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Broadband, Economic Convergence and Romania

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The European Answer to the Crisis: Refocus (again) on the Single Market

President Barroso "Political guidelines for the Next Commission" (09/2009)
"The exit from the crisis will only be successful if we keep a strong single market at the heart of our strategy."

Monti Report (05/2010):
"Making the single market more efficient is Europe's best endogenous source of growth and job creation"

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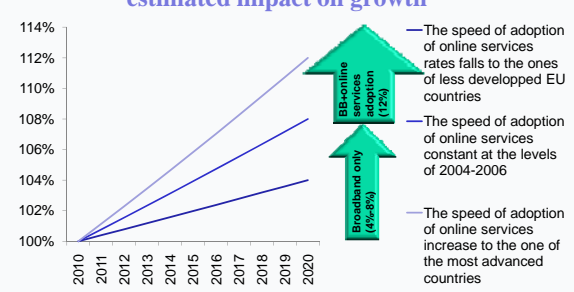
..but on a New Single Market...

1. The EU Economy switched from primarily **mass manufacturing** to a more **knowledge and service economy**
2. **Enlargement** brought in more diverse economies
3. **Globalisation** led to a higher international integration

ICT is the key of all these developments
Digital Economy and Digital Market are the new wave of European Integration

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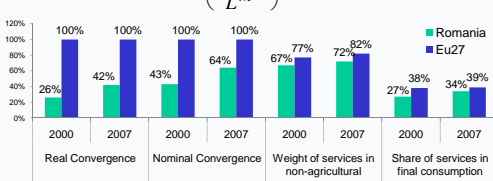
Digital Economy and Digital Single Market – estimated impact on growth



Source: MICUS (2009)

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The role of the Digital Economy to convergence The Balassa-Samuelson effect revisited

$$\left(\frac{\gamma^{NT}}{\gamma^T} \right) * \left(\frac{Y^T}{L^T} \right) = \left(\frac{P^{NT}}{P^T} \right)$$


Category	Year	Romania	Eu27
Real Convergence	2000	26%	100%
	2007	42%	100%
Nominal Convergence	2000	43%	100%
	2007	64%	100%
Weight of services in non-agricultural economy	2000	67%	77%
	2007	72%	82%
Share of services in final consumption	2000	27%	38%
	2007	34%	39%

Source: EUROSTAT

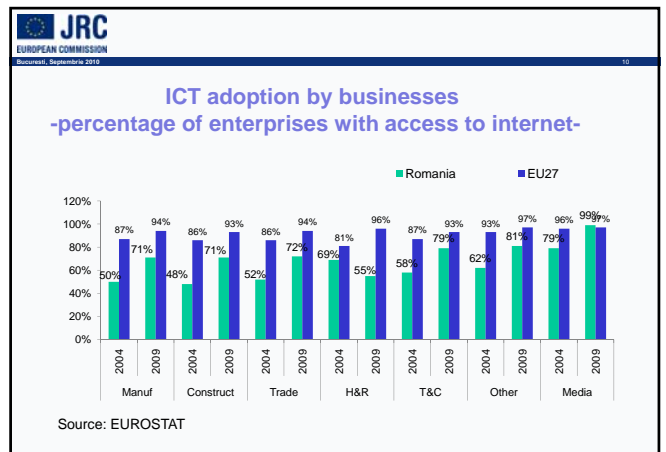
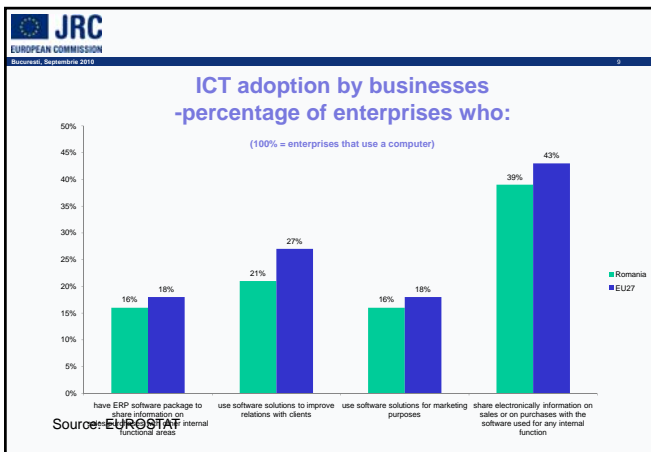
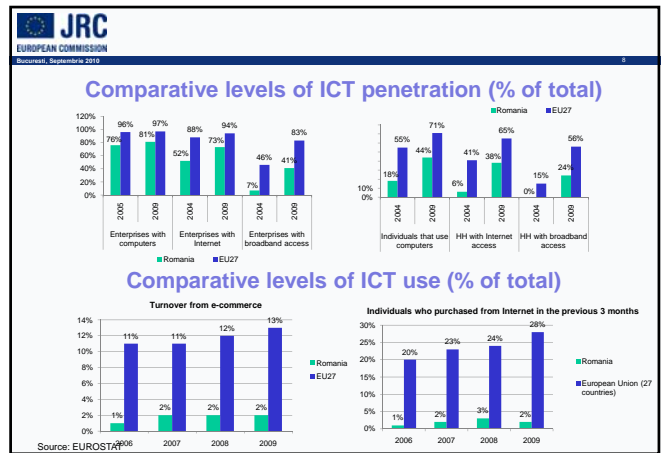
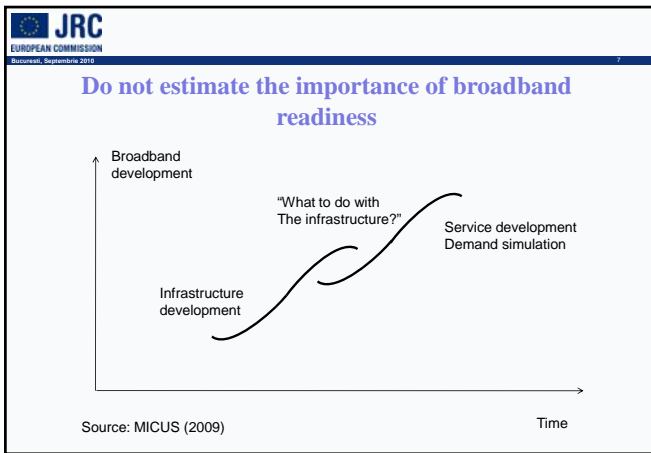
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1. Further deployment of broadband has unclear impact on the Balassa-Samuelson effect

2. Higher adoption of online services will dampen the Balassa-Samuelson effect



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Investing in broadband as an option for Romania

- Stimulate investment in broadband may prevent dampening of the Balassa-Samuleson effect
- Broadband is a precondition of an increased (European) competitive pressure for digital(ized) goods and services
- A good balance between provision of infrastructure and stimulation of productivity enhancing online services (and tradable service provision for the EU Single Market) will be the key of the future competitiveness

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Thank you
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