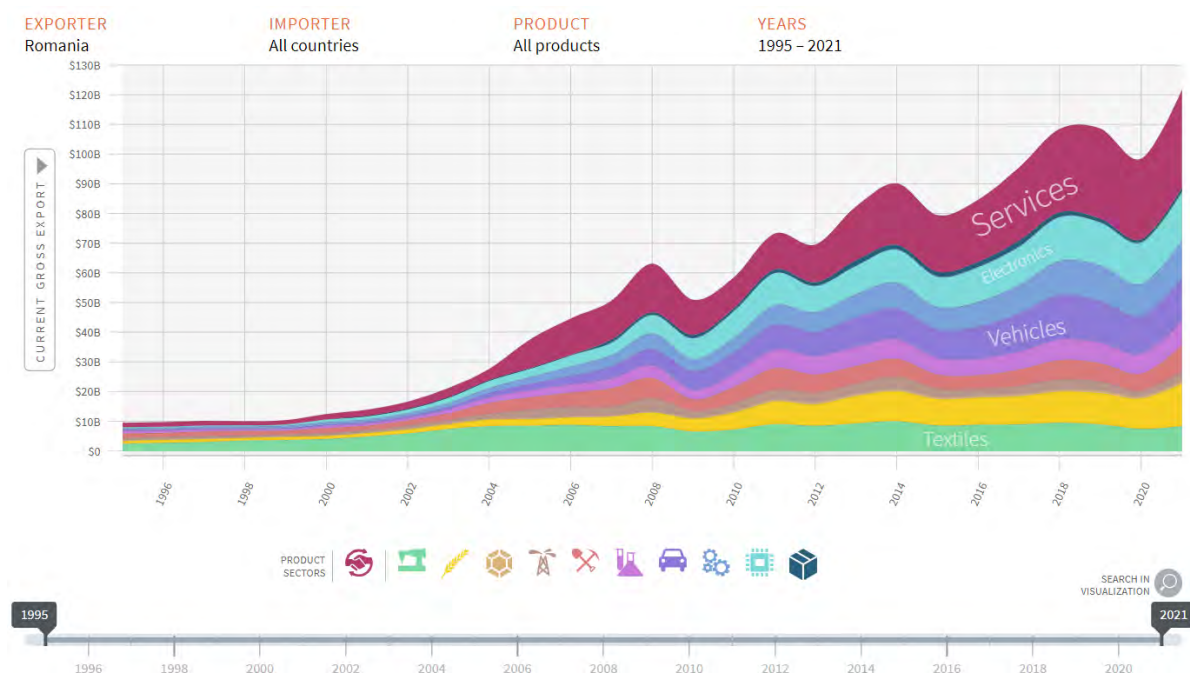
Figure 2: Romania's trade partners, by main groups of countries, in 2007



Source: INS (2008)

One of the most frequent criticisms against Romania's integration into the Euro-Atlantic structures is referring to the loss of its industrial base inherited from the communist regime. Contrary to these nostalgic (and selectively amnesic) critics, this country has now one of the most complex economies in the world, more and more able to export on competitive markets a wide diversity of goods and services. The evolution of Romania's world ranking according to Economic Complexity Index is impressive: from 31st place in 1995 to the 19th place in 2021 (out of 133 countries analysed). Most of the upward movement happened after Romania's accession to the EU, with a jump of nine places in the last decade. A comparison with Serbia suggests the impact of Romania's EU membership: Serbia oscillated around 36th (2005) and 37th (2021) places in Economic Complexity Index ranking, with a GDP/cap growth from \$2207 in 1995 to \$9230 in 2021, while Romania increased from \$1650 to \$14,927 over the same period (Hausmann, 2024).

Figure 3: Evolution of Romanian exports (1995-2021)



Source: The Atlas of Economic Complexity (Hausmann, 2024)

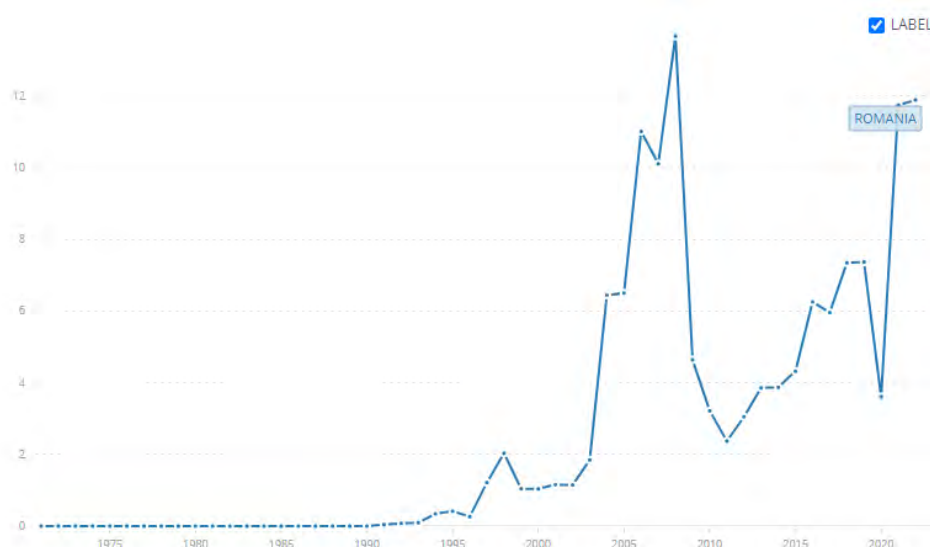
Existing barriers to the free movement of goods have been the focus of Romanian government organizations like the Competition Council (Consiliul Concureței, 2020).

Free movement of capital

Until recently, the free movement of capital, both inward and outward, Romania was open to all investors, virtually with no restrictions. After a brief and politically fabricated hostility in the early nineties, Romania became very open to foreign investors: *“Romania welcomes all forms of foreign investment. The government provides national treatment for foreign investors and does not differentiate treatment due to source of capital”* (U.S. Department of State, 2023).

The radical change in discourse came when political deciders and the population understood that the only chance for rapid development is to attract foreign capital, along with the national one, increased via privatizations and accumulation. Regulation and its enforcement were rapidly aligned accordingly. Perspectives of EU accession, the size of the market (second only to Poland in Eastern Europe) and a relatively well educated workforce explain the growing of FDI net inflow in Romania, as reflected in Figure 4 (World Bank, 2024).

Figure 4: Foreign direct investment, net inflows (BoP, current US\$) – Romania (1971-2022)

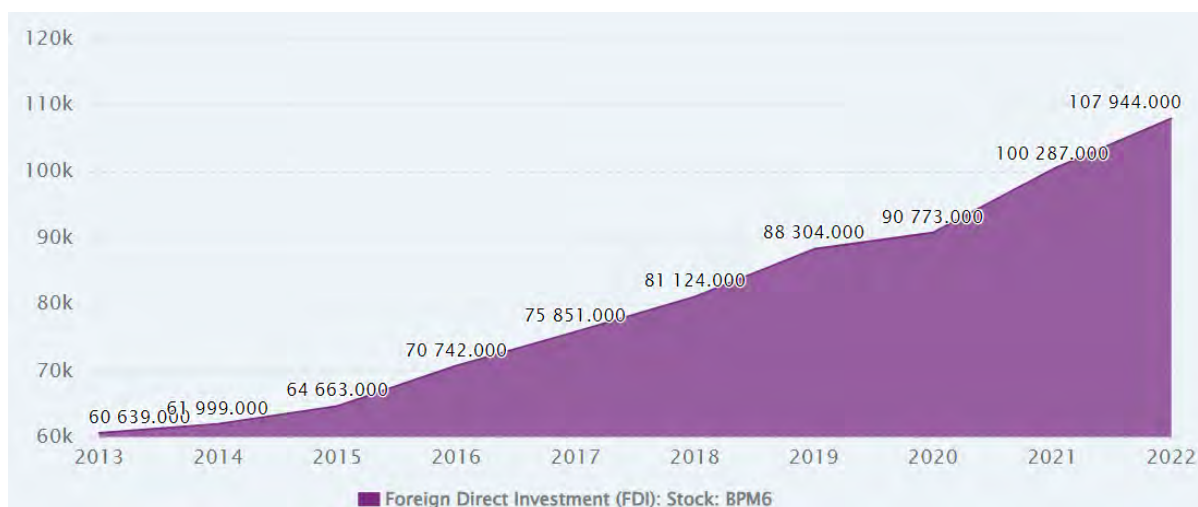


Source: World Bank (2024)

The first obvious change happened after 1996, when a reformist coalition won the elections against the former communists that managed to keep political power after the fall of the communist regime. Foreign investors did not wait for the official accession. The FDI inflows increased dramatically once the EU political signals confirmed that Romania's accession is an irreversible process, although slightly delayed compared to other Central and Eastern European countries. The reduction of FDI amounts were the result of external crises (2008 financial crisis, COVID 19 panic & lockdowns) rather than being caused by domestic policies.

The FDI stock increased accordingly, as reflected in Figure 5.

Figure 5: Romania's Foreign Direct Investment Stock (2013-2022)



Source: CEIC Data (2024)

The ratio of FDI stock to GDP tells a less optimistic story, especially in comparison with other CEE countries, as reflected in Figure 6 (Eurostat, 2024).

