An Irish Economic Paradigm for Bulgaria and Romania?

Kim Hudson

Professor Blecker

12/21/07

Table of Contents

I. Introduction

Ireland, Bulgaria, and Romania all share the common history of being the poorest countries in integrated Europe. Ireland proactively managed to transition from being the poorest member to one of the wealthiest. Romania and Bulgaria are currently attempting to make the same transition and are both having significant difficulties. Because of their apparent stagnation and Ireland's legacy of overcoming the same situation, it is relevant to examine factors that converged to create Ireland's Celtic Tiger and see if anything can be applied to Romania and Bulgaria's current situations. This paper analyzes Ireland's policies that created its economic growth and asks if Bulgaria and Romania could adopt a similar path to convergence.

Ireland has had the largest increase of FDI inflow of any EU member since it joined in 1973 (Barry, 2000, p. 1379). It started out as the poorest member of the integrated area. Over three decades, Ireland set up a framework of policies that made the country appealing to FDI, which funded the Celtic Tiger. The second wave of the fifth accession admitted Bulgaria and Romania. They are currently the two poorest countries in the integrated area.

All countries have to host FDI in order to maintain their competitiveness, "whatever their development level and historical background" (Fabry and Zeghni, 2006, p. 202). There is a recognition in the economic scholarly community that safe and reliable institutions are a catalyst for growth (Rodrik and Subramanian, 2003; Edison, 2003). Government institutions have also been found to be a significant inward-FDI attractor in transition economies (Pournarakis and Varsakelis, 2004; Bevan, Estrin, and Meyer, 2004). Although not automatic, FDI is the best way to swiftly achieve increased standards of living, industrial modernization, productivity, and develop international trade in transition countries (Bevan and Estrin, 2004; Paas, 2003). Unfortunately, despite real demand and supply potential, transitional countries have not had a sharp increase of FDI-inflows after joining the EU.

Although in a similar position, it is unrealistic to expect that Bulgaria and Romania will be able to copy Ireland's policies verbatim. There are also Irish policy choices that Romania and Bulgaria should not follow, such as completely ignoring the funding for indigenous industries in favor of foreign industries. However, Ireland is an excellent counterpoint to the transition countries' current economic situation.

II. THE ANALYSIS

The scholarly literature of the Celtic Tiger has defined the four main factors that converged to create Ireland's unprecedented economic growth: government policies, European regional funds, demographics, and geographic location. Without the choice behavior of the Irish government, the other factors would not have converged to create the level of explosive growth that occurred. The Irish government made choices in each of these areas, independent of other nations that converged to create the right factors for economic growth. Government policy will be analyzed in each of the countries in order to understand what reforms Romania and Bulgaria could potentially make taking into account their demographics, geographic location, and level of European regional funds.

III. THE INTERGOVERNMENTALIST APPROACH

This paper is founded on the assumptions of the intergovernmentalist school of international relations theory. Intergovernmentalism explains state and intergovernmental organization (IGO) choice behavior as the independent and dependent variables in a decision making process. Simply put, the integration process is a series of choices made by independent nation-states. The EU's institutional structure is the dependent variable, "a credible commitment to integration" instead of an independent actor (Garrett and Tsebelis, 2001, p. 385). This analysis places an emphasis on cooperation between sovereign states to achieve regional stability.

These assumptions explain why Ireland, Bulgaria, and Romania became members of the integrated area and how their new policies are created. Based on the assumptions from the intergovernmentalist school that countries are rational actors, it continues that they will integrate only to the point that they perceive it as beneficial to their interests. Therefore, states decide upon mutual policies like political and economic integration only when they reach preference convergences, i.e. when it is mutually beneficial (Johansson, 2002, p. 875).

It is important to understand the initial reasons for European integration that brought Ireland into the fold. According to intergovernmentalism, integration facilitated the survival of Western Europe by strengthening it vis-à-vis the USSR during the Cold War (Cini, 2003, p. 175). The two devastating wars of the 20^{th} century showed the European countries the necessity of peacefully coexisting with each other. Their decimated infrastructures made the governments weak in the face of the growing Soviet bloc and they joined together to face that threat.

After the fall of the Soviet bloc, the European states have integrated the former Comecon members in order to ensure the relaxation of tensions that had occurred after the fall of the USSR. All of the EU members have found it in their best interest to foster regional stability and standard of living convergence. This does not mean that there are divergent interests between countries, but that there is enough mutual rational self-interest to create the policies that were created.

For Ireland's economic progress to have occurred, the governments of the other member countries of the integrated area had to choose to make the decisions that led to this success. However, the integration would not have been as successful if Ireland had not decided to make positive policy choices.

IV. Obstacles to Policy Transfer

There are two main obstacles that stand in the way of making comprehensive comparisons of Ireland, Romania, and Bulgaria. The first is that they have significantly different historical contexts. Their policies are tailored to fit these varied histories. Second, Ireland did not have the legacy of institutionalized corruption that Romania and Bulgaria are battling today.

The key architect of the intergovernmentalist theory of European integration, Stanley Hoffman (1995), does not believe that nation states are homogenous entities (p. 45). His vision highlighted states as unique communities with governments that have interests based on historical, cultural, and political concerns. Therefore, policies that worked in one country will not necessarily work in another country.

Each state is an individual with distinctive characteristics that affect its policy choices. Ireland, Romania, and Bulgaria have different historical and economic legacies. Ireland has had over eight decades of experience as a sovereign nation in the global economy. Romania and Bulgaria have had less than two decades. Ireland is part of the Western European legacy of democracy and laissez faire economics. Bulgaria and Romania were members of the Soviet bloc and its command economic bloc.

Their respective overlords left them with different levels of institutional stability. The British set up an administration in Ireland that was able to function as a state after the crown withdrew its rule. The CEEC transitional countries had political, institutional, and economic vacuums in the late 1980s after communism and its command economy failed (Trandafir, 2007, p. 12).

Ireland also had a smaller convergence gap to close with the EC than the two transitional countries currently have to close with the EU. Ireland's GDP per capita was 65 percent of the European area's average in 1973.[1] Romania and Bulgaria are at 38 percent and 35 percent respectively of Europe's average today. Therefore, the newer countries have a larger gap to bridge for convergence.

Intergovernmentalism states that policies that worked in one country will not necessarily work in another country. Rodrik and Subramanian (2003) added that

[1] All data is from the UNCTAD Handbook of Statistics 2007 unless otherwise noted.

institutions are deeply rooted in a country, necessarily diversified in their settings, and therefore difficult to transfer abroad. In their words, institutions are “sticky” (p. 32). This makes it difficult for one country’s policies to be analyzed for replication in another country.

