



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"

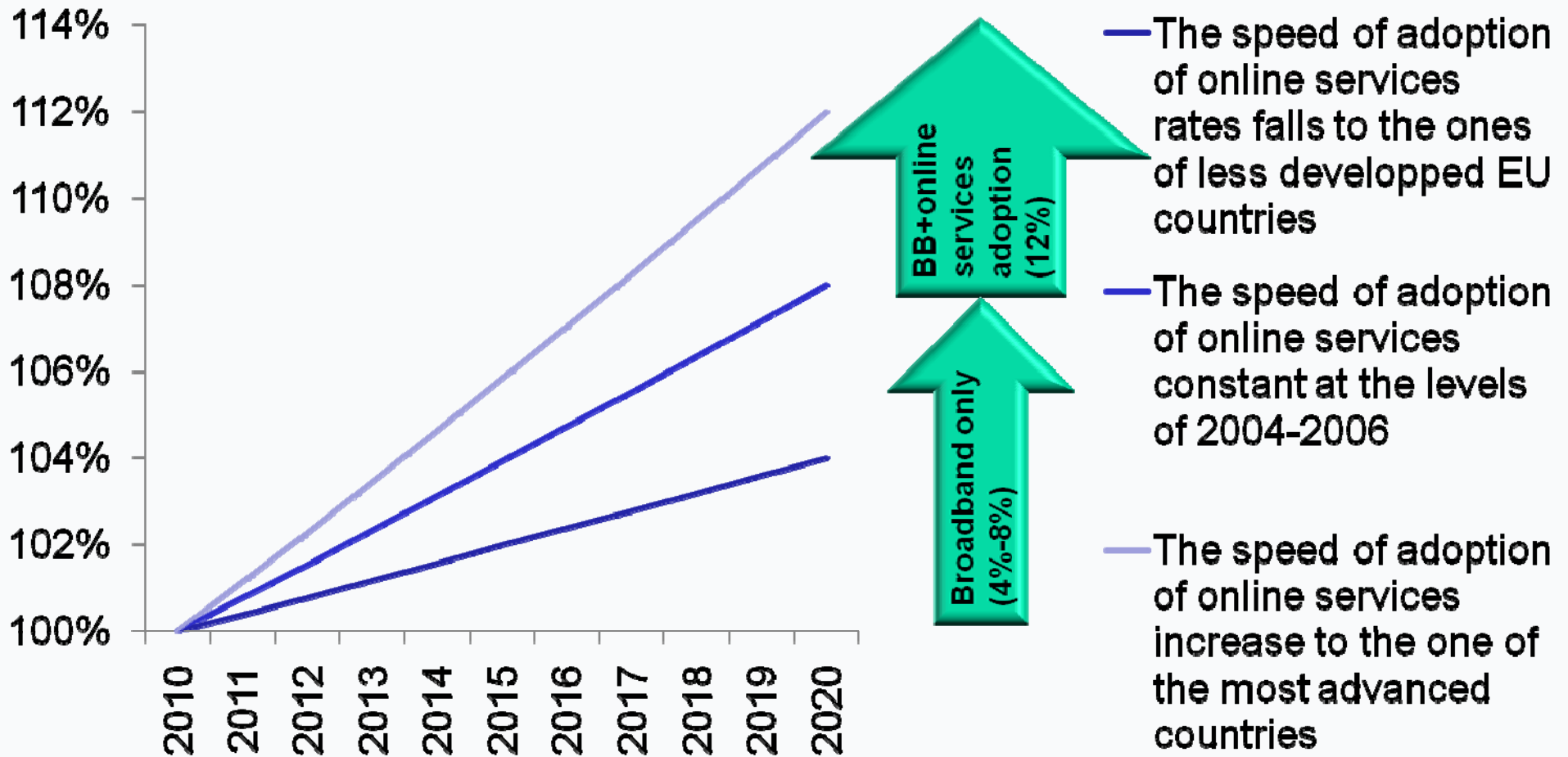
..but on a New Single Market...