Figure 6: GDP Stock as % of GDP (2013-2021)

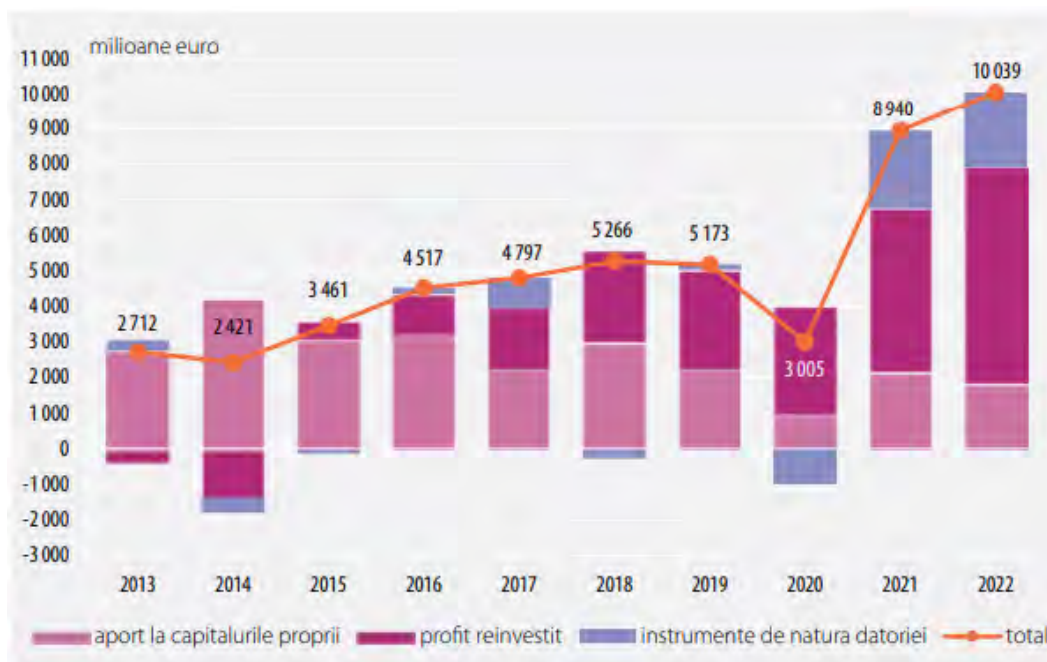
TIME	2013	2014	2015	2016	2017	2018	2019	2020	2021
Belgium	90.8	118.8	135.1	136.9	131.5	112.8	127.3	126.2	124.2
Bulgaria	4.2	3.6	3.8	4.4	4.6	4.0	4.1	4.7	4.2
Czechia	9.5	9.2	10.0	9.7	11.6	14.5	17.8	19.4	19.9
Denmark	56.5	60.6	63.0	69.9	67.8	64.2	67.3	68.2	72.4
Germany	38.7	39.2	41.2	40.7	40.9	42.7	46.7	47.6	51.8
Estonia	26.4	25.8	27.1	28.2	27.6	26.7	32.5	32.7	36.2
Ireland	215.5	261.0	318.3	297.4	243.8	252.1	280.8	266.1	302.3
Greece	14.6	13.6	12.7	9.8	9.1	9.5	:	6.7	6.8
Spain	38.9	39.9	41.4	43.3	40.8	44.0	45.4	44.3	42.1
France	45.4	49.6	53.0	54.5	52.8	55.7	52.2	54.6	51.3
Croatia	7.0	10.4	11.4	10.2	10.5	7.2	7.6	8.4	8.0
Italy	24.2	24.9	26.0	26.3	26.9	27.3	27.7	28.8	27.7
Cyprus	812.3	795.6	1,032.1	1,041.9	945.7	1,760.2	1,892.8	1,818.5	1,527.9
Latvia	5.1	4.7	5.8	6.1	5.9	7.0	6.3	6.9	15.8
Lithuania	6.8	6.3	6.4	6.6	7.0	8.9	12.9	17.3	18.1
Luxembourg	5,478.9	6,556.0	7,986.0	8,167.2	7,245.7	6,686.8	6,347.0	5,833.4	5,363.6
Hungary	135.5	129.2	119.9	160.8	131.2	76.2	108.8	161.9	162.3
Malta	759.9	717.2	646.4	610.2	553.8	471.1	420.8	:	387.8
Netherlands	587.3	610.9	672.0	696.0	698.6	644.1	631.6	594.0	561.8
Austria	78.5	80.4	77.7	66.1	65.6	63.5	54.8	52.9	58.2
Poland	5.6	6.0	5.9	6.3	5.4	4.3	4.5	4.2	4.3
Portugal	25.9	26.1	29.2	28.5	26.1	26.4	25.3	26.5	25.5
Romania	0.4	0.2	0.5	0.4	0.3	0.6	1.0	1.1	1.2
Slovenia	14.3	14.2	14.2	14.2	13.7	13.2	14.1	14.9	15.0
Slovakia	4.7	3.1	2.9	3.1	3.3	4.5	:	4.8	4.9
Finland	51.8	46.8	41.4	47.6	45.9	47.8	54.4	49.5	49.7
Sweden	73.3	76.5	75.5	76.4	67.7	71.1	76.6	79.5	78.7

Source: Eurostat (2024)

On one hand, the ratio tripled in the last decade, on the other hand, its level is still 4 times lower than it is in Bulgaria or Poland, and 135 times lower than Hungary, the regional champion.

According to the latest National Bank of Romania FDI report available, there is an interesting change in the type of FDI as can be seen in Figure 7 (BNR, 2023).

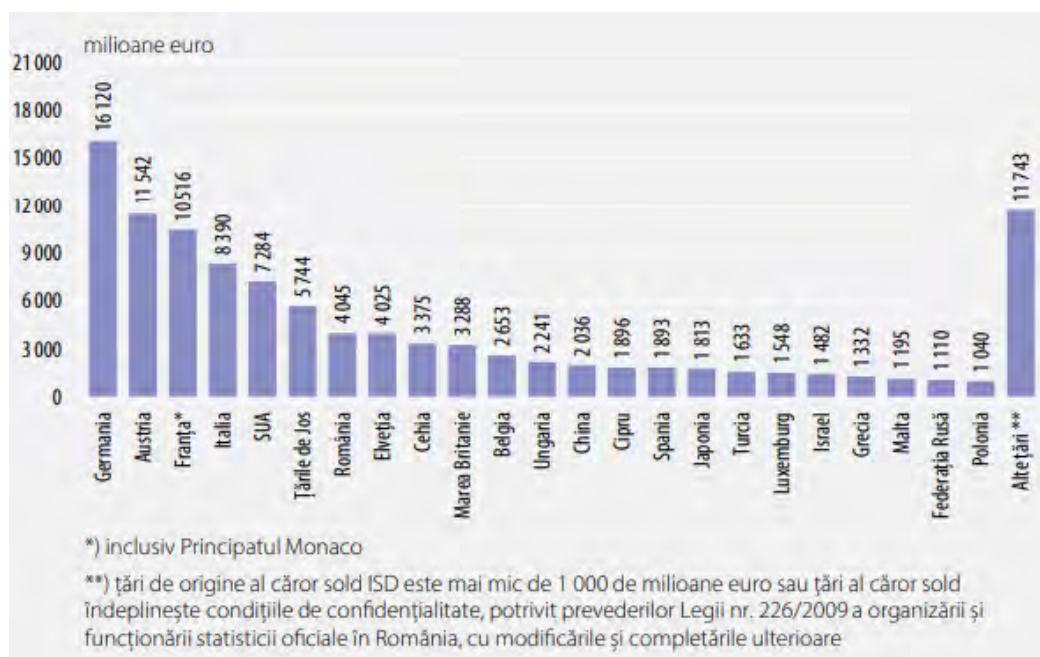
Figure 7: Net flows of FDI, by component (2013-2022)



Source: BNR (2023)

It may also be interesting to understand where FDI is coming from. The same report of the National Bank of Romania sheds some light on the issue (BNR, 2023).

Figure 8: FDI Stock by country of origin on December 31st, 2022, by country of the final investor



Source: BNR (2023)

As impressive as they are, the billions of euros or dollars invested in Romania underestimating the real impact of FDI because they do not reflect the input in human capital in a country isolated by an autocratic and autarchic regime. Technological upgrade is the most visible form of the FDI, but it would be of a limited use without the access to suppliers and, especially, customers.

However, at EU and national level, this liberal policy of virtually unrestricted movement of capital is under the threats of bureaucratic restrictions. *“On 14 April 2022, the Romanian Government passed a Government Emergency Ordinance No 46/2022 on measures implementing Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019, which amends the FDI screening framework in Romania. FDI projects in designated areas of the economy whose value exceeds the EUR 2 million threshold are subject to Government’s authorization. The regime applies to investors from non-EU countries, or to EU investors that are directly or indirectly controlled by non-EU person. As an exception, the above-mentioned investments may be subject to the review even if they do not exceed the EUR 2 million threshold, if by their nature, they may have an impact on national security or public order or present risks to them.”* (UNCTAD, 2022; Government of Romania, 2022).