Another significant difference is the level of corruption in the individual countries. Ireland never had to deal with overwhelming institutionalized corruption (Barry, 2000, p. 1385). Corruption is a significant characteristic of all of the transitional countries. The Transparency International Corruption Perceptions Index (CPI) highlights the stark contrast between Ireland and the transitional country levels of corruption (Transparency International, 2007). The CPI puts the differences between the countries in perspective. The index analyzed 108 countries and ranked them on a ten point scale, with zero indicating complete corruption and ten implying no corruption. Ireland ranked eighteenth with a score of 7.5. Bulgaria ranked sixty fourth with a score of 4.1, which was about the same level as Croatia and Cuba. Romania ranked far worse at seventieth place with a score of 3.7, which placed it with Ghana. Ireland is clearly in a different league of corruption levels. The CPI only dates back to 1998, so the Ireland of 1973 cannot be analyzed. However, it is well documented that Ireland has not been a corrupt nation (EIU, 2007, p. 32).

There is a large body of research indicating that the more corruption a country has, the less FDI inflow it will have and vice versa. Mauro (1995) determined that there is a statistically significant negative correlation between the level of corruption and the levels of investment and growth in a country. Goldsmith (1999) found that the new consensus view of corruption is that it stunts economic growth. This literature supports the argument that corrupt countries would have difficulty attracting FDI inflows based on their relative level of corruption.

The European Union (EU) has acknowledged that Bulgaria and Romania have significant problems with corruption. Corruption was one of the major reasons that Bulgaria and Romania did not reach accession in 2004 with the other fifth-enlargement countries. In order for them to enter the EU in 2007, the IGO took the unprecedented step of the institution of benchmarks and safeguards to ensure that these countries continue to fight corruption (Shepherd, 2007, p. 120).

V. Circumventing Obstacles

There are significant arguments that mitigate both of the obstacles to policy transfer. Ireland, Romania, and Bulgaria have similarities in their historical legacies that negate some of the differences. Also, transitional countries are currently in the process of creating their institutions and therefore are at their most ready to accept suggestions from others. Finally, there are a number of countries with high rates of corruption that still enjoy large inflows of FDI.

Historically, Ireland never quite fit with the rest of Western Europe politically or economically. Politically, Ireland was ruled by the Imperialist British Empire until the 1920s. This differed from most of Western Europe, which enjoyed centuries-old legacies of independent statehood. Once free, the independent Ireland was categorized as part of the European periphery because of its location and near complete absence of industrialization.

Economically, Ireland was dependent on Britain long after it became an independent state. Britain imported up to 86 percent of Ireland's total exports until the late 1980s (Kirby, 2004, p. 303). This continued reliance was a sore point for Ireland. Irish trade policy choices in the ensuing years were marked by it. Also, Britain's economic policies did not fund industrialization in Ireland but rather centered around Ireland's agricultural sector (Powell, 2003, p. 432). The rest of Western Europe had already gone through the Industrial Revolution. It would not be until the 1980s that Ireland would successfully industrialize.

Romania and Bulgaria were politically and economically dependent on the USSR until the late 1980s. An impressive but artificial development of industry took place in Bulgaria to meet the needs of the Soviet bloc. Unfortunately, all of the sectors of communist industrial development in Bulgaria collapsed after the fall of the Comecon. The effects of the Soviet subsidies and protected markets combined with external shocks on Bulgaria's economy led to a steep decline in economic output in the early to mid 1990s. Bulgaria suffered from high inflation and a large current-account imbalance. Many sectors of the economy, such as manufacturing, did not begin to grow again until 2000 (EIU, 2007, p. 23).

Ireland also suffered economic setbacks after it gained independence in 1922. From the 1920s to the 1950s, Ireland's GDP growth rate averaged slightly below 2 percent. The rest of Western Europe averaged more than 4 percent GDP growth for the same time period.

Ireland was the poorest member of the European Community (EC) when it joined in 1973. Ireland actually began with al lower GDP 1973 than Bulgaria and Romania. Ireland's nominal GDP in 1973 was $7.3B, Bulgaria's was $12.4B, and Romania's was $14.8B. However, Ireland's GDP per capita was higher, Ireland had $2,359, Bulgaria had $1,437 and Romania had $710.[2]

Currently Ireland's GDP per capita has converged with the rest of Europe. By 2005, Ireland surpassed the developed European countries average GDP per capita of $29,700 and was at $48,696. Bulgaria and Romania however had not converged; their nominal GDP per capita were still in the single thousands; $3,411 and $4,557 respectively.

There are two reasons why corruption in Romania and Bulgaria could be mitigated. First, the EU has added safeguards and benchmarks to force the countries to prosecute their corrupt politicians and there have been positive developments. Bulgaria was acknowledged in the most recent European Commission Annual Report for its positive judicial reforms necessary to converge with the total body of EU law accumulated up to that date known as the acquis communautaire (European Commission, 2007). Second, Harrison (2004, p. 7) found that some corrupt countries have significant FDI inflows. In his study, the nations with low CPI scores and high FDI inflows include; Bolivia, Ecuador, Venezuela, and Vietnam.

---

[2] Unless otherwise specified, all $ are at current 2003 prices

VI. Macroeconomic Stability, Trade Liberalization, and Industrial Promotion

The Irish experience is relevant to Bulgaria and Romania in the areas of trade liberalization and tax structures but not in regard to macroeconomic stability. Unlike Bulgaria and Romania, Ireland did not require IMF interventions after its multiple currency and budget crises. The other relevant point in this area is that the Irish political parties reached an amiable and long-term consensus in each of these areas.

The Irish government actively tinkered with its economy for decades before the economic growth of the Celtic Tiger occurred. The government wanted to modernize the economy, increase the country's standard of living, and create a significant industrial sector. Like every other nation, Ireland made positive and negative policy choices in the lead up to its economic boom. Slowly beginning in the 1960s, Ireland legislated a framework that was later infused with FDI capital and created the Celtic Tiger. FDI is far from an automatic way to increase standards of living but it has worked for Ireland.

From the beginning of independence in the 1920s, Ireland embarked on economic programs designed to reduce Britain's influence. In the 1930s, the government decided to create industry through protectionism. These policies created moderate growth. Unfortunately, they also resulted in a balance of payments crisis in 1958.

