

PROSPECTS FOR EURO ADOPTION IN ROMANIA

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Abstract

Enlargement of the Union is one of the major projects undertaken by the European Union. Basically, Romania's decision to join the European Union is a strategic orientation in close contact with all political forces of the country. Through this study, are highlighted provisions imposed to Romania by the European Union covering the road to euro adoption, and within our country falls or developing solutions on the economy, thus boosting Eurozone entry. So we can say that the euro adoption process will not be easy. By adopting a mix of economic policies in a country should be considered conditions in the country, the policy effects that will take place in previous years and especially targets that are pursued. Euro means a safe monetary policy with one single essential objective - the monetary stability. Also, the introduction of the euro lay the foundations for large building whose lifting will have to contribute all.

Keywords: monetary integration, convergence criteria, adoption of the euro, inflation

JEL Classification: E31, E52, E60

Introduction

Accession to the European Union on 1 January 2007 did not mark the end of the nominal and real convergence towards the euro area, on the contrary, it should continue, perhaps even faster than before. In this context, monetary policy plays a key role in the convergence process, achieve and maintain price stability stimulating sustainable economic growth.

Based on these considerations, in the research, we analyzed the theoretical foundations of monetary policy, the process of European monetary integration and common monetary policy, research focusing on the final monetary policy pursued by the National Bank of Romania, its evolution, its impact on the economy real and particular challenges you have to face in the future from the perspective of euro adoption.

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Next, I made a summary of the main sources of literature on monetary integration dominant theory - the theory of optimum currency areas and the steps and conditions for the Monetary Union.

In the last part we made an analysis of real and nominal convergence criteria that need to be fulfilled by Romania before the adoption of the single currency. Regarding the situation of the achievement of nominal convergence criteria by Romania, it is characterized by an unfavorable time, only one criterion being fulfilled at this time.

Economic and Monetary Union and the euro

Although the problem of monetary unions is perhaps more relevant than ever, both for developed countries that have already joined the euro area and for the least developed preparing to meet the criteria for being accepted, in the economic literature this subject appeared long time ago. The classical theory of optimum currency areas has existed since 1961 in an article by Robert Mundell, article which subsequently proved to be of great importance in the literature. Robert Mundell managed then a very interesting thing: identify specific criteria to be fulfilled for a country that wants to have net benefits from the integration in a monetary union. These criteria are actually the proper functioning of a monetary union. The role of this theory was to show when it is beneficial for two or more states to create a monetary union. In this context, Robert Mundell demonstrated almost 50 years ago that "the adoption of a single currency in the wrong time can have more negative than positive consequences!"

So, start time reaching the stage of Economic and Monetary Union is represented by the Treaty of Maastricht.

It was decided that joining the European Union member countries in the European Monetary Union to be made gradually as certain criteria are satisfied nominal convergence, the purpose of these requirements is to ensure long-term economic stabilization and a sufficiently high level convergence of the economies of the euro movement, prerequisites for the proper functioning of the monetary union.

Maastricht Treaty signed on February 7, 1992, outlines a strategy of focusing on two aspects of EMU. First established steps that must follow the Member States to participate in Economic and Monetary Union and the second specifies the criteria that must be fulfilled by participants. The treaty sets a firm timetable for the realization of EMU and two reference data for introduction of the euro on 1 January 1997 at the earliest and not later than January 1, 1999.

Costs and benefits of euro

Romanians will benefit mainly as a result to macroeconomic stability and thanks to a best international positions. Benefits will result from price stability, access to a wider and financial market transparency, or elimination of production fluctuations could be due to different economic policies. Price stability lead to lower interest rates, and this shows another advantage for both government and consumers or firms.

Introduction of the euro will have positive effects on the Romanian foreign trade, given that 2/3 is oriented towards the EU. The new currency will stimulate the imports and exports of Romanian companies. Introduction of the euro will be a stabilizing factor that will greatly reduce losses of local traders caused by currency risks.

Once removed monetary barriers within the EU, exporters will benefit from easier access to the markets of member countries. This will reduce the number of intermediaries, businesses increasing their revenues as a result of direct exports.

Another important advantage offered by the euro is transparency. All prices in euros will help Romanian companies to choose suppliers to ensure the lowest cost and for export to countries where they can get the highest income.

Adopting the euro in Romania

Accession to the European Union implies adopting the euro in a time horizon depends on the degree of economic integration with the euro area. According to the fifth edition of the Convergence Programme (2011-2014), 2015 is maintained by the authorities aimed to adopt the euro.

The main objective of economic and monetary policy remains to maintain price stability.