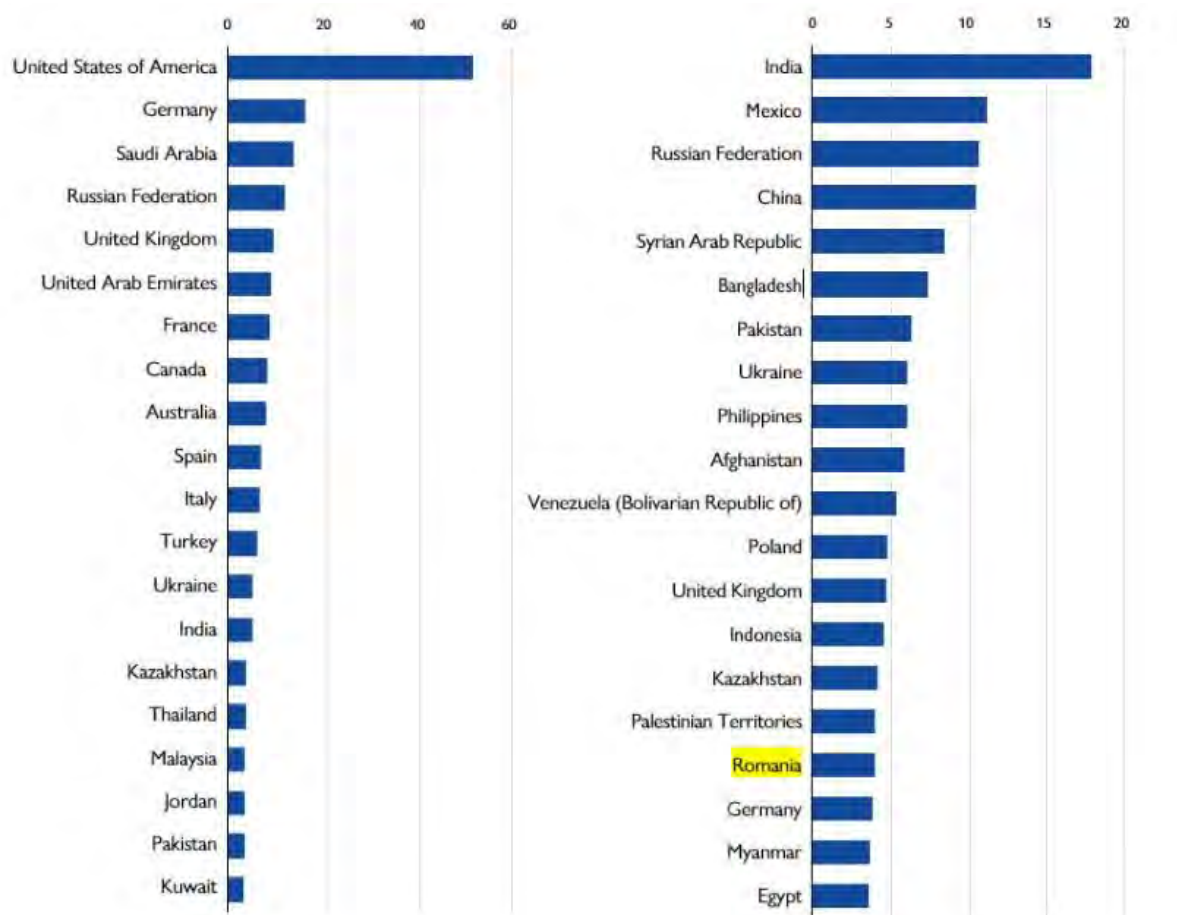
Free movement of people

Communist Romania had one of the most restrictive policies regarding travelling abroad for its citizens. After 1989, every Romanian was allowed to travel, but low income and the visas required by Western countries were discouraging for many law-abiding citizens. For these reasons, the free movement of people represents one of the most palpable advantages of EU membership at the individual level.

Imbalances accumulated before 1989 and the errors of an erratic transition transformed millions of Romanians into economic migrants. Working abroad was, at the individual level, the only way to avoid unemployment and the only hope to escape poverty. In most cases, the plan was to accumulate a little capital and return to the country. In general, the repatriation becomes less likely with every year spent abroad and with any children born on foreign soil. In 2016, for the first time, more Romanian children were born abroad than in Romania (Ager Press, 2017).

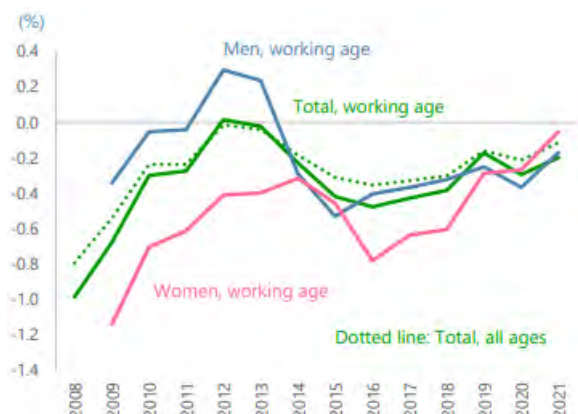
The figures are varying among sources, but they converge on the amplitude of the phenomenon: As a percentage of the population and in absolute numbers, Romania is always present in emigration tops. The same figures suggest that the Romanians who wanted to emigrate already did it and it is unlikely that the tendency could accelerate or keep the same pace in the future. On the contrary, increasing the standard of living and the quality of governance are among the factors that could reduce or even reverse the migration of Romanians.

Figure 9: Top 20 destinations (left) and origins (right) of international migrants in 2020 (millions)



Source: IOM (2021)

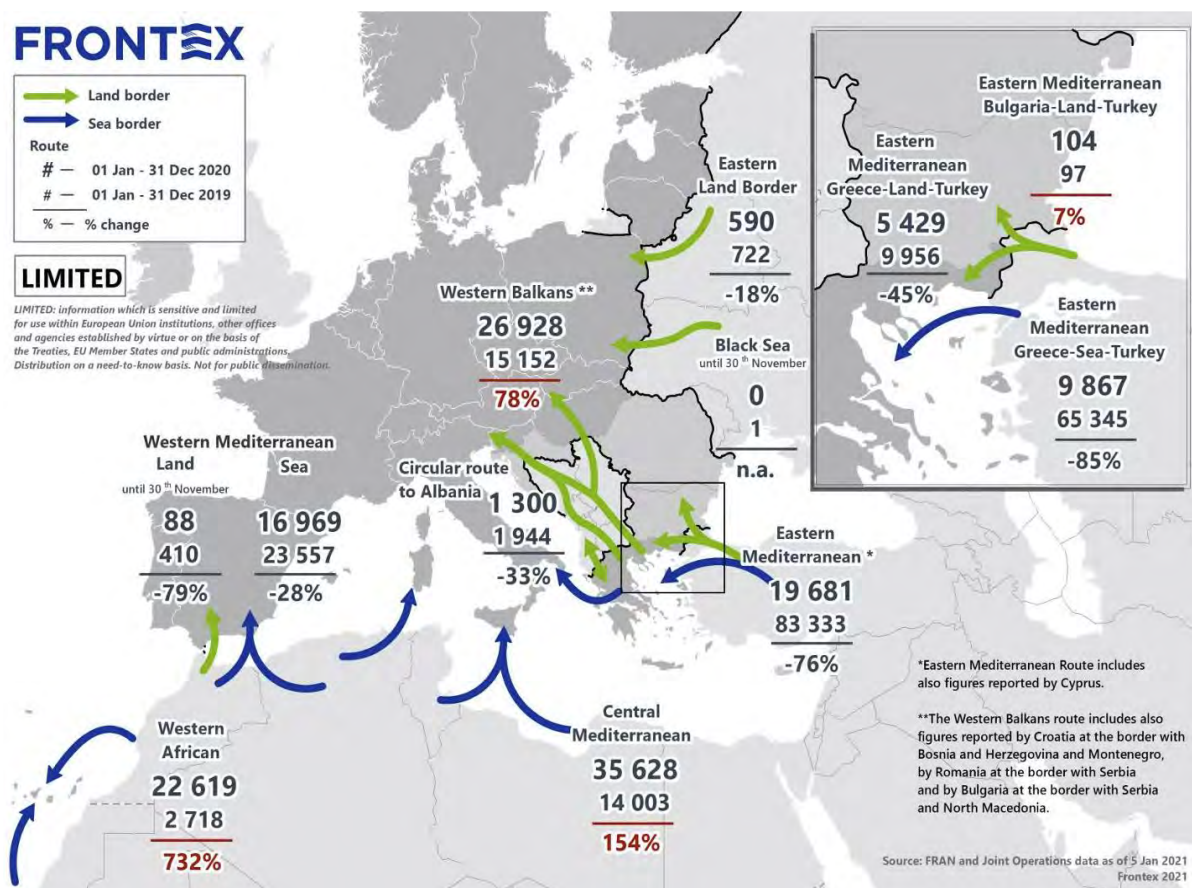
Figure 10: Romania - Net Migration



Source: Eurostat (2022)

Previously, Netherland's and, more recently, Austria's veto to Romania's acceptance in the Schengen agreement was related to a non-EU migration problem, as this agreement is one of "mutual recognition of visas". On one hand, according to Frontex, most migrants don't use the Romanian route to enter the territory of the EU, but other countries, who are either members of the Schengen Agreement or who are not even EU members, as can be seen in the map below.