The balance of payments crisis of 1958 was the catalyst for the examination and redirection of policy. It was not until after this crisis that in the 1960s Ireland's government began to lay a groundwork of economic decisions that eventually became factors in the creation of the successful Celtic Tiger period.

The Irish government dismantled a significant amount of the protectionist trade barriers in the 1960s. Government policies went from strong protectionism to tepid trade liberalization. The government implemented unilateral tariff cuts in its first attempt at export-led growth. It succeeded in enticing a small sum of FDI into the country. Unfortunately, domestic liberalization did not occur in tandem, so indigenous entrepreneurship was not encouraged. Overall economic growth remained poor.

The most successful policies implemented by the government at the time were in the area of industrial promotion. The most important economic decision that the Irish government made during that period was the creation of its Industrial Development Agency (IDA). In 1969, the IDA became an autonomous state body and was made responsible for all aspects of Ireland's industrial development (IDA, 2007). It was at this time that the IDA began to build strategic relationships with key MNCs that would eventually entice FDI into Ireland. The IDA was one of the most important government tools that led to Ireland's unprecedented inflow of FDI in the late 1980s and 1990s.

Ireland's Industrial Development Agency (IDA) is world renowned as the best FDI capturing government agency in the world (Heritage Foundation, 2007, p. 1). The IDA's import in the attraction of FDI almost cannot be overstated. The data shows that in the areas of the economy in which the IDA gave grants, MNCs sprouted subsidiaries and vice versa. The IDA helped to create a more diversified manufacturing sector and increased employment and growth rates.

According to its website, the IDA has offices around the world that market Ireland to high-tech MNCs in four key sectors, chemical/rubber/plastics, pharmaceuticals, professional instruments, and office/computer equipment/electrical equipment (IDA, 2007). The IDA has a domestic agenda to make Ireland more enticing for FDI. It works to foster a climate of innovation and entrepreneurship within the country.

The Irish government did a novel thing in the late 1980s when the political parties formed a consensus to stave off an IMF intervention. The sense of hope in Ireland after accession in 1973 was dashed quickly by the external oil shocks that rocked the world during that decade. Ireland's economy worsened from 1973-86. The oil shocks of 1973 and 1979 led to a fiscal crisis, when the government compensated for the collapse in consumer spending with an unsustainable boost in government expenditures (Powell, 2003, p. 2). The severity of the crisis was such that, from 1971 to 1981, public borrowing increased by 7 percent of GNP even though there were large hikes in already-high tax rates along with high interest rates (Powell, 2003, p. 2). These policies led to serious budget deficits and a large current-account deficit.

The populist government had to decide how to stave off IMF intervention. Charles Haughey and his Fianna Fail Party were elected in 1987 on the platform of status quo high government expenditures (Powell, 2003, p. 3). However, the only option that appeared viable was a significant decrease in taxes and government expenditures. Because of the overwhelming economic success that followed these measures, he became one of the most respected Prime Ministers in history. The main opposition party supported the government’s reforms, being the classically liberal leaning party. Thus a full debt crisis and external intervention were both averted.

The beginning of Ireland's unprecedented economic growth is generally given as 1987. Two major events occurred in that year: the near-complete liberalization of government policies and the first waves of a flood of FDI. The influx of foreign capital into the economy was the fruition of two decades of trade liberalization and active Irish government recruitment of FDI. It is clear that the positive gains that occurred that year were the harvest from the policies that former governments had planted.

i. Bulgaria

Like Ireland, Bulgaria went through periods of significantly different government economic plans. It was not until 1997 that Bulgaria began to create a positive economic environment. However, the IMF and the currency board have significant input in regards to the country's monetary policies. Its trade liberalization has taken place as part of its accession to the EU. Also, Its tax structure is already liberal in comparison to the rest of Europe.

There are four periods of Bulgaria's history that are important to understand its current economic state: the communist era, early post-communist years of 1990-1996, the reform years of 1997-2006, and the era of EU membership that began in January of 2007.

In the communist era, an impressive but artificial development of industry took place. The communist industry development was concentrated in the sectors of steel, heavy chemicals, electronics, IT, and armaments (Crampton, 2006, p. 22). Unfortunately, all of these sectors of Bulgaria's economy collapsed after the fall of the Comecon. The effects of the loss of protected markets and the external shocks on

Bulgaria’s economy led to a steep decline in economic output in the early to mid-1990s. Bulgaria suffered from high inflation and a large current-account imbalance.

Bulgaria’s early post-communist era was marred by ineffective economic policies. Beginning immediately in 1990, the government declared a moratorium on the servicing of communist-era debt. This policy cut the nation off from the international financial markets. The break with the international community ultimately lead to two currency collapses.

Some positive reforms were attempted along with the poor choices. Bulgaria attempted an ambitious price liberalization. However, the state-owned firms accrued enormous losses and bad debts for Bulgaria’s banking sector. The government did not attempt to restructure or privatize them (Crampton, 2006, p. 48).

These issues created the first currency crisis for the country in 1994. The government had no choice but to deal with a debt rescheduling the same year in order to establish the nation in the international financial markets once again. Unfortunately, Bulgaria suffered another wave of bank failures in early 1996. The second crisis created a loss of confidence in the banking system and another currency collapse. Bulgaria’s currency, the lev, collapsed from the exchange rate of 71 lev to $1 in 1996 to 3,000 lev to $1 by February of 1997 (Crampton, 2006, p. 50).

This was a complete collapse and the economic woes led to the removal of the BSP government. The collapse was exacerbated by political in-fighting and the strained relations with the international financial markets. The IMF was called upon to help Bulgaria out of its monetary crisis.

It was at this juncture that Bulgaria's economic fortunes slowly began to turn around. The new government of Peter Stoyanov fostered reform and created good relations with international organizations (EIU, 2007, p. 12). The IMF made Bulgaria create a currency board in July of 1997 as a contingency for disbursements. The currency board has been successful in stabilizing the economy with the support of the government. The Bulgarian National Bank (BNB) has tight controls on the money supply and credit expansion that have lowered inflation and re-established confidence in the banking system. The IMF played a large role in supporting all of the reform policies since 1997.

With the reforms of the later 1990s, the economy recovered. Industry's recovery has been slow and did not improve greatly until 2001. The agricultural sector has not begun to recover yet.

Their main bodies include the Executive Agency for Promotion of Small and Medium Enterprises, the Bulgarian Chamber of Commerce and Industry, Invest Bulgaria Agency, and the Bulgarian Industrial Association. The establishment and development of trade relationships are performed by the representatives in the Bulgarian trade missions abroad.

