

Research Paper



THE HORIZON FOR ADOPTION EURO BY ROMANIA

Dragos Ionut ONESCU¹

¹Strasbourg University, Babes-Bolyai University, Cluj, Romania.

ABSTRACT

Adopting the euro is a crucial step for the economy of each Member State imposing the decision behind this action to be a well-founded and designed the national decision makers. In the context of economic space turbulent that you find in Europe, Romania's accession to the euro area has become an increasingly met agendas civil society after 2015 but missed completely or an insufficient extent on the public agenda makers.

In the present paper I highlight the provisions imposed on Romania by the European Union in taking the road to the euro and limit our country fall or the development of solutions regarding the economy, thereby entering the Eurozone, which gives content full integration in the Economic and money.

KEYWORDS: Romania, European Union, EU funds

INTRODUCTION

According to the Maastricht Treaty, a country joins the European Union, involves in addition a number of other actions undertaken and adopts the single currency as a condition binding, as soon as they meet the convergence conditions required countries but is allowed to establish time for accession.

For a country to adopt the euro, it must meet a number of economic and legal criteria. The economic convergence criteria were designed to ensure so economy of a Member State proves sufficiently prepared for adoption of the euro and integration into the monetary regime of the euro area.

Replacing a national currency with the euro, involves taking a series of measures also require more instruction in this regard, leading eventually to a process of economic integration more expanded closely with other Member States euro area.

But Romania is facing a number of challenges and bottlenecks to the sustainable economic development, including the existence of low administrative capacity, which inevitably led to delays in implementing critical reforms necessary.

But takes the current European context, Romania will have to face in the near future with a series of tax policies EU becoming more uniform and solve an acute need to align standards increasingly stringent EU on the European domestic market and its budgetary policies, monetary and fiscal policies.

In this respect, Romania has outlined a number of objectives and activities related transposed 2 national programs

namely the National Reform Program that is platform framework for defining reforms and priorities of economic development of Romania (according to Strategy Europe and the outcome documents of the European Semester) and the Convergence Program.

As the legislative route, during the month of April 2015, Romania submitted its National Reform Program for 2015 and Convergence Program for that year. Thus a number of targets have been proposed, in accordance with measures imposed by the European economic governance.

To develop a process of accession as effectively as in the past have been established coordination bodies for adoption of the single currency as from February 2010 there was a ministerial committee that produced some papers and macroeconomic analysis, including a draft communication was consulted by agencies and ministries.

Currently this committee is not working and not performing work at the speed should be to discuss target assumed by the Romanian Government.

Although Romania has benefited not currently benefit from an assumed leadership at national level regarding the existence of an action plan, in terms of nominal convergence criteria of Maastricht.

Unlike the nominal convergence criteria, which are formalized in the Maastricht Treaty, for real convergence there is a clear definition, to give us a quantitative reference.

Even if Romania meets the nominal convergence criteria are however some issues of real convergence that necessitates reforms and action plans well founded, that could eventually lead to Romania's accession to the deadline set by the Romanian Government.



Euro means a firm monetary policy with one fundamental goal - stability monetary plan. In however, that the euro laid the foundation to unite edifice whose erection will all have to participate. In order not to turn into a reality more distant Romanian economy must be focused on stabilization policies that will bring in the coming years, an attempt to approximate the macroeconomic indicators of the limits imposed by the European Union. Addressing participation in ERM II is a particularly important component of the Romanian economy path towards full integration in the Economic and Monetary. The moment of entry into ERM II should be chosen that within two years of participation in it is enough to meet criteria nominal convergence.

However, the rapid adoption of the euro would help those who have large debts in euros but revenue currencies of countries aspiring to enter the area euro. The euro adoption, however, it has costs, which might be higher than the benefits given by eliminating currency risk.

The concept of convergence translates into reducing differences between member countries of various economic indicators of an area geographic. The European language, to characterize the economic development of a country use two concepts: nominal convergence and real convergence.

The real convergence is to achieve a type of economy, an economic structure and a standard of living similar to those in EU.

In essence, all this is reflected in per capita income close to real convergence refers to:

- increasing volume GDP (on a scale of +/- 2% from the average of the three countries with the best performance);
- the level of unemployment (on a scale of 3% around the average of the three countries with the best performance);
- the sold balance of current transactions as a percentage of GDP (within +/- 2% of the GDP);
- opening grad of the economy, calculated as (exports + imports) / GDP;
- weighted bilateral trade with EU countries in total foreign trade;
- the level of GDP / capita (expressed in nominal exchange rates or by purchasing power parity) and structure of the economy (expressed as a weight of big sectors in GDP).