Criterion on price stability

During the reporting period April 2011 to March 2012, the reference value for the criterion on price stability was 3.1%. This value was calculated by adding 1.5 percentage points to the unweighted arithmetic average of HICP inflation over the 12 months in Sweden (1.3%), Ireland (1.4%) and Slovenia (2.1%). In the light of developments in each Member State during the period, three of the eight countries, namely Bulgaria, the Czech Republic and Sweden, have recorded lower average rates of inflation - in the case of Sweden, far lower - reference value. In other countries, inflation stood at values higher than the reference, the largest deviation is observed in Romania (Table 1).

Tabel 1. Economic indicators of convergence

		Stabilitatea preturilor	Finantele publice			Cursul de schimb		Rata dobanzii pe termen lung
		Rata inflatiei IAPC ¹	Tara cu deficit excesiv ^{2, 3}	Excedentul (+)/ deficitul(-) bugetar ⁴	Datoria publica bruta	Moneda care participa la MCSII	Cursul de schimb fata de euro ⁵	Rata dobanzii pe termen lung ⁶
Bulgaria	2010	3,0	Nu	-3,1	16,3	Nu	0,0	6,0
	2011	3,4	Da	-2,1	16,3	Nu	0,0	5,4
	2012	2,7 ¹	Da	-1,9	17,6	Nu	0,0 ³	5,3 ⁶
Republica ceha	2010	1,2	Da	-4,8	38,1	Nu	4,4	3,9
	2011	2,1	Da	-3,1	41,2	Nu	2,7	3,7
	2012	2,7 ¹	Da	-2,9	43,9	Nu	1,8 ³	3,5 ⁶
Letonia	2010	-1,2	Da	-8,2	44,7	Da	-0,4	10,3
	2011	4,2	Da	-3,5	42,6	Da	0,3	5,9
	2012	4,1 ¹	Da	-2,1	43,5	Da	1,1 ³	5,8 ⁶
Lituania	2010	1,2	Da	-7,2	38,0	Da	0,0	5,6
	2011	4,1	Da	-5,5	38,5	Da	0,0	5,2
	2012	4,2 ¹	Da	-3,2	40,4	Da	0,0 ³	5,2 ⁶
Ungaria	2010	4,7	Da	-4,2	81,4	Nu	1,7	7,3
	2011	3,9	Da	4,3	80,6	Nu	-1,4	7,6
	2012	4,3 ¹	Da	-2,5	78,5	Nu	-6,1 ³	8,0 ⁶
Polonia	2010	2,7	Da	-7,8	54,8	Nu	7,7	5,8
	2011	3,9	Da	-5,1	56,3	Nu	-3,2	6,0
	2012	4,0 ¹	Da	-3,0	55,0	Nu	-2,4 ³	5,8 ⁶
Romania	2010	6,1	Da	-6,8	30,5	Nu	0,7	7,3
	2011	5,8	Da	-5,2	33,3	Nu	-0,6	7,3
	2012	4,6 ¹	Da	-2,8	34,6	Nu	-2,8 ³	7,3 ⁶
Valoarea de referinta ⁷			3,1%			-3,0 %		60,0 %
5,8 %								

¹ Variatii procentuale anuale medii. Datele pentru anul 2012 se referea la perioada aprilie2011-martie2012.

² Se refera la situatia in care o tara a constituit obiectul unei decizii a Consiliului UE privind existent unui deficit excesiv pentru cel putin o parte a anului.

³ Informatiile pentru anul2012 se refera la perioada anterioara datei-limita pentru transmiterea datelor statistice (30aprilie2012)

⁴ Procent in PIB. Datele pentru anul 2012 provin din prognozele Comisiei Europene-primavara anului 2012

⁵ Variații procentuale anuale medii. Datele pentru anul 2012 sunt calculate ca variații procentuale ale mediei pentru perioada 1 ianuarie 2012-30 aprilie 2012, comparativ cu media anului 2011. Valoarea pozitivă (negativă) indică aprecierea (deprecierea) în raport cu euro.

⁶ Rate ale dobânzii anuale medii. Datele pentru anul 2012 se referă la intervalul aprilie 2011-martie 2012.

⁷ Valoarea de referință se referă la perioada aprilie 2011-martie 2012 pentru inflația măsurată prin IAPC și pentru ratele dobânzilor pe termen lung și la anul 2011 pentru soldul bugetar și datoria publică.

Forecasts indicate the likelihood that major international institutions in most countries analyzed, the average annual inflation to remain broadly stable or decrease in the next period 2013.

Conclusions:

Romania has made progress in recent years in terms of real and nominal convergence. However, in order to adopt the euro, it is absolutely clear that further progress is needed in terms of nominal convergence, but particularly in terms of real convergence to prepare the economy to successfully cope with a single monetary zone. Weighing the pros and cons, the paper points out that maintaining current timetable for accession to the euro area is the best solution and accelerate the accession to the euro area would have major disadvantages. There are many reasons not to hasten the adoption of the euro by Romania. They are primarily related to the relatively low level of real convergence of the economy and the need to fulfill the nominal convergence criteria.

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