The Bulgarian government is racked by infighting. Many in the EU fear that the truce between the parties will fail soon (Dubois and Moehring, 2006, p. 255). Almost all of the consensus that has been reached between the warring parties has been forced upon them by the EU requirements.

ii. Romania

From the late 1980s until 2000, Romania was one of the worst performing economies in Central and Eastern Europe. In the late 1980s, Romania averaged 54 percent inflation per year and a 36 percent poverty rate (WB Board of Executive Directors, 2006, p. 2). Like Bulgaria, Romania had to have an IMF intervention.

This has turned around considerably. From 2000-05, Romania's GDP has increased around 4.5 percent per year and its inflation decreased to below 10 percent per year. Its growth has been led by investments and exports.

Unfortunately, political power plays have recently been undermining this country's macroeconomic stability. Before the 2004 elections, the government increased the civil service wage and made a generous increase in state pension levels. The IMF warned against these measures since they have increased the state deficit significantly.

In regards to FDI promotion, Romania has taken a page from Ireland's IDA book and created ARIS, the Romanian Agency for Foreign Investment. ARIS' mission is to attract, retain, and increase the FDI in Romania. This body provides consultation services to foreign investors. It works to create an attractive business environment for potential investors. ARIS was involved in drafting the new investment laws that have led to a modest increase in FDI from 2005-06. ARIS worked on legislation that increased the privatization in the banking and energy sectors.

The National Bank of Romania conducted a survey in 2005 and found that total FDI into Romania amounted to €9.3 million (NBR, 2005). By economic activity, the bulk of FDI went to manufacturing. Retail and wholesale trade, financial intermediation and insurance, telecommunications, metallurgy, food/beverages/tobacco, and transport were the most important sectors. Historically important sectors in Romania such as textiles/leather/wearing apparel and hotels and restaurants had minimal shares of FDI. However they are not as important in 2007 due to outside competition.

VIII. Ireland’s Accession and Regional Assistance

Ireland, Romania, and Bulgaria are all members of the EU. It is important to highlight that for Ireland, accession to the EC was the raison d’être for FDI to enter the country. Therefore, Romania and Bulgaria have already made one of the most important decisions Ireland made to create economic growth. US MNCs needed to bypass the EC trade barriers, and Ireland was on the inside of those barriers. *Time Magazine* listed the reasons for the unprecedented economic boom as government policies, natural strengths, and the accession to the EC. The author, Ledbetter, placed the emphasis of economic success on membership in the EEC, which he called, “… arguably the best economic decision Ireland made in the 20th century.” (Ledbetter, 2006, G.6).

Ireland’s historical domination by Britain and economic failures played a significant role in its decision to join the European Economic Community. Politically, Ireland feared that if Britain joined the EEC and it did not, Britain would have even more power vis-à-vis Ireland. It was also a chance for Ireland to decrease its dependence on

Britain because it would have more power in a larger association of states. Economically, Ireland wanted to increase its standard of living and converge with Western Europe. Accession was viewed in Ireland broadly as their chance to modernize the economy.

The member states of the EC also had to find it in their best interest to accept Ireland, who along with Britain, was the most economically underdeveloped nation to enter into accession talks up to that point. A bloc of countries (Ireland, Portugal, Spain, and Greece) was nicknamed “Club Med” because they fought for more assistance to the periphery before the EMU because the single market and EMU would automatically favor regions in the geographic center (Fitz Gerald, 1998, p. 680).

The members of the EC were initially opposed to giving funds to the new poorer countries when Ireland was in accession talks in the early 1970s. The newest potential members were asking the EC for a significantly larger set of economic equalization goals and increased funds to make those goals a reality. It was widely understood that regional disparity within the EEC would have to be addressed in order to both add the new member countries and push forward with the European Monetary Union (EMU) and Single Market.

Ireland received the most aid from the Structural Fund. It is widely held in scholarly and policy circles that Ireland's successive governments thoughtfully allocated the funds from the ERDF. Ireland focused the allocation of the funds into four categories, of which the two biggest expenditures were first on human resource education and training (over 1/3 of the allocation from 1989-93) and second was on physical infrastructure.

i. Bulgaria

Bulgaria is scheduled to receive €12.8B in EU aid for the first seven years of its membership (Iancu, 2006). Bulgaria and Romania combined are required to spend €22.6B on structural reforms, €16B on agriculture, €3.5B on home affairs, and €919M on administrative infrastructure (Iancu, 2006). Bulgaria and Romania received pre-accession aid co-financed by Phare, ISPA and Sapard until their accession of 2007. The EU had not called for pre-accession aid for any of the enlargements before the tenth.

ii. Romania

Based on the decision of the European Council of December 2005, Romania is scheduled to receive €31.5B in the first seven years of EU membership (Iancu, 2005). In preparation for the expected funds, the government unfroze 8,500 civil service positions in February of 2005 in order to deal with the inflow of funds. Most of the unfrozen positions are specialists who will be involved in the details of the projects in order to make possible the absorption of the community funds to a higher degree.

Also, at the recommendation of the monitoring missions of the European Commission, Bucharest made modifications in its infrastructure to receive the SFs. The first plan was for all funds to pass through the Public Finance Ministry. After the modification, the Ministry of Transport, Construction and Tourism, and the Ministry of Environment and Water Management will all be managing authorities for the structural operational programs. The Ministry of Administration and Home Affairs will manage and implement the financial assistance for the administrative development operational program. The largest worry for all involved is to ensure that the funds are efficiently spent. The German members of the European Parliament have opposed this decision because they think the projected aid for the two countries is too high.

iii. Romania-Bulgaria cross border cooperation

PHARE[3] and Cross-border Cooperation Romania-Bulgaria programs also exist. These have been criticized for their funds absorption rate. The Minister of European Integration and the Foreign Minister have disagreed about the rate of absorption of the PHARE funds intended for this purpose. The European Integration minister issued a press release claiming that Romania has recorded high contracting and absorption rates (Ariciuc, 2006). In 2003 these rates were listed as 98 percent. The payments are between 91 and 89 percent. She claimed this as proof that Romania can absorb and maximize the European money for the benefit of the local communities. The Foreign Minister criticized the press release. He said the rate of absorption was still insufficient and that the funds were misused. He claimed that the absorption rate was below 40 percent if one took into account the funding volume (Ariciuc, 2006).