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

Digital Economy and Digital Single Market – estimated impact on growth

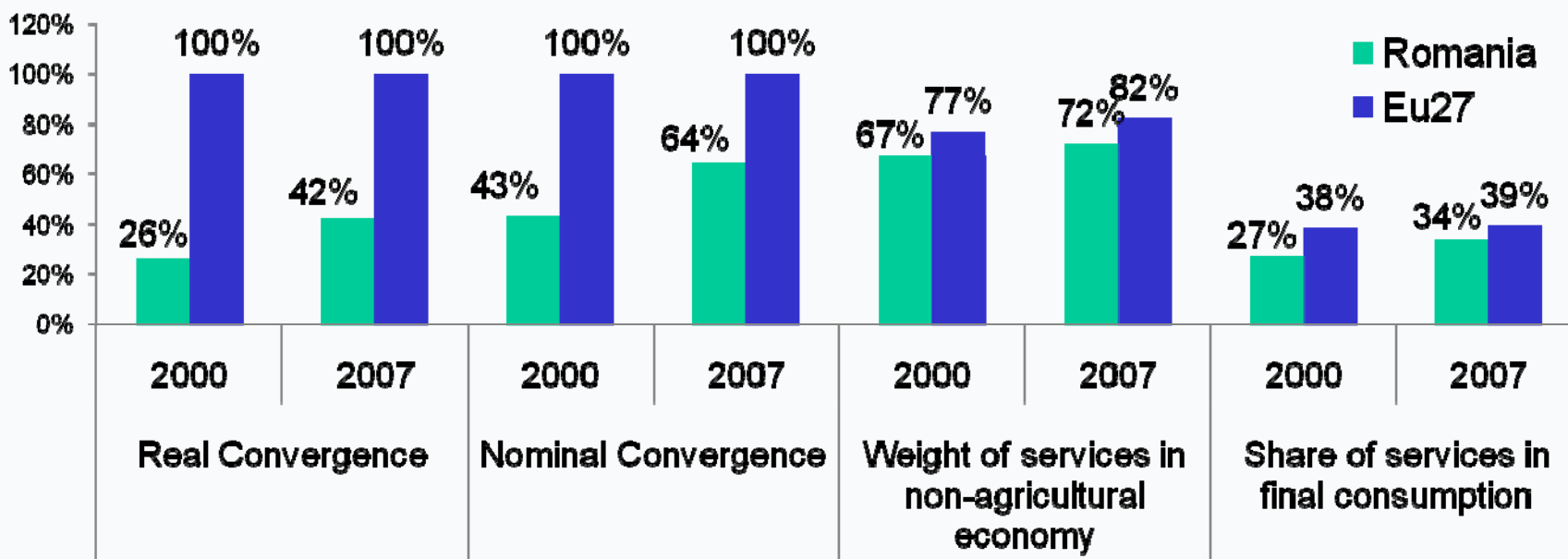


Source: MICUS (2009)