The nominal convergence has been privileged in relation to the real convergence because its realization requires a reduced time horizon. Joining the euro area will not be achieved until full compliance with the nominal convergence criteria set at Maastricht on inflation, interest rates on long-term deficit and debt and the stability of the nominal exchange rate. The nominal convergence may cause a reduction in performance, but full compliance with the Maastricht criteria is able to provide greater macroeconomic stability, which will create prerequisites for a higher economic growth rate.

The monetary integration and perfect capital mobility causes paralysis of monetary policy. Upon full integration, the central banks of the Member States will be absorbed by a supranational central bank.

The disappearance of such an institution as directed variations in exchange rates may give rise to serious problems if the pace of development in wages, productivity and prices are different trends in the various Member States.

The benefits of the single currency acceptor refer to those long-term critical persistent possible costs. Through these benefits include:

- Low interest rates due to the high degree of price stability; the single monetary policy is implemented successfully by the Euro system. The euro is as stable and credible as the best performing currencies previously used in the euro area countries. It has created an environment conducive to price stability in the euro area, exerting a moderating influence on price and wage setting. As a consequence, inflation expectations and inflation risk have been kept low and stable levels, which led to lower market interest rates.
- More transparency on price; payments are made in the same currency in all euro area countries, which makes traveling from one country to another. Price transparency benefits consumers because simply comparing labels allow consumers to purchase from suppliers with the lowest prices in the euro area, for example, prices of cars in different euro area countries. Therefore, price transparency is closely linked to the single currency; helps keep inflation under control by the Euro system. Increased competition will offer the available resources are used with maximum efficiency, stimulating commercial activities and thereby supporting euro area growth and employment.
- The elimination of transaction costs; launch of the euro on 1 January 1999 eliminated foreign exchange transaction costs and thus result in considerable cost savings. Within the euro area, there are no costs related to: buying and selling of foreign currency exchange markets; measures for protection against adverse variation of the exchange rate, cross-border payments in foreign currency, which involves high fees; having multiple currency accounts, thus hindering management.
- The lack of currency fluctuations; with the introduction of the euro, also disappeared currency fluctuations and therefore foreign exchange risks in the euro area. In the past, foreign exchange risks and costs have affected competition and cross-border business.

One of the steps to make the process of joining the euro area is the participation of Romania in currency exchange (ERM II), which is a system designed to help avoid excessive fluctuations in exchange rates between national currencies and the euro.

Taking a preventive role, countries that want to join the euro area, should contribute to this mechanism, at least two years before they meet the criteria for adopting the euro. In this respect, Romania has not yet established an action plan showing a target assumed to participate in this mechanism. Romania not participating in the Mechanism of Exchange to date confirms that Romania is not yet ready to join the euro area in the proposed target in the Convergence Plan.

In addition to achieving nominal convergence, achieve in a short time real convergence is the objective to which it would be appropriate to move policies in each country.

So indicators that do not fall within the limits of Union European economic policy adjustment should be drawn up taking into account on the one hand, by the development indicators in a certain period, and on the other measures taken by the other countries of the Eurozone, with the adoption of the euro.

This option is implemented in the current Convergence Program 2015-2018 developed by the Romanian Government, in which it remains committed in previous convergence program to adopt the euro from 1 January 2019.

Although this target has been assigned a specific deadline, but no national ownership and accountability of the whole process translate into concrete actions that could lead eventually to achieve target 1 January 2019.

A number of important issues need to be addressed when analyzing the feasibility of the target accession assumed by the Government.

Under the Convergence Program 2015-2018 developed by the Romanian Government, in terms of real convergence, assessed the gap with the European average per capita gross domestic product (GDP) expressed in purchasing power standard (PPS), Romania made significant progress over the past two years, currently hovering at around 55% compared to the EU average. Although significant advances have been made in this respect, it is important to mention and compared the average recorded by Romania to the values of the poorest countries that have been received so far in the euro area.

According to National Bank of Romania, in 2011, Estonia had a GDP / capita adjusted for purchasing power parity (PPP), upon accession, 63.4% of the EU average, while Latvia, during a country joins the euro area It requires a rigorous training plan with a well-founded research behind it and a good economic situation that will prove sustainable in the long term also.