IX. Education Policies

When Ireland joined the EC, there was a consensus in the government to increase the productivity of the labor supply. The successive Irish governments have accomplished this feet by focusing Structural and Cohesion Funds in its National

[3] PHARE is an assistance program specifically set up for the member states of the fifth accession

Development Plans (NDP) on it. Ireland was not always so interested in education policy. Ireland had an inferior educational system until the cultural revolution of the 1960s created a nationwide consensus that training needed to increase the skills of the workforce (Curtis, 1988, p. 320).

Unfortunately, from independence in 1922 until the 1960s, the educational system in Ireland was largely neglected (Curtis, 1988, p. 318). Most of the Western European states reformed their educational systems after World War II. Ireland did not begin this process until the 1970s. It was not until 1967 that secondary education was offered free to the entire population.

The Irish government had largely neglected its education policies until the 1960s. There was a build-up of human capital after the educational reforms in the 1960s. In 1967, tuition fees for secondary education were removed and other egalitarian reforms were implemented. There was an overall expansion and modernization of the educational system. Two new universities were built along with an array of technical colleges and a public high school system. The government had decided to create, “the useful contributor to the material welfare of the community” (Curtis, 1988, p. 325). The old education system had focused on the ideal of the “pious patriot” that learned in order to serve God or the government. After the cultural revolution of the 1960s, the consensus became that the nation had the duty to the citizens of providing them with the intellectual tools and skills that would enable them to earn a living.

The EC’s Structural Funds and Cohesion Fund support has enabled Ireland to proceed with upgrades to its education and training. The purpose of these upgrades has been to make the Irish work force more competitive on the international market. The upgrades to the education system have been included under projects to improve infrastructure, develop the workforce, enhance competitiveness, promote social inclusion, and evenly distribute the benefits of economic growth.

i. Bulgaria

Traditionally, Bulgaria has had high educational standards. However, after the fall of communism, Bulgaria's education system has been in decline. The two major problems have been lack of funds and low teacher morale. The government has not provided enough funding for education, currently around 4.9 percent of the national budget is spent on education (EIU, 2007, p. 14). If this country focuses Structural and Cohesion Funds on its educational system as Ireland did, it will create a modern system. The increases in education lead to increases in the productivity of its workforce.

Bulgarian schools suffer from a poor material base. Relatively few computers are available, and the ones that are usually available are hopelessly outdated. Due to financial difficulties, very few funds have been allocated for purchase of new computers. Most contributions come primarily from donors (EIU, 2007, p. 14).

The teachers have been in a pay dispute with the Ministry of Education and Science. The number of teaching staff has been on the decline, from 126,048 in 2000 to 122,339 in 2005. Part of the problem is a bitter pay dispute between the Ministry of Education and Science and teachers. It appears that the dispute will end soon with a gradual pay raise and restructuring program deal almost completed. The number of university graduates has also fallen from 45,500 in 2002 to 41,500 in 2005. There has been an increase in the number of students in technical colleges and institutions of higher education overall, from 183,500 in 1990 to 238,301 in 2005.[4]

Bulgaria largely lacks a Western-style business education; its shortage is considered more serious than more advanced transition countries. This shortage is being corrected and is offset somewhat by the elite foreign language secondary schools that produce most of the country's political elite and well-educated linguists for foreign companies. Also, private primary and secondary education levels are increasing rapidly although not numerically significant yet.

The current primary and secondary education system was introduced in 1998. Attendance is compulsory from the age of seven through sixteen. Enrollment in the primary grades is around 93 percent. However, because of Bulgaria's low birthrate, total primary and secondary-school enrollment has decreased in the post-communist era. This has created a reduction in teaching staff and facilities.

i. Romania

Romania's education system is poor by Western standards and in dire need of assistance.[5] Even more than Bulgaria and Ireland, this country needs to focus its Structural Funds on its educational system. The Romanian population as of now does

[4] All data in this section comes from "EIU Country Report: Bulgaria" unless otherwise noted.
[5] All data in this section comes from "EIU Country Report: Romania" unless otherwise noted.

not entice FDI because of its inefficiency due to lack of training. The citizens have protested the central government over the low quality and lack of funding.

Romania has had the worst education system out of all three countries. Unlike Bulgaria, Romania did not have a history of educational excellence to fall back on in the post-communist era. Beginning in 1990, enrolment of the school age population fell drastically. Enrolment did not increase again until 1997. Only fourteen percent of the population has a higher educational qualification.

The EU Phare program, the main channel for EU financial and technical cooperation with CEECs traditionally, has made progress. The Phare program helped to fund the National Agency for Employment and Vocational Training that was created in July of 1998. Its purpose is to promote vocational education in order to satisfy the changing demands of the labor market as part of the EU Phare-funded programs. This agency works to increase the competitiveness of Romania's workers by adding to their skill set. Largely thanks to this agency, the number of students pursuing vocational or apprenticeship training rose by 32,000 students from 2000 to 2005.

As an indication of the overall technical skills dearth in the country, the Phare program has encountered severe problems of implementation. The cause has been the lack of trained personnel the program has been provided with. There is an absence of co-operative institutions in Romania with the appropriate skills.

Romania has continually underfunded its education program. Public expenditure on education rose to 4 percent of GDP in 2000 after averaging at around 3.5 percent for the decade of the 1990s. (This is low by European standards.) Citizens and government officials protested.

There are some indications that positive change will occur in Romania's educational system. In 2005 Mircea Miclea, the Ministry of Education Minister, resigned in protest of the chronic underfunding of education. Ensuing protest strikes forced concessions from the government. The government signed an agreement with unions to spend 5 percent of GDP on education. The government also promised a pay raise of 11.83 percent for government workers to be implemented in 2006.

X. Demographics

Ireland has always been the outlier of Western Europe in many ways. Its demographic breakdown is no exception. The emigration of young professionals in the 1950s led to an inordinately low amount of elderly people in Ireland in the late 1980s ad early 1990s (Fahey et al., 1998, p. 185). After the emigration wave of the 1950s, there was a marriage boom in the 1960s and 1970s. The marriage boom led to the baby boom from the 1970s to the 1980s, which was three decades after the post-war baby boom in the rest of Europe. Ireland's unique demographic situation both helped and harmed its economy.

Before the 1960s, the country appeared to be unable to sustain a population. The net emigration actually sustained the standard of living in that economy. The emigrants that left in later decades (the 1970s and 1980s) were mainly high-skilled and were more likely to return from their time abroad. These high-skilled workers have brought back additional experiences from abroad that have helped the economy. Coupled with increasing attendance in higher levels of education, this created an attractive sustainable labor force for MNCs.