Figure 11: Detections of IBC (2020)



Source: Frontex (2021)

Despite that, Austria didn't veto Croatia's accession to the Schengen Agreement, which would have made more sense in the anti-migration logic that was used to motivate its vote.

On the other hand, excluding Romania from the Schengen agreement could do next to nothing to block Romanian migrants, workers, or tourists in other EU countries. As EU citizens, Romanians can travel (and, since 2014), work or migrate without restriction in any other EU country. However, there are significant losses (estimated in the hundreds of millions of Euros) for Romanian (and Bulgarian) economies because of the waiting times at the border. Another impact, more difficult to quantify, is that Romania's exclusion from the Schengen agreement is generally perceived as unjust and abusive and fuels the campaigns of extremist political parties (Stratfor, 2023).

The half-good news is that Romania and Bulgaria have joined the Schengen agreement on 31st March 2024, but only for air and maritime borders, which is of little help for the main source of

discontent, the road transportation. While the recent EPP meeting in Bucharest transmitted the political signal that Austria won't oppose Romania's integration in the Schengen Agreement (EPP, 2024), there is still no certain date of full membership.

Free movement of services

Transportation

At first sight, it is a paradox that one of the strongest resistances against free movement of services took place in one of the sectors where the service consists in movement by its very definition: transportation. The paradox is only apparent because competition could easier happen in this field. Differences in incomes and only partially differences in labour regulations provided CEE transporters a competitive advantage in this field. Transporters located in the richer parts of the EU successfully lobbied (EUR-Lex, 2024) to limit the impact of the competition and this process continues to this day.

The strategy is to put in place regulations that generate disproportionate costs on CEE transporters, in order to reduce, at least partially, their competitive advantage. These measures include but are not limited to: increasing the road tolls, requesting to align wages and other labour regulation provisions to those of the "richer" country, and even requesting that truck drivers spend nights in motels, instead of the dedicated space of their truck cabins (Kulikowska – Wielgus, 2014).

White collar migration

Access to the medical profession is regulated differently in EU member states. After a long process, mutual recognition of diplomas was achieved (European Parliament, 2005). Combined with free movement of people, this process slightly increased competition in a heavily regulated market. There is a beginning of an integration process, in the form of Romanian physicians practicing in France for example, while Italian customers buy dental services from the very dynamic Romanian market (Mihailov, 2019). Prospective French medical students (human or veterinary), rejected from the medical schools of their home country, often decide to fulfil their professional ambitions by enrolling in Romanian universities (France24, 2009).

Some could point out the downsides of this process: Romanians could complain about the brain drain of physicians educated in public universities, French medical professional could blame the "unfair" competition of Romanian physicians or that of the French trained in Romania etc. However, all this process shows that regulations in some state members are too strict (they artificially lower the supply) and have undesirable side effects (services are too expensive, some fields or regions are facing medical workforce shortage). The patient should have the right to be informed about the professional background of their physician and to decide if they trust them or not.

2. Barriers in the way of the Single Market

Single market and competitiveness scoreboard

The European Commission's (EC) Scoreboard (European Commission, 2024) measures the effectiveness and performance of the Single Market in different areas. The Scoreboard allows for an in-depth analysis of enforcement tools, as well as an assessment of regulations and conditions for doing business that have a direct bearing on the functioning of the Single Market. Detailed country-by-country information provides insights into the effective implementation of the common rules of the Single Market in Romania and gives ideas for enhancing the country's competitiveness.

The single market guarantees the free movement of goods, capital, services and people, known as the "four freedoms" enshrined in the EU treaties. A functioning Single Market opens up more opportunities for citizens and businesses, stimulates competition and trade, improves market efficiency and boosts economic growth. A well-functioning Single Market requires effective enforcement of existing rules by the European Commission and EU/EEA Member States. The Single Market and Competitiveness Scoreboard tracks countries' performance in implementing the four freedoms. The Dashboard reviews two strands - first the analysis of the tools for implementing the common rules, and then the assessment of the conditions for doing business within the Single Market.

Tools for implementation

The Single Market is based on commonly accepted rules that ensure its smooth functioning. The European Commission and Member States work together to ensure that EU law is implemented and applied properly - this is called enforcement. Data on Member States' transposition of EU law and on infringement cases show the state of its correct implementation.

This report takes into account all transposition notifications made by 5 December 2023 for Single Market Directives with a transposition deadline on or before 30 November 2023. On that date, 1001 Directives and 6492 Regulations are in force, which ensure the functioning of the Single Market. All comparisons are with data for 10 December 2022, the previous reporting date.

Single market legislation can only achieve its intended effects if the provisions of the relevant Directives are fully and correctly transposed into the national laws of the Member States within the time limits set in those Directives.

Monitoring transposition helps the functioning of the single market by ensuring that single market rules are correctly applied in Member States.

This monitoring shows the transposition deficit (the difference between the number of single market directives adopted by the EU and the number of directives transposed by each Member State) and the compliance deficit (the percentage of directives transposed incorrectly). It highlights what Member States are doing to ensure the correct implementation of single market legislation and thus encourages them to improve their performance.

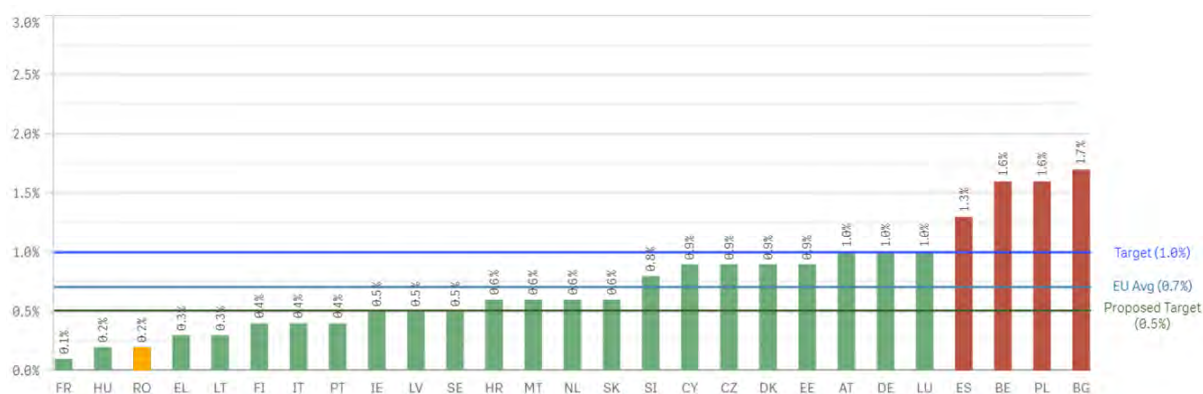
Article 17(1) of the Treaty of the European Union (TEU) requires the Commission to ensure that all Member States apply and respect the rules of the single market. The Commission can take legal action by launching an infringement procedure under Article 258 of the Treaty on the Functioning of the European Union (TFEU) against any EU Member State that does not apply EU law. The Commission can refer the matter to the Court of Justice of the European Union (CJEU), which can impose financial penalties in certain cases.

Monitoring infringements helps the single market to function better. It highlights the efforts Member States are making to ensure the correct application of single market law and encourages them to improve their performance.

Transposition and infringements

The transposition deficit is the percentage of single market directives for which the Commission has not yet received full notification out of the total number of directives that should have been notified by the deadline. The March 2007 European Council set a target of 1%. A new target of 0.5% was proposed in the Single Market Act of April 2011 and in the Communication "The Single Market at 30" of March 2023. Romania has a transposition deficit of 0.2%, among the lowest in the EU. As of December 2023, only France has a lower transposition deficit. Romania reports 2 overdue directives, compared to an EU average of 7 overdue directives.

Figure 12: Transposition deficit of Single Market directives, by Member States, as of 5 December 2023



Source: Single Market Scoreboard (2024)

Long delays in transposition seriously undermine the proper functioning of the single market. The longer the delay, the less legal certainty and the more serious the consequences for people and businesses. The European Council has traditionally set a 'zero tolerance' target for delays of 2 years or more in transposing directives. Missing notifications for these long overdue Single Market Directives already account for 27% of the total transposition deficit (54 missing notifications out of 198).

In general, Romania has had a relatively good performance compared to EU averages. The notable exception to its performance track record was 2021, mostly due to the effect of the COVID-19 Pandemic (Figure 13).

Figure 13: Trend in transposition deficit (Romania)



Source: Single Market Scoreboard (2024)

Unfortunately, the situation overall is not as great as it may initially seem. Romania's overall performance can be better understood using Figure 14 below.