The role of the Digital Economy to convergence

The Balassa-Samuelson effect revisited


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



Source: EUROSTAT

The role of the Digital Economy to convergence

The Balassa-Samuelson effect revisited

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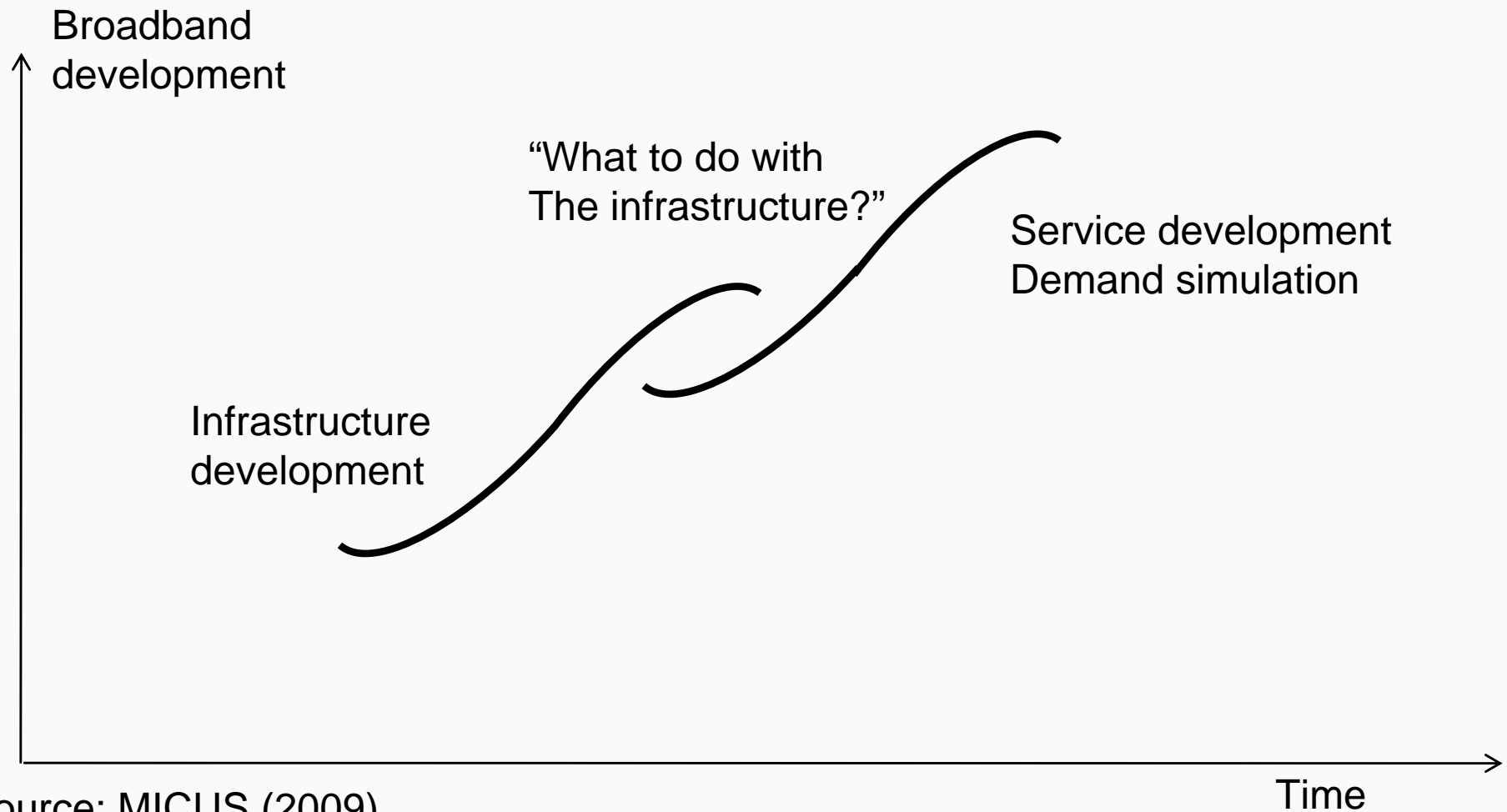
The diagram below the equation features several arrows and question marks:

- Two red arrows point from the left towards the γ^{NT} and γ^T terms.
- A blue arrow points from the left towards the $\frac{Y^T}{L^T}$ term.
- A red question mark is positioned below the $\frac{Y^T}{L^T}$ term.
- A blue arrow points from the left towards the $\frac{Y^{NT}}{L^{NT}}$ term.
- A red question mark is positioned below the $\frac{Y^{NT}}{L^{NT}}$ term.
- A blue arrow points from the left towards the $\frac{P^{NT}}{P^T}$ term.