Another larger demographic trend that Ireland exploited was its demographic situation within the context of greater Europe. Ireland's postwar birth rate did not decline until the 1980s, well after the rest of Western Europe began its decline. Ireland's baby boom from the 1970s through the early 1980s was three decades after the post-war baby boom of Western Europe, which means that during the economic growth of the late 1980s to 1990s it has had a continued increase in its potential labor force (Fitz Gerald, 1998, p. 678). This trend gave Ireland a sustainable, youthful, English speaking labor force to draw from. Today, although Ireland is facing a declining birthrate, it is offset by the net immigration the country is enjoying now that its economy is successful.

These trends led to Ireland having a more youthful population structure than the rest of Europe, which made Ireland's labor pool more attractive to FDI. Is this possible for Romania or Bulgaria?

i. Bulgaria

Bulgaria's high emigration levels and low birth rates have led to a dramatic decline in its population. The population peaked in 1988 at 9 million people, declined by 2005 to 7.7 million people, and is expected to decrease to 7 million people or less by 2020 according to official estimates (EIU, 2007, p. 5). There have been varied reasons for emigration from Bulgaria; in the late 1980s ethnic Turks left to avoid the government sponsored assimilation campaign and in the 1990s many peoples left to find employment. Even if no emigration occurred, Bulgaria's child-bearing population would still decline at least for the next fifteen years.

The decline in the health of the Bulgarian people has also led to a decrease in the population. Infant mortality increased and life expectancies decreased after the fall of communism. In the worst year, 1997, infant mortality was 17.5 deaths per 1,000 births. This problem has been decreased, 10.4 deaths per 1,000 births in 2005, but it is still more than double the EU average of 4.6 deaths per 1,000 births (EIU, 2007, p. 8). Male and female life expectancies have also increased from the early post-communist era.

ii. Romania

The population has been declining since 1990. Romania's population has fallen every year since 1990, owing to declining birth rates, increasing mortality rates and emigration. Data from the latest census, held in March 2002, indicate that the population declined by 4.9 percent between 1992 and 2002, to 21.7 million, a far sharper fall than had been indicated by official population estimates between the censuses. The urban population constituted 52.7 percent of the population in 2002 compared with 54.3 percent in 1992. At mid-year 2005, the population was 21.6 million.

There was a precipitate decline in household living standards during the transition. Apart from natural decrease, emigration has been a significant cause of the decline in the population. Estimates differ as to the size of the Romanian population that works abroad either legally or illegally; the Centre for Urban and Regional Studies in Bucharest estimated around 900,000 were abroad, which figured out to some 12 percent of Romanian households had at least one member working abroad and sending money to their family. These estimated numbers come from 2003 and the outflow is estimated to become much higher after accession.

Both Bulgaria and Romania have populations that are aging and decreasing. These governments cannot exploit a youthful demographic like Ireland did in the 1980s. Their hope is to both increase the birth rate and entice immigrants from other countries. Both of these tasks are nearly impossible in their current situations.

XI. Location

Ireland's location on the periphery in the long run turned into an asset for the country. Although geographic location was important to the country's growth, this obviously cannot transfer to the other countries. There are two lessons that Romania and Bulgaria can learn from the country. First, distance becomes less of a problem if the cargo is lighter and more valuable. Second, deregulation of transportation sectors leads to lower costs for cargo shipments.

Until the early 1990s, scholarly literature was being published claiming Ireland was doing poorly because it was geographically distant from the center of the European integration area. This location was viewed as negative due to higher transport costs for Irish merchants (Hannigan and Mangan, 2004, p. 35). There was a rationalization of Ireland's poor economic performance on the grounds that its exporters were at a disadvantage for accessing mainland European markets.

Whether that was the case is still debated; however, it is clear that changes in the international economy have decreased those negative effects. Technological changes have helped Ireland negate transport effects and gain FDI. Besides mere negation, it appears that they used their peripheral relationship to the European market to their advantage. The global economy has evolved into a more knowledge-based system in which two developments have negated problems Ireland would have due to location. First transportation costs have been reduced by lighter and more valuable freight. Ireland is the world's largest exporter of software which is some of the lightest and most valuable cargo in the world. It is definitely lighter and more valuable than the low-value agricultural exports it was dependent on from the 1920s through the 1960s.

Second, massive deregulation in the transport sector of Ireland's economy created cheaper, faster, and more reliable means of transport. Ireland is clearly capitalizing on its knowledge base to achieve freight cost reductions and is privatizing transportation so it can improve according to market demands instead of government orders (EIU, 2006, p. 10).

The monumental changes in international trade have in part made Ireland a more viable economic center. The debate over the effects of the periphery on Ireland's economy is important on a global level because this excuse has been made for many countries' poor economic performances on the outside of first world markets. If Ireland's growth has truly helped the country, then these other countries could look to Ireland's methods to revamp their own economic methods.

i. Bulgaria

Like everything else, Bulgaria's transportation infrastructure declined significantly in the post-communist era. Under communism, the system was reasonably well developed but low spending levels and poor maintenance made most of it obsolete. For example, Bulgaria's most important freight mode of transportation is the railways. In 2006, two thirds of the main track was deemed unsatisfactory. Bulgaria had to obtain 1,470 more rail cars to meet 2007's freight demand (EIU, 2007, p. 21). There are a few positive actions being taken in Bulgaria's transportation sector, but it has not been completely privatized.

There are two major reasons that Bulgaria's transport infrastructure looks promising. The first reason is that four European Transport Corridors have been planned to pass through the country. The second reason is that there has been an influx of funds from the EU for transportation, the infrastructure program of 2007-2015 has earmarked €6b for investment (EIU, 2007, p. 22).

Currently, the most important part of Bulgaria's transport sector is its railroads. Bulgaria's rail system is strictly public owned by the Bulgaria State Railways. Public ownership of the railways has been written into its constitution. The 2007-2015 infrastructure program is expected to invest €1.2b to overhaul and repair the existing infrastructure and upgrade the rolling stock. Bulgaria is also modernizing its rails by adding electric track and double tracking. However, there has been significant interest in the railroads from major European firms with the expertise to overhaul the whole system.

ii. Romania

Romania's transportation system is notorious as one of the worst in all of Europe; its road and rail networks are among the least extensive. Both the communist government and the post-communist governments have ignored transportation. This is a major obstacle to the country's economic development.