Figure 14: Single Market Scoreboard Performance Indicators

Perf. Ind.	AT	BE	BG	CY	CZ	DK	DE	EE	EL	ES	FI	FR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SE	SI	SK	EU Avg
Indicator 1	1.0%	1.6%	1.7%	0.9%	0.9%	0.9%	1.0%	0.9%	0.3%	1.3%	0.4%	0.1%	0.6%	0.2%	0.5%	0.4%	0.3%	1.0%	0.5%	0.6%	0.6%	1.6%	0.4%	0.2%	0.5%	0.8%	0.6%	0.7%
Indicator 2	0	-7	-1	0	-5	4	0	5	-1	-12	-5	-2	-5	-13	-7	-3	0	-5	-7	2	-8	-5	-9	-1	-2	-2	-3	-3
Indicator 3	2	1	5	1	2	1	2	3	2	4	2	0	2	2	2	1	1	1	2	2	1	6	3	1	2	0	3	2
Indicator 4	12.3	13.1	15.5	15.1	15.3	16.8	19.9	16.6	40.6	21.6	15.9	11.2	16.8	33.1	20.8	16.8	12.1	10.1	17.7	25.6	16.6	19.1	26.3	22.5	17.2	9.7	15.6	18.3
Indicator 5	1.4%	1.2%	1.6%	0.9%	1.7%	0.9%	1.8%	1.1%	0.9%	1.3%	1.0%	1.3%	1.1%	2.3%	1.5%	1.4%	0.7%	0.5%	0.4%	0.4%	1.2%	1.5%	0.8%	1.2%	0.8%	0.6%	1.3%	1.2%
Indicator 6	18.4	15.3	14.4	16.5	19.9	12.1	21.5	18.0	17.4	19.5	15.3	20.9	17.8	26.1	17.0	16.9	15.6	16.3	16.0	15.1	23.9	19.5	18.8	20.7	17.8	20.1	18.5	17.9

[Indicator 1] Transposition deficit

[Indicator 2] Change over the last 12 months

[Indicator 3] Number of overdue directives (2 years or more)

[Indicator 4] Transposition delay for overdue directives (in months)

[Indicator 5] Conformity deficit

[Indicator 6] Duration of infringement proceedings for late transposition (in months)

Source: Single Market Scoreboard (2024)

Romania reports 1 directive with a long delay (over 2 years), while the EU average is 2. The directive in question is **2019/1/EC on the Empowerment of the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market**.

Romania has a relatively slow transposition process, taking on average 22.5 months, while the EU average is 18.3 months. The conformity deficit, or the percentage of all directives transposed incorrectly, is at 1.2%, equal to the EU average, but higher than the previous limit of 1%, and much higher than the new proposed limit of 0.5% (Figure 15). The data shows that Romania also has an excessively long duration of infringement proceedings for late transposition at 20.7 months, above the EU average and well above the 12 month proposed maximum.

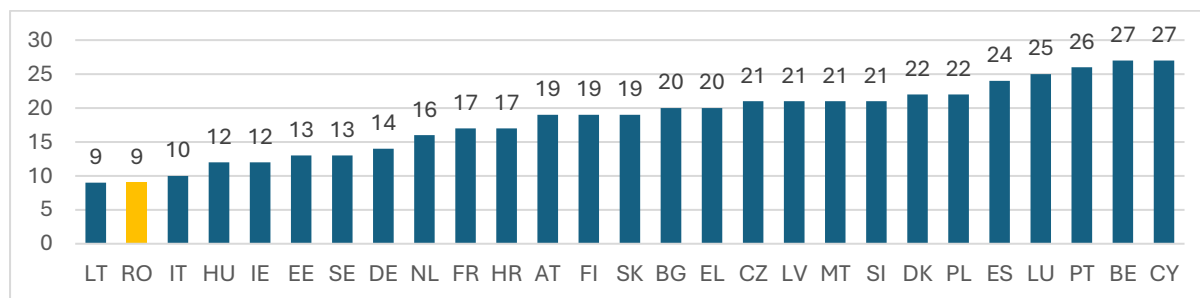
Figure 15: Conformity deficit of Single market directives, by Member States as of 5 December 2023



Source: Single Market Scoreboard (2024)

Romania has 32 pending infringement procedures, while the EU average is 26 (Figure 16). The most problematic sectors are Energy (6 cases), Atmospheric pollution (5 cases), Financial services (4 cases), and Waste management (4 cases) (European Commission, 2024a).

Figure 16: Number of pending infringement proceedings



Source: Single Market Scoreboard (2024)

The average duration of infringement proceedings is 40 months (49 months for the EU) and the average time needed to comply with the Court's decisions is 44.4 months (54.3 months for the EU). The duration of infringement proceedings for late transposition is also relatively high at 20.7 months (17.9 months for the EU). We can conclude that Romania is relatively slow in dealing with infringement proceedings and Court decisions, and overall has a larger transposition deficit, a larger compliance deficit and a larger number of pending infringement proceedings.

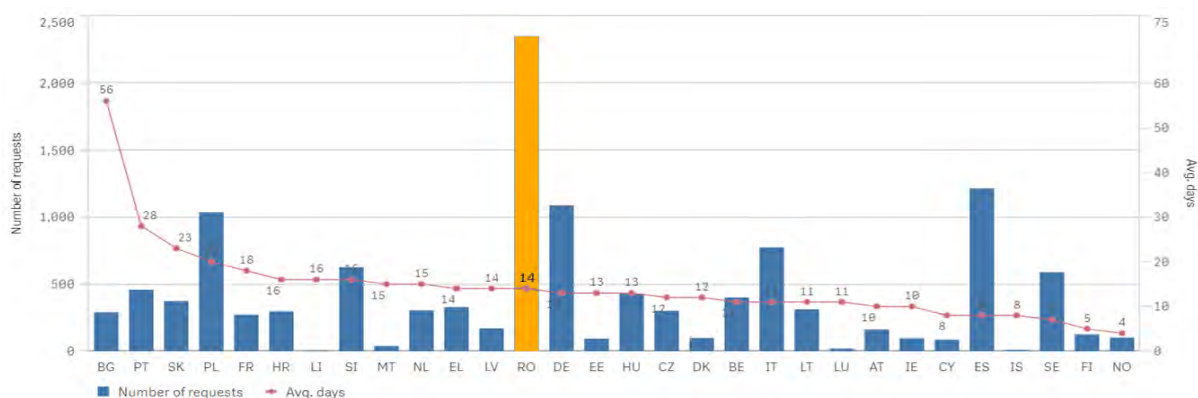
Administrative cooperation and support services for individuals and businesses

The Internal Market Information System (IMI) is an electronic system developed jointly by the European Commission and EU Member State administrations. IMI is a secure, multilingual online tool that facilitates the exchange of information between public authorities involved in the

practical implementation of EU legislation. IMI is available in all EU official languages and provides a faster, better structured and more reliable exchange of information between the competent authorities of all EU Member States.

Romania performs well in terms of the performance of the Internal Market Information System. On average about 82% of all enquiries are received within one week, in line with the EU average which is just over 80%. The average response time is 14 days while the EU average is 15 days (Figure 17).

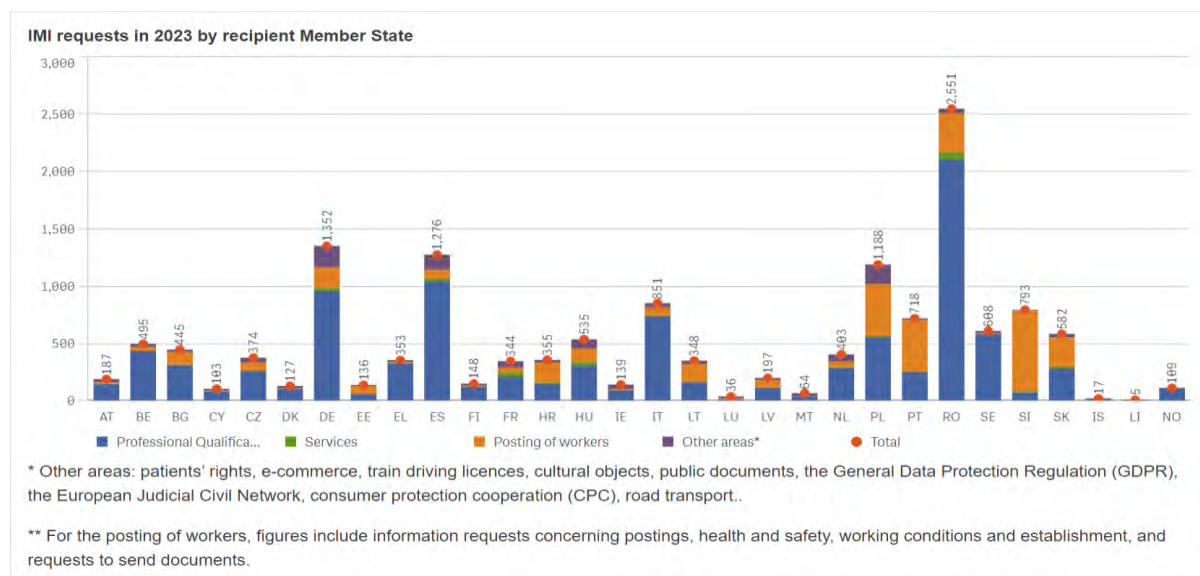
Figure 17: IMI - Speed in answering requests (all legislative areas)



Source: Single Market Scoreboard (2024)

The interesting thing about Romania is that it is, by far, the country receiving the most requests through IMI, as can be seen in Figure 17 above. Figure 18 below shows that the vast majority of the 2551 requests received by Romania in 2023 were related to Professional Qualifications and Posting of Workers.