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

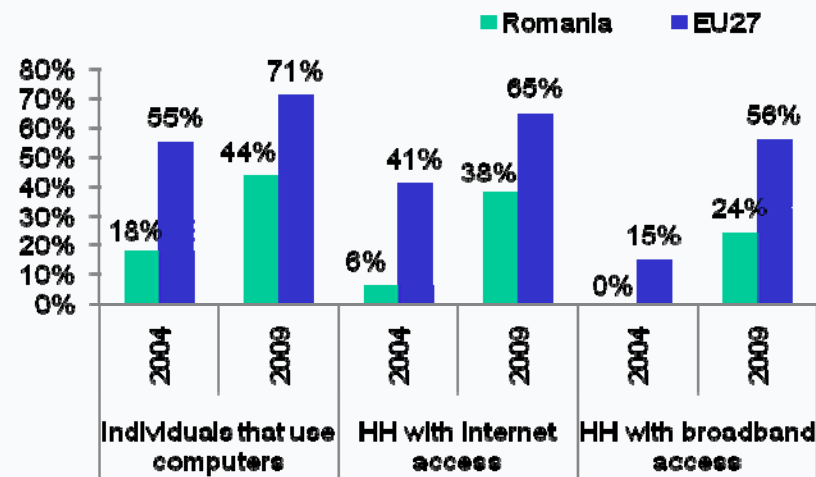
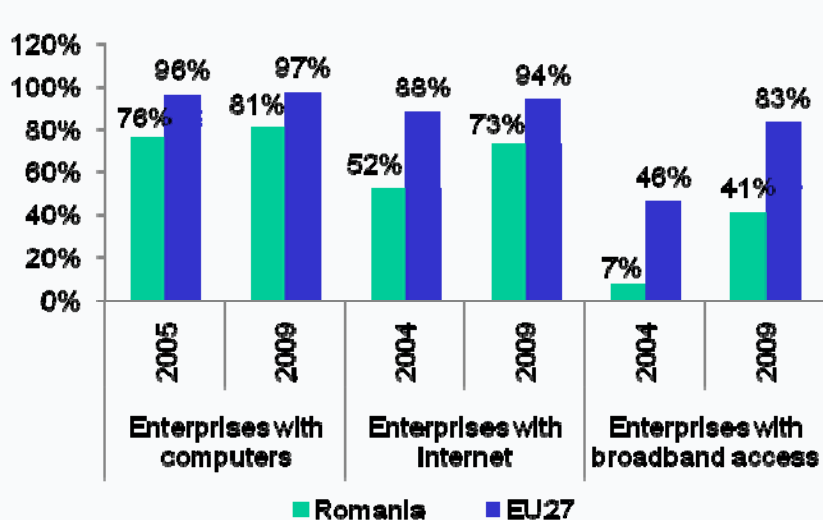
2. Higher adoption of online services will dampen the Balassa-Samuelson effect

Do not estimate the importance of broadband readiness



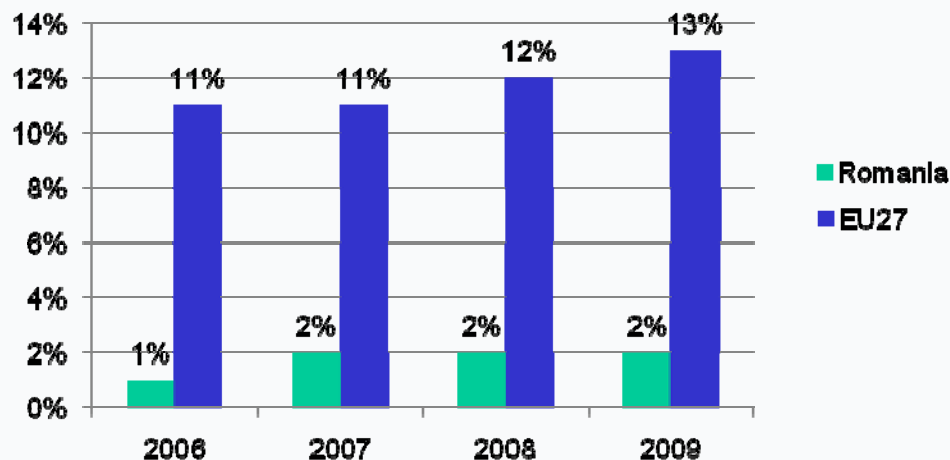
Source: MICUS (2009)

Comparative levels of ICT penetration (% of total)