Romania also needs to privatize its transportation systems. The transport infrastructure, according to the Romanian Constitution, is public property of the state. Therefore, these assets are being administered by national or lower government entities, or companies, or corporations, under the jurisdiction of the Ministry of Transports, Constructions and Tourism (MTCT) or the Ministry of Administration and Interior who may award these assets for concession, in accordance with the provisions of the Romanian laws.

Tarom, the state-owned Romanian airline, desperately needs to be privatized. It faces growing competition from low-cost airlines. The "open sky" agreement that Romania signed with the EU has increased competition for the airline.

The railroad is also in desperate need of help. The rail network is the main means of internal transport for both freight and passengers. It is the fourth-largest rail network in Europe, but only 35 percent is electrified.

The government has revived its interest through a series of road upgrades that began in 2004. The motorway construction program will replaced the network of local roads with a network of motorways for long-distance travel. The centerpiece will be the pan-European Transport Corridor IV, which is partly financed by the European Investment Bank.

XII. Conclusion

The biggest difference between the governments of these three countries is that Ireland’s parties found a comprehensive solution during its monetary crisis in the 1980s while Romania and Bulgaria suffer from crippling infighting. Intergovernmentalism states that these countries won’t stop their bad practices until the heterogonous interests within the country decide to agree. It took three decades for Ireland’s interests to agree to compromise so it will probably be a while for Romania and Bulgaria.

The scholarly consensus is that the most important decision that Ireland’s government made was to integrate with the rest of Europe, and both Bulgaria and Romania have already followed Ireland in that regard. More Structural Fund assistance would create more incentive for Romania and Bulgaria’s governments to adhere to the *aquis communitaire* integration plans that have been given to them.

It is clear that not every aspect of Ireland’s economic watershed is applicable to the transition countries of Romania and Bulgaria. Ireland’s experiences were only helpful in the areas of education policy creation, transportation infrastructure privatization, and the use of the Structural Funds. They were not helpful in the areas of macroeconomic stability and EU accession.

Ireland’s traditional educational system was focused on the scholar instead of the worker. During the cultural revolution of the 1960s, that practice was changed. With the help of the Structural Funds, Ireland reformed its education system and focused on marketable skills. Romania and Bulgaria should definitely take note because they both have significant issues with their education systems. They both will receive significant amounts of Structural Funds, and it would be in their best interest to also focus significant portions of those funds on their education systems.

Ireland proved that there are ways to getting around the distance between a country and an economic center. Ireland privatized most of its transportation systems which brought in foreign capital to deal with its problems. Bulgaria and Romania now have the chance to use EU funds to diversify and strengthen this part of their infrastructure. They both need to write their railroad systems out of their constitutions.

Unlike other members of “Club Med,” Ireland efficiently used its SFs to deal with its most pressing problems; worker training, transportation infrastructure, and industrial infrastructure. Ireland ran a model program of matching funds and had an almost 100 percent absorption rate. Romania and Bulgaria have received their first year’s worth of funds, and they need to increase their absorption rates. Romania has already taken the important step of hiring 8,500 extra technocrats in order to deal with the projects that the government will now be undertaking.

In the areas of macroeconomic stability, demographics, and EU accession, Ireland was not a helpful example of growth. The two countries already are part of the EU and therefore do not need help with accession. It is important for them that their consensus governments not fall apart and that they continue adhering to the Monitoring Report suggestions. Economically speaking, this was the best move these two countries could take because it provided them with access to the European Single Market.

In regards to macroeconomic stability, Romania and Bulgaria both had IMF interventions and currency boards. Ireland successfully circumvented an intervention and therefore had more autonomy in its decision making. The only part of the stability that Romania and Bulgaria could learn from is the tightening of the government's budget.

Ireland had a baby boom in the lead up to the Celtic Tiger. The large amount of well-educated and relatively low-cost labor was an important factor in the decision of the MNCs to invest in that country. Bulgaria and Romania both have long-term birth declines. Therefore they will have to increase the standard of living in their countries quickly to entice immigrants.

The Irish experience offered a glimmer of hope in the way of standard of living levels for the two countries. Ireland's emigrations led to an increase in the standard of living of the population that still resided in the country. This default position is nothing more than a way of saying there are positives to the overwhelming negative of this situation.

One of the most interesting aspects of Ireland's Celtic Tiger is that a set of factors had to create a watershed before it occurred. Pre-economic boom, no one was predicting the massive growth this country would experience. Therefore although Romania and Bulgaria appear doomed to lackluster growth, it is possible that a confluence of factors could create an unprecedented watershed for them as well.

There were also policies that Ireland chose that were not beneficial and therefore should not be copied. The Irish government chose to focus the major majority of its resources on the FDI-funded export sector, which inhibited indigenous manufacturing. It was not until the Structural Funds that this oversight was rectified. This once again points to the fact that although FDI is the best way to swiftly achieve increased standards of living it is not automatic and must be monitored.

Ireland also did not have to deal with some of the issues that the transition economies face, such as corruption. There have been both positive and negative developments in the area of fighting corruption. The Romanian parliament voted no confidence in Monica Macovei. Macovei was an extremely effective Minister of Justice. She had tenaciously worked towards accelerating the completion of the reforms the EU demanded of Romania in order for that country to meet the requirements of the acquis communautaire. However, Macovei has stated that the new Minister of Justice has proven himself as a highly effective corruption fighter. Bulgaria has had a few high profile corruption cases go to trial with convictions.

In the end, the largest advantage that Ireland had over Bulgaria and Romania was its government consensus for positive change. Ireland’s politics were quite heated in the 1960s and 1970s. The populist government’s decision to liberalize the economy was unprecedented. The classically liberal party agreed with the populist government’s choices and worked to bring about the changes with them. This differs significantly with the divided governments of Romania and Bulgaria. The power plays that these governments are performing have significantly worried the EU. If the governments don’t get their acts together, the opportunities that they have been given will pass them by.

REFERENCES

Ariciuc, Corvin. “Bucharest is intensely preparing for the arrival of the structural funds.” Nine O’clock 30 Jan. 2006. <http://www.roconsulboston.com/Pages/InfoPages/Businesspages/EUFunding.html>.

Barry, Frank. “Convergence is not Automatic: Lessons from Ireland for Central and Eastern Europe.” The World Economy 23.10 (2000): 1379-1394. 5 Dec. 2000 <http://www.blackwell-synergy.com/doi/abs/10.1111/1467-9701.00336>.

Bevan, Arthur and S Estrin. “The Determinants of FDI into European transition Economies.” Journal of Comparative Economics 32 (2004):775-787.