Another important aspect to highlight is the skepticism of some countries to establish a target of joining the euro area, although they have macroeconomic situation much better than Romania (Poland, Czech Republic, and Hungary).

This strategy addressed across several countries, potential candidates for the Euro, should be a warning to Romania and to stress the need of taking concrete decisions based on a well-founded strategy, to achieve such results.

Today we are faced with lack of leadership assumed by a central institution (to be recognized as such). Such a position should be undertaken (including the public) of the Ministry of Finance (model seen in other countries where the leadership is assumed by the ministries of finance and effective actions call related mainly implemented by domestic banks).

In a group consultation, organized by the Romanian Center for European Policies, attended by relevant persons of area institutions in the field is agreement that had emerged within it, was that the target set Convergence plan 2015-2018 is a realistic target but only under conditions in which there is an ownership and a plan of attack very well founded.

Thus, we strongly affirm that Romania has made efforts to align with the objectives of an action plan, clearly defined. Equally important to note is that the accession of a country from the euro zone and its activity as a Member State in the euro area requires continuous monitoring of economic policy in Romania, the key actor is the government.

Without a basic actor to assume this role at national and European level, we face again the delay accession period. Romania is currently in the risk, the target term but in the pages of an action plan.

To register sustainable results, leading to stimulation of objective factors that make up the GDP of a country, such as capital, labor and not finally total factor productivity, Romania must formulate and implement a range of policies stimulated public through structural reforms at all levels. These reforms are reflected ultimately in the real convergence of a country.

The position adopted by the European Commission regarding the target assumed by Romania to join the euro area since January 2019, is also present in the report of the country report of Romania to 2015 reiterating that further progress is needed in terms of real convergence with the EU average.

It can be considered a first signal that the EC considers that Romania will be ready in time in 2019 (although real convergence criteria are not part of the Maastricht criteria). For so very important to note is that in this report it is emphasized that Romania, although satisfying the five Maastricht criteria, it is well below the level of convergence achieved by countries that have recently adopted the euro, such as Lithuania Slovakia, Estonia.

Simultaneously, because Romania can reach the target set in the Convergence Plan 2015-2018, it has to have an economic growth rate double the current rate, reaching a deficit of 1% of GDP to 2% as it is now.

The above shows that Romania has to go several steps and obstacles to achieve the real convergence required, is equally important that convergence should be reflected in the economy after the accession of Romania euro area. An example of this is found in countries such as Finland and Estonia, unlike Greece, Spain and Italy, which is currently facing serious problems of real convergence. Greece is a special case that we showed that decisions based on fundamentals unprepared can lead to large economic imbalances.

CONCLUSION

Romania has in recent years some considerable progress towards reducing macroeconomic imbalances, which together with monetary policy and structural reforms implemented or under implementation, to contribute directly to maintaining macroeconomic and financial stability. Although they highlighted a number of improvements in some areas key structural as well as raising the absorption of European funds, continue reforming the health system, strengthening business environment and equalizing the retirement age for men and women, Romania still faces many challenges and bottlenecks to the sustainable economic development.

Taking but considering the current European context, Romania will have to face in the near future with a series of tax policies EU becoming more uniform and solve an acute need to align standards increasingly stringent EU on the domestic market and its budgetary policies, monetary and fiscal policies.

Currently, there is no national unanimity regarding the timely accession to the euro area. While we have 2019 as the target assumed by the Government in the convergence plan, representatives of the National Bank of Romania said that Romania could reach a sufficient level of real convergence for joining the euro area only in the period 2022- 2023.

BIBLIOGRAPHY

1. Belean, P., *Bugetul public și trezoreria publică în România*, Ed. Economică, București, 2007
2. Manolescu, GH., *Buget – abordare economică și financiară*, Ed. Economică, București, 1997
3. Dinu M. (2005), Socol C., Marin M., *Mecanisme de convergență și coeziune* editura Economică, București;
4. Ungureanu, M. (coordonator), *Buget și trezorerie publică*, Editura Universitară, București, 2011
5. <http://www.bnro.ro/Prezentari-si-interviuri-1332.aspx>
6. <http://www.bnro.ro/Cursul-de-schimb-524.aspx>
7. <http://www.ecb.int/pub/annual/html/index.en.html>
8. http://eudirect.ro/pdfs/ref_3.pdf
9. <http://ec.europa.eu/budget>
10. <http://eur-lex.europa.eu/budget/www/index-ro.htm>