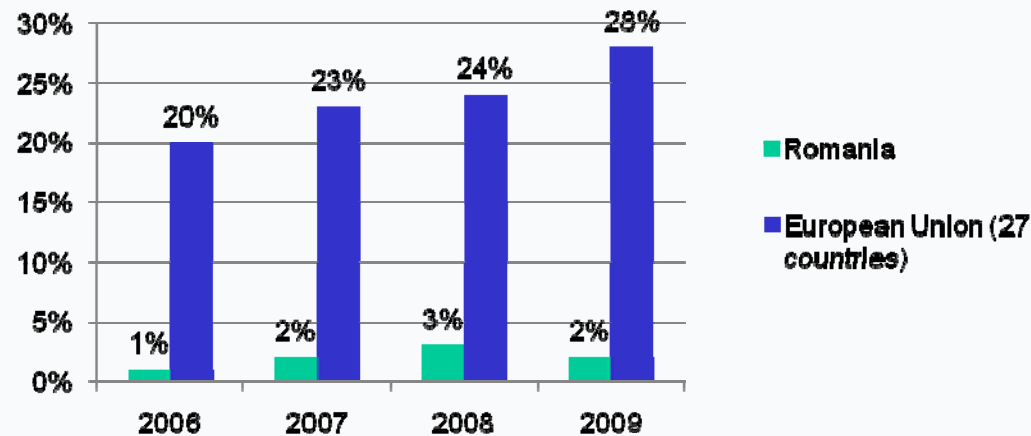


Comparative levels of ICT use (% of total)

Turnover from e-commerce

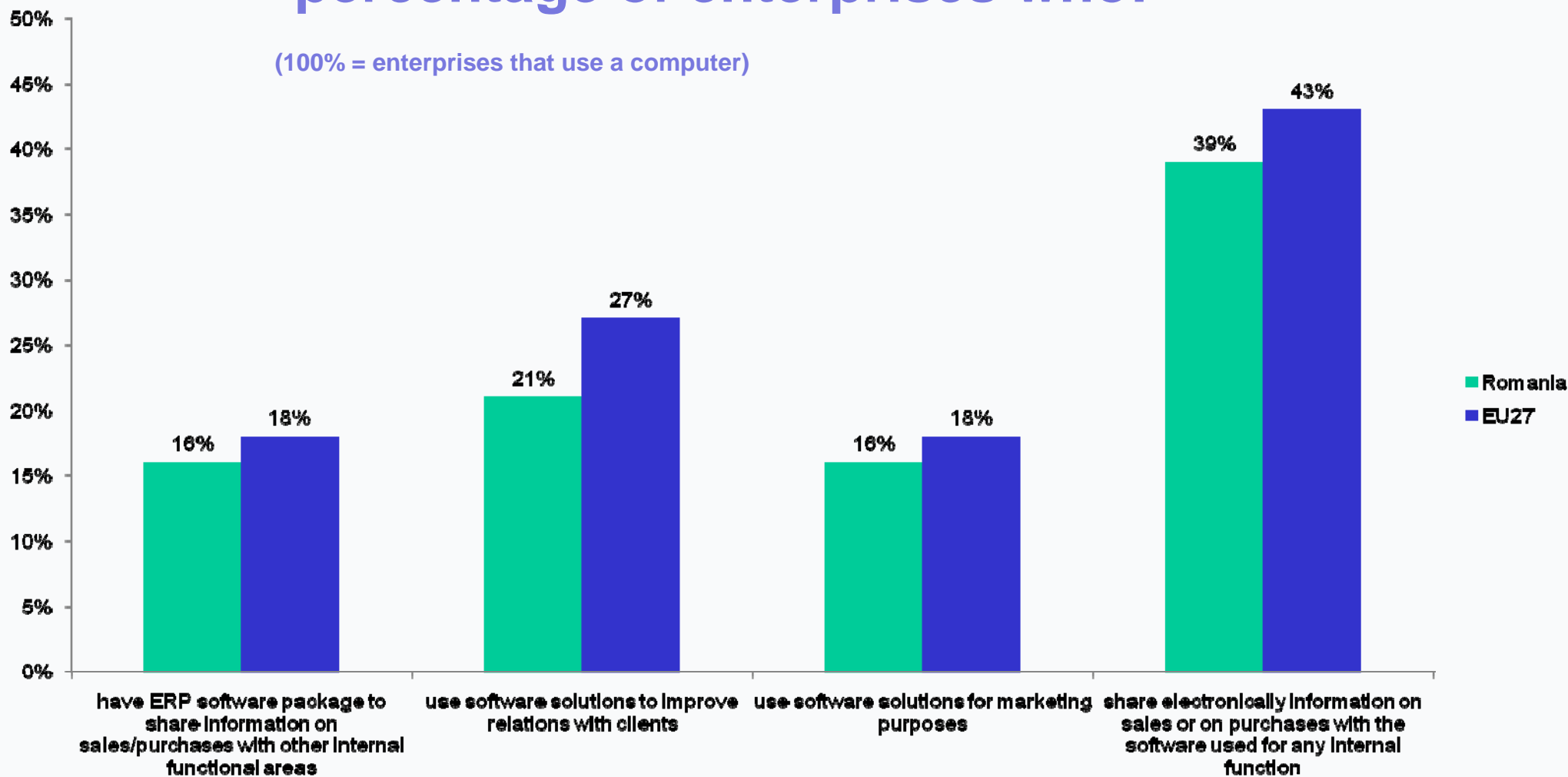


Individuals who purchased from Internet in the previous 3 months



ICT adoption by businesses -percentage of enterprises who:

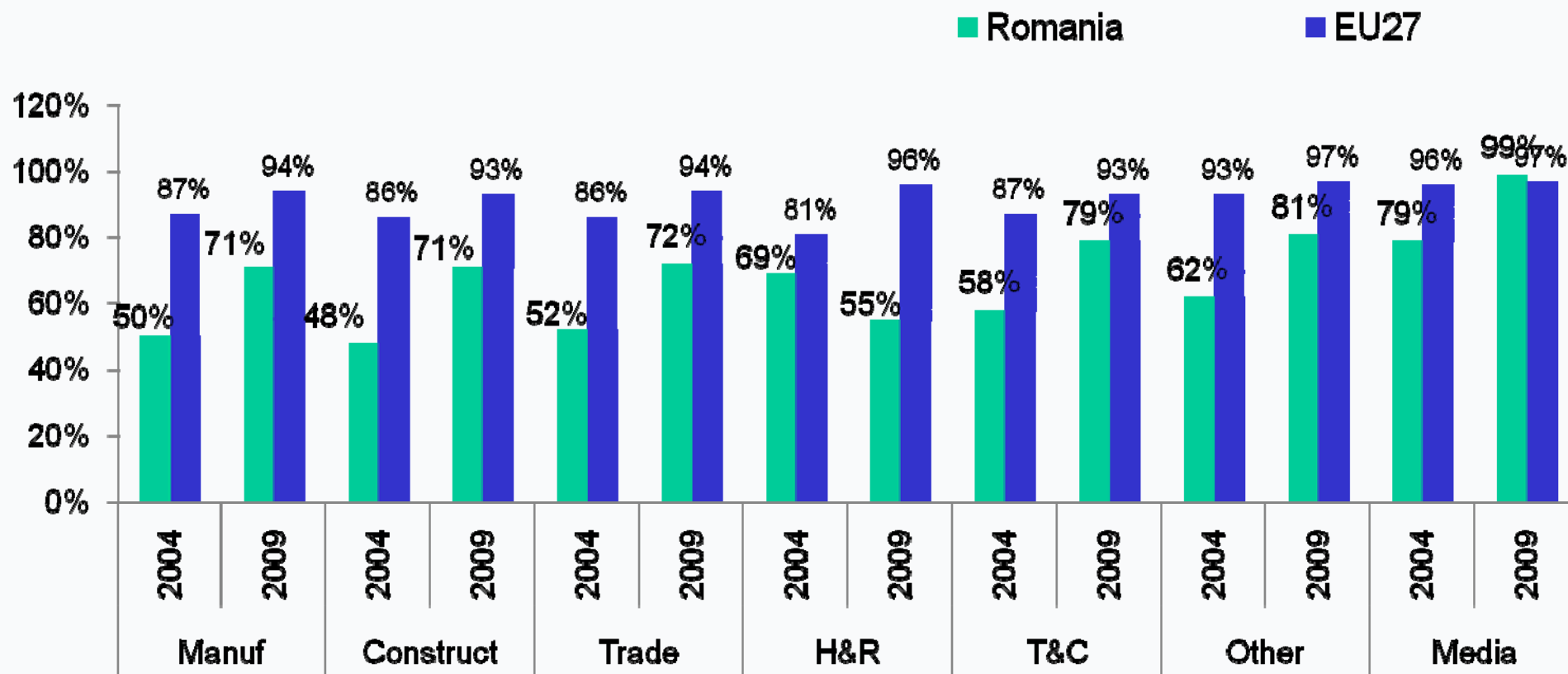
(100% = enterprises that use a computer)



Source: EUROSTAT

ICT adoption by businesses

-percentage of enterprises with access to internet-



Source: EUROSTAT

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**

Thank you
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