Bevan, Arthur, S Estrin and Kay Meyer. “Foreign investment location and institutional development in transition economies.” International Business Review. 13 (2003): 43-64. 2 Dec. 2007 < http://www.sciencedirect.com/search>.

Cini, Michelle. European Union Politics. London, UK: Oxford University Press (2003).

Crampton, RJ. A Concise History of Bulgaria. Cambridge, UK: Cambridge University Press (2006).

Curtis, Bruce. “Patterns of Resistance to Public Education: England, Ireland, and

Canada West, 1830-1890." Comparative Education Review 23.3 (1988): 318-333.

Dubois, Nicolas and Johanna Moehring. "EU Accession of Bulgaria and Romania: A Tale of Two Countries – with Similar Challenges." SIGMA. 14 Dec. 2006. 12 Oct. 2007 <http://www.oecd.org/findDocument/0,3354,en_33638100_34612958_1_119693_1_1_1,00.html>.

Edison, Hali. "Testing the Links. How strong are the links between institutional quality and economic performance?" Finance and Development. 40.2 (2003): 35-37. 2 Dec. 2007 < http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/edison.pdf>.

EIU. "Bulgaria Country Profile 2007." The Economist Intelligence Unit. 3 Sept. 2007 <http://www.eiu.com>.

---. "Ireland Country Profile 2007." The Economist Intelligence Unit. 3 Sept. 2007 <http://www.eiu.com>.

---. "Romania Country Profile 2007." The Economist Intelligence Unit. 3 Sept. 2007 <http://www.eiu.com>.

European Commission. Communication from the Commission to the Council and the European Parliament: Report on Bulgaria's Progress on Accompanying Measures Following Accession. 27 Jun. 2007. 12 Oct. 2007

<http://www.evropa.bg/en/del/eu-and-bulgaria/documents.html>.

Fabry, Nathalie and Sylvain Zeghni. "How former communist countries of Europe may attract inward foreign direct investment? A matter of institutions." Communist and Post-Communist Studies 39 (2006): 201-219. El Sevier. 5 Oct. 2007 <http://elsevier.com/locate.com>.

FitzGerald, John. "An Irish Perspective on the Structural Funds." European Planning Studies. 6.6 (1998): 677-695.

Garrett, Geoffrey and George Tsebelis. "The Institutional Foundations of Intergovernmentalism and Supranationalism in the European Union." International Organization 55.2 (2001): 357-390.

Goldsmith, Arthur. "Slapping the Grasping Hand: Correlates of Political Corruption in Emerging Markets." American Journal of Economics and Sociology. 58.4 (1999): 865-883.

Harrison, Michael. "Can Corrupt Countries Attract Foreign Direct Investment? A Comparison of FDI Inflows between Corrupt and Non-Corrupt Countries." International Business Research Southern New Hampshire University March (2007). 12 Oct. 2007 <http://www.snhu.edu/2835.asp>.

Heritage Foundation. "Ireland." Index of Economic Freedom.

<http://www.heritage.org/index/>.

Hoffman, Stanley. The European Sisyphus: Essays on Europe, 1964-1994. New York, NY: Westview Press (1995).

Iancu, Alecs. “EU grants Romania over 31.5 billion euros ($38 Billion).” Bucharest Daily News. 16 Sept. 2006. 15 Nov. 2007 <http://www.roconsulboston.com/Pages/InfoPages/Businesspages/EUFunding.html>.

IDA. IDA Ireland: Ireland, knowledge is in our nature, 4 Nov. 2007 <http://www.idaireland.com>.

Johansson, Karl. “Another Road to Maastricht: The Christian Democrat Coalition and the Quest for European Union.” JCMS 40.3 (2002): 871-93. 2 Dec. 2007 <http://www.blackwell-synergy.com/doi/pdf/10.1111/1468-5965.00401?cookieSet=1>.

Kirby, Peadar. “Development Theory and the Celtic Tiger.” European Journal of Development Research. 16.2 (2004): 301-328.

Ledbetter, Jim. “The Irish Question.” Time Magazine, 168.13 (2006): G3-G7.

Mauro, Paolo. “Corruption and Growth.” The Journal of Quarterly Economics. Aug. (1995): 686-706.

NBR. Foreign Direct Investment in Romania as of 31 December 2005. National Bank of Romania. 31 Oct. 2007 < http://www.arisinvest.ro/assets/pdf/FDI2005_en.pdf>.

Paas, T. "Regional integration and international trade in the context of EU eastern enlargement." HWWA 2003 discussion paper 218. Hamburg Institute of International Economics.

Pournakis, Mike and Nikos Varsakelis. "Institutions, internationalization and FDI: the case of economies in transition." Transnational Corporation. 13.2 (2004): 77-94. 2 Dec. 2007 < http://www.unctad.org/en/docs//iteiit20045a5_en.pdf>.

Powell, Benjamin. "Economic Freedom and Growth: the Case of the Celtic Tiger." Cato Journal 22.3 (2003): 431-448.

Rodrik, Dani and Arvind Subramanian. "The Primacy of Institutions (and what this does and does not mean)." Finance and Development 40.2 (2003): 31-34. 2 Dec. 2007 < http://www.imf.org/external/pubs/ft/fandd/2003/06/pdf/rodrik.pdf>.

Shepherd, Robin. "Romania, Bulgaria, and the EU's Future." Brussels Forum. The German Marshall Fund of the United States. 3 March, 2007: 117-122. 12 Sept. 2007 <http://www.gmfus.org/publications/article.cfm?id=281>.

Trandafir, Gelu. "Romanian politics deadlocked for now." Southeast European Times. 8

Oct. 2007 SETimes. 15 Oct. 2007 <http://www.setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/features/2007/10/08/feature>.

Transparency International. “The Corruption Perceptions Index.” 12 Oct. 2007 <http://www.transparency.org/policy_research>.

UNCTAD. “FDI in brief: Bulgaria.” 12 Oct. 2007 <http://www.unctad.org>.

---. “Handbook of Statistics, 2007.” 12 Oct. 2007 <http://www.unctad.org>.

---. “World Investment Report.” 2007 ed. 12 Oct. 2007 <http://www.unctad.org>.

---. “WID Country Profile: Romania.” 12 Oct. 2007 <http://www.unctad.org>.

WB Board of Executive Board of Directors. Country Partnership Strategy. World Bank. 13 Jun. 2006. 12 Oct. 2007 <http://www.worldbank.org.ro/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/ROMANIAEXTN/0,,contentMDK:20120397~menuPK:287302~pagePK:141137~piPK:217854~theSitePK:275154,00.html>