Figure 18: IMI requests in 2023 by recipient Member State



Source: Single Market Scoreboard (2024)

Conditions for doing business

The Scoreboard presents a set of indicators that assess the performance of EU Member States in meeting specific conditions for doing business relevant to the functioning of the Single Market and the competitiveness of businesses. The focus is on administrative responsiveness and regulatory burden, open access to public procurement, access to services and workforce mobility.

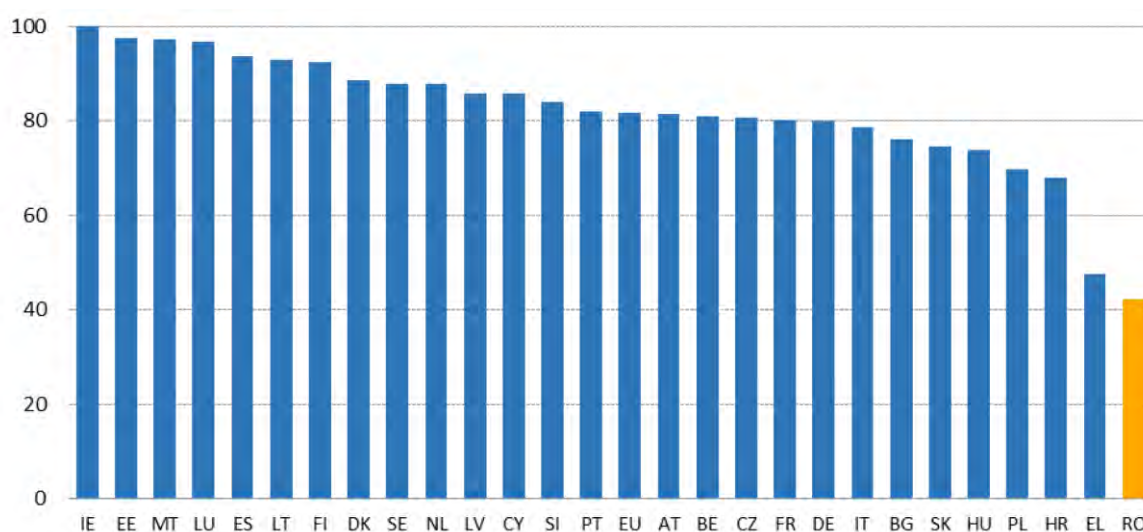
Responsive administration and regulatory burden

Indicators on the burden of regulation show that while overall framework conditions for business in the Single Market are improving, difficulties remain in certain areas. Stakeholder perceptions of regulatory burden in the EU averaged 3.8 on a scale of 0 (highest burden) to 7 (lowest burden) in 2022, up from 3.6 in 2021. This is the result of improvements that have taken place in the vast majority of Member States in recent years. The perception of regulatory burden in Romania is 3.3, lower (worse) than the EU average.

According to the EIB's latest 2023 Investment Survey (EIB, 2023), the average percentage of respondents in Member States who believe regulation is a barrier to long-term investment has fallen from 65% in 2020 to 61% in 2023. In Romania, the figure is 58%, with a higher percentage (77%) in services, when referring to Labour regulation.

In terms of administrative responsiveness, in 2022, all EU countries, except Greece and Romania, scored between 60 and 100% on the Digital Public Services for Business index (Capgemini et al., 2022), with the EU average being 83.7%. Romania's index value is 44.6%, massively lagging behind the EU average. We should also note that more than 70% of EU countries scored above 80%.

Figure 19: Digital public services for businesses (Score 0 to 100), 2021



Source: eGovernment Benchmark, Capgemini et al. (2022)

In 2023 the average delay in payments by public authorities at EU level is 17.5 days. This is a significant increase compared to the years before the COVID-19 pandemic and a slight increase compared to 2020, the first year of the pandemic. Resolution times for insolvency issues have remained broadly stable, suggesting that there have been no significant changes to insolvency legislation in Member States in recent years. In Romania, the time to resolve insolvency issues is 3.3 years compared to an EU average of 2 years.

Figure 20: Responsive administration and burden of regulation (Romania)

Indicator	Romania (2022)	EU average
Burden of government regulation (survey replies: 1 = worst, 7 = best)	3.3	3.8
Digital public services to start and run a business (100% = best performing)	44.6%	83.7%
Payment delays by public authorities	16 days	17.5 days
Time to resolve insolvency (2020)	3.3 years	2.0 years
Impact of regulation on long-term investment decisions (survey replies)	46.3%	n/a

Source: Single Market Scoreboard (2024)

Access to public procurement

Procurement is the process by which public bodies, such as government departments or local authorities, purchase works, goods or services from companies. Public procurement accounts for around 14% of the EU's gross domestic product (GDP). It is regulated by law in order to maximise value for money for the public sector and to ensure compliance with three basic principles: equality, non-discrimination and transparency.

To create a level playing field for businesses across Europe, EU legislation sets minimum harmonised rules for public procurement. They govern how public authorities and certain public service operators buy goods, works and services. The European Commission's procurement strategy aims to improve EU procurement practices in a collaborative way, working with public authorities and other stakeholders. The number of public procurement contracts published continues to increase, with 272 000 contracts published in 2022, almost double the number 10 years ago (European Commission, 2024).

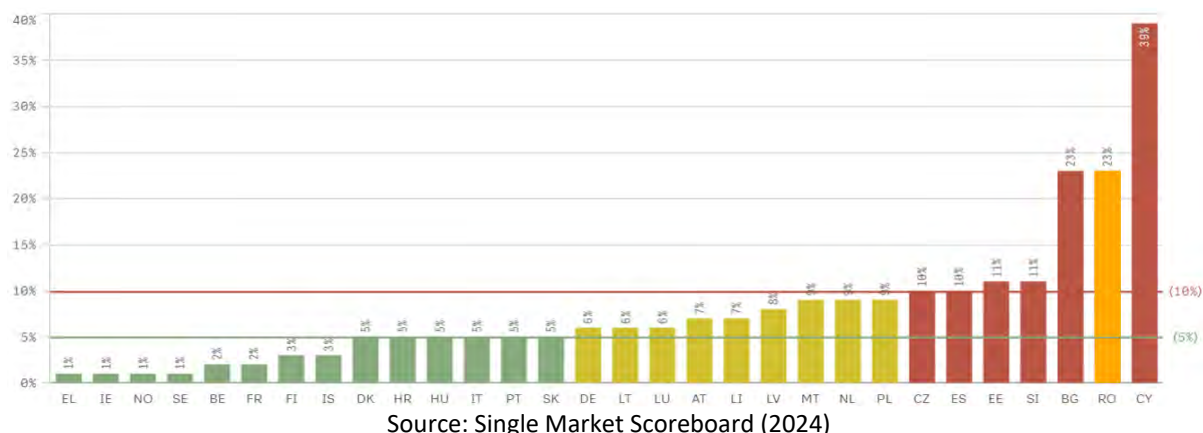
In 2022, the share of public procurement tenders with only one bidder rose to its highest level in 10 years. Within the EU, there are 5 countries where the share of public procurement with only one bidder is above 40%. Romania is among them, with 42% of public procurement with only one bidder (Figure 21).

Figure 21: Single bidder contracts (%)



Despite the small increase compared to 2021, the level of direct awards follows the overall performance of recent years. Figure 22 shows the proportion of procurement procedures negotiated with a company without an invitation to tender. Romania is among the countries where direct award is most frequently used, with the share of direct award reaching 23% in 2022, while almost all member states are below 10%.

Figure 22: Direct procurement (%)



The value of public procurement publication as a share of national gross domestic product (GDP) continued to increase on average in 2022, generally approaching the 6% benchmark, although it has declined in 10 countries since 2021; there is no EU country with a publication value below 2% in 2022. Romania's published procurement value was 8.7% in 2022.

Data quality indicators (i.e. missing previous publication numbers, missing supplier registration numbers, missing buyer registration numbers) are very good, close to 0% for Romania. There is a wide variation in country scores, indicating large room for improvement in some Member States.

According to eCertis indicators, the availability of data provided by EU countries remains stable between 2022 and 2023.

Figure 23: Access to public procurement (Romania)

Indicator	Romania (2022)	EU average
Single bidder	42%	37%
No calls for bids	23%	7%
Cooperative procurement (proportion of procedures with more than one buyer)	1%	7%
Award criteria (proportion of procedures awarded to cheapest bid)	86%	56%
Decision speed (days)	105	87
SME contractors	53%	56%
SME bids	63%	66%
Procedures divided into lots	47%	30%

Source: Single Market Scoreboard (2024)

Access to services

Services account for around 70% of the EU economy, 70% of employment and 90% of new jobs.

The Single Market for services is not yet complete - cross-border trade and investment in services lags far behind that in goods. Not all services can be easily traded across borders. This is mainly due to the remaining regulatory and administrative barriers that impede cross-border trade and investment in services. These barriers are a major factor limiting the availability of services to consumers and businesses in the EU.

The EU Restrictiveness Indicator (EURI) measures the level of regulatory restrictiveness on a scale from 0 (least restrictive) to 6 (most restrictive) for cross-border provision of services and the right of establishment for seven groups of professional services with a high share in firms' EU intermediate consumption (the value of goods and services used as inputs in the production process) or cross-border mobility. These are accountants (including tax consultants), architects (including landscape architects and interior designers), civil engineers, lawyers, estate agents, patent agents and tourist guides. The indicator is based on assessments carried out by the Commission and verified by Member States' authorities.

In the area of professional services, the dashboard shows little progress in reducing regulatory barriers to entry and practice between 2017 and 2021. Although some Member States are introducing limited reforms, others are increasing restrictions. Compared to 2017, EU average EURI values have remained similar for all professions monitored in 2021, with a slight increase (implying more regulations) for tourist guides, real estate agents and travel agents.

Legal services remain the most protected profession in the single market (of all the professions monitored). This has negative implications for the competitiveness of the industry as all EU companies, including SMEs, devote a significant share of their intermediate consumption to legal services. The average EURI score for legal services remains at 3.4, with little or no improvement over the last 5 years; most EU countries are above the EU average (and 10 countries score 3.0 or above).

Figure 24: Restrictiveness indicator - Lawyers



Source: EU Restrictiveness Indicator (2022)

Architects, civil engineers and patent agents are also well protected from competition in the single market – EU average EURI scores for these professions are relatively high at 2.5, 2.4 and 2.2 respectively.

Romania does not perform satisfactorily on the restrictiveness indicators, lagging behind the EU average in most of occupations. Romania lags behind in the case of architects, accountants, civil engineers, and tourist guides. The only sector in which Romania does better is that of real estate agents, where Romania scores 0 as the profession is unregulated. There is almost no change in the indicators for Romania between 2017 and 2021, indicating that the regulations of the professions under consideration are not changing and there are no efforts to reduce the regulatory burden.

Figure 25: Access to services and services markets (Romania)

Indicator	Romania (2021)	EU average
Restrictiveness indicator - architect	3.0	2.5
Restrictiveness indicator - accountant	3.2	1.7
Restrictiveness indicator - civil engineer	2.6	2.4
Restrictiveness indicator - lawyer	3.4	3.4
Restrictiveness indicator - real estate agent	0.0	1.3
Restrictiveness indicator - patent agent	2.2	2.2
Restrictiveness indicator - tourist guide	1.7	1.2

Source: Single Market Scoreboard (2024)

The vast majority of requests for recognition of professional qualifications in the 2019-2021 Single Market period have been met. At EU level, 71% of the cases registered in the database on regulated professions resulted in a recognition decision, 10% in a non-recognition decision, and the remaining 19% were either unresolved (no decision taken), pending or under appeal.

Labour mobility

In 2022, an average of 3.8% of people of working age were EU movers, people in one EU country who are citizens of another EU country (European Commission, 2023). However, this figure varies from less than 2.5% in many Central and Eastern European countries to over 10% in countries such as Austria, Cyprus and Luxembourg. Romanians remain the largest individual group of movers, at a staggering 27%. Overall, the number of movers in the EU increased by 1.5% between 2019 and 2022. Mobility benefits both businesses looking for staff and people wanting to work abroad.

EURES is a system set up under EU law that specifically supports the cross-border recruitment of workers by increasing the visibility of vacancies available in another Member State, EEA countries and Switzerland. Indicators show that EURES is a useful tool to facilitate labour mobility in the EU. For example, in 2022, the vast majority of countries (24) used the single coordinated channel to transfer both vacancies and CVs. This is in line with Article 17 of the EURES Regulation, which contributes to matching vacancies with CVs in the EU, EEA and Switzerland. For the 15 EURES countries in 2022, more vacancies are published on the EURES website than are reported by Eurostat.

Restrictions on trade in services

The OECD Services Trade Restrictiveness Index (STRI) is "an evidence-based tool that provides information on regulations affecting trade in services in 22 sectors across all OECD member countries". The index rates countries on a scale of 0 to 1, where 0 indicates no restrictions and 1 indicates maximum restrictiveness. It covers 22 of the 27 EU Member States and thus allows an assessment of services regulations within the Single Market. Romania is not included in the OECD database, but the overall indicators for the EU countries, including specifically the CEE countries, give an idea of the burden of regulation within the single market. STRI was launched in 2014, thus the following table covers the longest possible period (2014-2022).

Figure 26: STRI of EU22 compared to the US (2014 & 2022)

Sector	EU22 (2014)	EU22 (2022)	Change EU22 (2014-2022)	US (2022)	Diff EU22- US (2022)
Logistics cargo-handling	0,169	0,183	0,014	0,199	-0,016
Logistics storage and warehouse	0,161	0,183	0,022	0,198	-0,015
Logistics freight forwarding	0,164	0,172	0,009	0,202	-0,030
Logistics customs brokerage	0,157	0,167	0,010	0,190	-0,023
Accounting	0,254	0,265	0,011	0,170	0,095
Architecture	0,193	0,202	0,009	0,176	0,026
Engineering	0,215	0,226	0,010	0,188	0,038
Legal	0,370	0,376	0,006	0,175	0,201
Motion pictures	0,155	0,172	0,017	0,125	0,047
Broadcasting	0,215	0,223	0,008	0,265	-0,042
Sound recording	0,159	0,179	0,020	0,155	0,024

Telecom	0,144	0,162	0,018	0,153	0,009
Air transport	0,400	0,404	0,004	0,521	-0,118
Maritime transport	0,233	0,240	0,008	0,356	-0,116
Road freight transport	0,194	0,208	0,014	0,209	-0,001
Rail freight transport	0,190	0,195	0,006	0,143	0,052
Courier	0,158	0,168	0,010	0,350	-0,182
Distribution	0,169	0,178	0,009	0,132	0,046
Commercial banking	0,167	0,179	0,012	0,201	-0,022
Insurance	0,158	0,161	0,003	0,276	-0,115
Computer	0,175	0,193	0,017	0,137	0,056
Construction	0,193	0,210	0,017	0,209	0,001

Source: OECD Services Trade Restrictiveness Index (2024a)

The table shows a worrying trend, with all 22 sectors considered within the single market seeing an increase in restrictions between 2014 and 2022. The smallest increases are seen in the insurance (+0.003 STRI points), air transport (+0.004 STRI points) and rail freight and legal services (both +0.006 STRI points) sectors. At the other end of the spectrum are the telecommunications (+0.018 STRI points), sound recording (+0.020 STRI points) and logistics, warehousing and storage (+0.022 STRI points) industries.

Despite only a modest increase in restrictiveness, air transport is the most restrictive sector in 2022 with a score of 0.404. We find the legal industry in second place (0.376 STRI points) and the third most restrictive industry is accounting (0.265 STRI points). On the other hand, the three least constrained industries are logistics customs brokerage (0.167 STRI points), telecommunications (0.162 STRI points), and insurance (0.161 STRI points).

The negative values in the last column show that the average restrictiveness in the 22 EU Member States surveyed is lower than the US restrictiveness. In exactly 50% of the industries included, restrictiveness was higher in the US, and in the remaining 50% it was higher in the 22 EU Member States in 2022. This is only a small change from 2014, when 13 industries were less restrictive in the EU22. Between 2014 and 2022, the construction and telecommunications industries in the EU22 have become more constrained compared to the US.

Central and Eastern European (CEE) Member States show a better performance in terms of restrictiveness compared to Western EU countries. However, the period under review has seen an unfavourable trend, with CEE countries' restrictiveness increasing at a faster pace than in Western countries and in some areas the regulatory burden in CEE outpacing that in Western countries. For example, in the areas - broadcasting, telecommunications, road freight transport and courier services - CEE countries had lower regulatory stringency than their Western counterparts in 2014, but in 2022 this scenario has reversed, with CEE countries showing a higher average level of regulation in these sectors.

Although the overall trend in the CEE countries may seem negative, there is considerable heterogeneity within the group. At one end of the spectrum are Hungary and Poland, which in recent years have been characterised by populist and conservative policies. In these two countries, the observed changes amount to +0.050 STRI points for Hungary and +0.036 STRI points for Poland, while in all other countries the changes are below 0.030 STRI points. Conversely, at the opposite end of the spectrum are Slovakia, with a modest increase of only 0.009 STRI points, and Estonia, where the STRI actually decreased by 0.014 points.

Finally, the analysis of the data presented here from 2014 to 2022 reveals a worrying trend of increasing restrictiveness across all 22 industries examined. While some sectors show only marginal increases, others show more substantial increases, indicating a challenging environment for international trade in services. CEE countries are increasing services restrictiveness and losing competitiveness. However, there are also successful examples of more liberal policies within CEE.

Recommendations

Green Deal: How green? How much? Who is paying for it?

Towards a reasonable environmentalism

Policies must be evaluated and re-evaluated according to their effects, not according to their intentions. Facts should trump feelings.

A general recommendation would be a reassessment of the recent environmental dispositions (mostly, the post-Green Deal regulation) from the economic and environmental point of view. The economic costs of some policies (measures) seem to be massively underestimated (by orders of magnitude), along with some of their unintended damageable consequences on the environment, while their benefits are not always fulfilling the initial expectations.

Some of these costs represent a disproportionate burden for lower-than-average income families, with effects similar to a regressive tax. This effect combined with the fiscal transparency required in a democracy generates and amplifies the mistrusts of “simple citizens” toward the “political elites”, the main electoral fuel of populists.

The recent discourse surrounding the destiny of aging vehicles presents a compelling case study: Will the European Union incentivize their refurbishment, aligning with the principles of the circular economy, or will it ultimately impose prohibitions on the repair of “residual vehicles” as a means to expedite the transition to electric vehicles? Notably, the latter proposition has been perceived as a legitimate concern across a broad spectrum of media outlets, extending beyond those traditionally associated with Eurosceptic perspectives. European Union authorities have rebutted claims suggesting the imposition of a temporal restriction (15 years) on vehicles, clarifying distinctions between ELV (end-of-life vehicles) and EV (electric vehicles). The essence of the debate may not reside in the definition of irreparable vehicles but in determining the locus of decision-making authority: should it be vested in the vehicle's proprietor or an external entity?

The political and bureaucratic micro-management of society generates more problems than it can solve.

Eliminate remaining artificial barriers to land transportation: Romania and Bulgaria in Schengen

The veto by the Netherlands and Austria against Bulgaria and Romania's inclusion in the Schengen Agreement highlights a complex issue that goes beyond the simple dynamics of EU mobility. Misinterpreting this action as an anti-immigration measure overlooks the nuanced motivations behind such political decisions, which are more likely aimed at appealing to less informed domestic voters rather than addressing substantive policy concerns. Despite this exclusion, the mobility of Bulgarian and Romanian citizens within the EU remains largely unaffected, indicating that the veto's implications are more symbolic than practical.

However, the real impact of this decision is most evident at borders such as the Romanian-Hungarian frontier, where border controls impose significant logistical and economic burdens on transporters and travelers. These measures not only disrupt trade and personal movement but also contradict the EU's principles of free movement and economic cohesion.

Eliminate the measures against ECE transporters.

Directive 2006/123/EC, issued on December 12, 2006, aimed to safeguard, encourage, and enhance the free movement of services, a key pillar of the European Single Market. However, subsequent state-level actions have inadvertently imposed excessive burdens on Eastern and Central European (ECE) transport companies. While not overtly discriminatory in wording, these measures effectively limit the market access for ECE transporters and diminish competition within the EU's transportation sector. Consequently, not only do these transport companies suffer, but also the broader array of businesses that rely on their cost-effective services, with the primary beneficiaries being their counterparts in Western and Northern Europe.

This situation presents a dual challenge: economically, it escalates costs and undermines market efficiency; politically, it provides ammunition for anti-EU factions to portray these developments as targeted economic warfare against ECE nations, favoring more affluent member states. Such narratives can exacerbate regional disparities and fuel political tensions within the EU. Anti-European political parties can easily frame this as a deliberate policy targeting ECE countries in one field where their companies have a competitive advantage, to the benefit of the richer ones.

Protect the Sharing Economy

The sharing economy could contribute to a better protection of the environment. The technological and contractual innovations allow a more efficient use of the existing resources, a significant cost reduction and improved convenience for the consumers. In some cases, this comes along with a disruption of established industries, which used their economic and political influence to slow, reverse and even block new entrants that provide a substitute for their services. Prominent examples include car sharing and home sharing ventures.

Taxi companies, for instance, have employed a variety of legal and political tactics to obstruct car sharing initiatives, ranging from outright bans to imposing unnecessary regulatory hurdles on their competitors, such as expensive licensing requirements and restrictions on the number of market participants. These actions create barriers to entry, reduce competition, and potentially increase costs for consumers. Although courts have frequently rejected such anti-competitive measures, some have been successful.

The challenge lies in the boundless creativity of those threatened by competition, who often find it easier to resort to political strategies rather than adapting to consumer demands. A notable legislative proposal aimed at restricting competition requires transportation service providers to own a fleet of vehicles, effectively banning the concept of car sharing. The outcome of this

proposal is uncertain, but it is clear that it will divert resources from economic activity to political and legal disputes.

A similar dynamic is observable in the hospitality industry, where regulatory efforts have aimed to restrict property owners' ability to capitalize on their assets, affecting potential customers. Opposition to these sharing platforms includes not just industry competitors and tax authorities, but also local residents concerned about rising rents. This regulatory environment creates uncertainty and carries both private and societal costs

It is also worthwhile to remind that high rents are usually the sign of an attractive and dynamic city. The most effective strategy to moderate rent levels is to increase housing supply through the issuance of construction permits in a transparent and timely manner, rather than imposing controls or caps on rents.

Here, EU regulation could play a crucial role in safeguarding competition within the single market by affirming the right to utilize one's property, including renting it out, without undue administrative burdens. Clarifying these rights would alleviate regulatory uncertainty and deliver societal benefits. Upholding property rights and minimizing transaction costs are valid areas for public authority intervention, particularly by the EU, to foster a more dynamic and competitive market environment.

Protect medical education and the medical services market

The Romanian healthcare sector, particularly in dental services, has become a leading destination for patients seeking high-quality yet affordable treatment options. This success is largely due to Romania's effective combination of skilled medical professionals, modern clinics, and competitive pricing. The market for medical services is also less regulated than those of other Western countries.

The country's approach highlights the importance of balancing regulatory oversight with the encouragement of innovation and competition within the healthcare market.

To foster similar success across the European Union's healthcare sector, it is recommended that EU authorities focus on creating a regulatory environment that ensures patient safety and quality of care while avoiding excessive regulations that could hinder market competitiveness and innovation. Emulating Romania's model could enhance the EU's attractiveness as a center for medical excellence and tourism, providing accessible, high-quality medical services to citizens and international patients alike.

Refrain from occupational licensing and demonopolize professional associations.

Occupational licensing has emerged as a significant barrier to market entry, ostensibly aimed at protecting consumers from misinformation and exploitation. However, the certification process often becomes less about ensuring competency and more about generating revenue, a shift

that favors the system's architects over the consumers it's meant to protect. This is particularly true when the value placed on holding a certificate overshadows the actual skills and knowledge it should represent. Two conditions typically exacerbate this issue, reducing the licensing system's value to consumers and facilitating rent-seeking behavior among those in charge of certification.

First, mandating certification through regulations can, paradoxically, diminish its intended value. If these qualifications truly served their purpose, consumers would naturally favor services from certified professionals, effectively sidelining uncertified competitors. This requirement, however, often serves more as a gatekeeping mechanism than a mark of quality, enabling those who control the certification process to engage in rent-seeking by exploiting the regulatory framework to their advantage.

Second, when regulations confer exclusive rights to certain bodies to oversee these certifications, it can lead to a situation where these organizations operate as monopolies. This monopolistic control not only stifles competition but also creates fertile ground for rent-seeking, as these bodies can dictate terms and extract undue benefits from both practitioners seeking certification and consumers seeking services.

To counteract the potential for rent-seeking and reduce unnecessary barriers to market entry created by occupational licensing, a deliberate strategy is required, possibly supported at the EU level. This approach would emphasize the enforcement of professional association rights, allowing for the emergence of multiple, competing professional bodies. Such competition could lead to more effective, efficient certification methods that address information asymmetry without succumbing to rent-seeking tendencies.

In the absence of such strategic interventions, the single market's benefits risk being gradually co-opted by rent-seekers, undermining long-term competition, innovation, and productivity.

Connection of local energy markets

Achieving a unified energy market within the European Union is contingent upon establishing a robust network infrastructure that facilitates seamless connections between local (national) energy grids. While national electricity networks are already interconnected to some degree, there is a pressing need to enhance this existing framework. The European Union has set ambitious goals to bolster this connectivity, aiming for a minimum interconnection target of 15% by 2030. This objective mandates that each member state should possess the capacity to export at least 15% of its domestically produced electricity across borders to its neighbors, enhancing cross-border energy flow and market integration.

The integration of renewable energy sources into the EU's energy mix underscores the critical importance of enhancing cross-border interconnectivity. The variable nature of renewable energy production, due to factors such as weather conditions, necessitates a more interconnected network. This would allow for the balancing of energy surpluses and deficits across regions, ensuring a stable and reliable energy supply despite the unpredictability of renewable sources.

Furthermore, the transition away from fossil fuels does not envisage the immediate elimination of natural gas, which serves as a cleaner alternative to coal—a predominant energy source in numerous EU countries. Expanding interconnectivity between national networks presents a cost-effective solution relative to the benefits it delivers, such as increased resilience and a diversified energy supply portfolio. This is particularly relevant as the EU seeks to reduce its dependency on single energy sources and enhance its overall energy security.

However, the pursuit of a more interconnected energy market extends beyond the realms of technical and infrastructure considerations. Legal and economic dimensions also play a crucial role in this process. Regulatory frameworks and market designs must evolve to support the development of an EU-wide integrated energy market, ensuring that national regulations on electricity and natural gas pricing do not hinder market unification efforts. Creating a cohesive regulatory environment is essential for fostering a competitive, transparent, and efficient energy market that benefits all European consumers.

In summary, while significant strides have been made towards interconnecting Europe's energy networks, further enhancements are essential for realizing the vision of a single energy market. This requires a balanced approach that addresses technical, regulatory, and economic challenges, paving the way for a more sustainable, secure, and competitive energy future for the European Union.

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