



09.12.2015

Euro Adoption in Romania: Challenges and Perspectives

EIR Anniversary Conference and 6th edition of the EIR Excellence Awards

(Intercontinental Hotel, Ronda Hall)

– EVENT REPORT –

The **European Institute of Romania (EIR)** organized on **9 December 2015** its annual conference on the topic of **Euro Adoption in Romania: Challenges and Perspectives**. The event, organized with the support of the **Embassy of the Republic of Poland in Bucharest**, marked EIR's 15th anniversary and also featured the 6th edition of the EIR Excellence Awards, awarded this year to projects and initiatives supporting and promoting the Cultural and Creative Industries sector in Romania. The conference was attended by representatives of the Government of Romania, of Embassies of EU Member States in Bucharest and by reputed experts, economic analysts and researchers specializing in European Affairs and economic and monetary policies, from the country and abroad.

The opening remarks were made by Mrs. **Gabriela Drăgan**, PhD., Professor and General Director of the European Institute of Romania, who, as moderator of the introductory session, made a number of clarifications regarding the general theme of the conference, at the same time offering a brief overview of the elements that were to be addressed in the next two panels of presentations and discussions. *'Romania remains the only state among the former communist countries to have a politically agreed-upon set date for adopting the euro: on the 1st of January 2019. However, we must ask ourselves if this is still a realistic set date'*, stated Mrs. Drăgan. *'We must also keep in mind that any delay might presuppose compliance with additional real convergence criteria, building upon the nominal convergence ones set at Maastricht.'* she added.

The first panel of the conference focused on the main challenges and priorities in terms of *Strengthening the Economic and Monetary Union (EMU)* and the instruments that the EU and the Member States have at their disposal for managing these challenges. At the centre of the second panel was a 'case study', specifically on the prospects and challenges on Romania's road towards adopting the euro – *Adopting the single currency: challenges and prospects for Romania*.

The Secretary of State for European Affairs in the Ministry of Foreign Affairs, Mr. **George Ciamba**, began his intervention by congratulating the work of the European Institute of Romania, 15 years after its establishment, also saluting the cooperation between the EIR and the Embassy of the Republic of Poland in Romania, *'a strategic partner for Romania'*. *'Today we can say that Romania is the most pro-Euro country among the non-Euro states'*, said Mr. Ciamba, stressing that **'the real convergence process should be carried out for Romania, and not only to join the single currency; it's about modernizing the Romanian society as a whole'**.

Mr. **Leonard Orban**, Presidential Advisor for European Affairs, former European Commissioner and former President of the Administration Board of the EIR, argued that *Romania should join the Eurozone as soon as possible, because come 2018, certain decisions could be taken that would make membership to Eurozone much more difficult to obtain*. **'It makes sense for Romania, which wants a strong European Union, to adhere to the EMU as soon as**



possible,' said Mr. Orban. 'Within the EU there are many views on strengthening the Economic and Monetary Union. There are states within the area which consider that decisions already taken should be strengthened. On the other hand, there are countries, such as Poland, that are unwilling to join the Eurozone', he added.

The importance of joining the single currency area was also emphasised in the message issued by the National Bank Governor, Mr. **Mugur Isărescu**. *'Romania will be able to join the Eurozone as soon as possible, provided that the country is ready,'* said Mugur Isărescu. According to the Governor, the whole process of changing a currency is not one that is chiefly technical, but rather a political process that requires a strong commitment from the political class, a class who is called upon to lead the process and explain its costs and benefits to the citizens. Regarding accession, Mugur Isărescu has held that setting a target date has proven unfortunate and noted that it would be more appropriate to first develop a roadmap, under which the structural reforms need to achieve real convergence are further elaborated.

Mrs. **Alina Bârgăoanu**, PhD., President of the Administration Board of the EIR, noted that in this anniversary context *'the EIR's contribution in supporting the integration of Romania into the European Union can be summarised having in mind three fundamental elements: **organising conferences and debates on European issues, strengthening partnerships with peer institutions from abroad and coordinating the series of Strategy and Policy Studies, materials elaborated each time with professionalism and responsibility by valuable research teams***. Concerning the Eurozone, Mrs. Bârgăoanu stated that this dossier should be linked to the one focused on accession to the Schengen Area. 'Unfortunately, in both projects Romania finds itself in an uncertain position due to the crises the European Union is facing', she warned.

The first session, moderated by Mrs. **Mihaela Luțaș**, PhD., Vice Rector of the Babeș-Bolyai University in Cluj-Napoca, addressed the main challenges and priorities in terms of strengthening the *Economic and Monetary Union*. **The Economic and Monetary Union** represented a step forward for the European Union (EU) economic integration process, started in 1957 and a radical change in the elaboration of EU macroeconomic policies. The decision to form the EMU was introduced in the European Union Treaty (the Maastricht Treaty), in force since the 1st of November 1993. In June 1988 the European Council confirmed the objective of progressively creating the EMU. It appointed a committee chaired by Jacques Delors, then-President of the European Commission, to study and propose concrete steps into achieving this Union. At the EMU launch, it was expected that the deepening of the economic integration, through the creation of a single currency, would serve as a catalyst to enhance the competitiveness of Member States and to reduce development gaps between them.

According to Mr. **Daniel Dăianu**, member of the Romanian Academy, member of the Administration Board of the National Bank of Romania, **'until now, we could say that the euro is a failure'**. 'At present, the European Union is experiencing the most difficult period in its history. The Eurozone and migrant crises revealed the weaknesses the EU has at an institutional level, in its processes and decision-making mechanisms', continued Mr. Dăianu. *'For Romania, accession would translate into the deepening of European integration and the elimination of foreign exchange risk. However, premature accession has high costs for an economy structurally incompatible with the core competitiveness of the Eurozone'*, stated the former Finance Minister.

Mr. **Aurelian Dochia**, economic analyst, noted the cyclical rotation of the crises the EU has been facing in recent years, a development that has highlighted the pernicious institutional weaknesses of the European construction. **'If there is a possibility that the EU might disappear in the near future, the Member States' interest in investing in integration decreases**. But this reluctance augments the risks of malpractice and accentuates dissolution trends, fuelling an extremely dangerous vicious circle', said Mr. Dochia. *'Romania does not have the ability to change the prevailing trends in the EU, but does not have a viable alternative to the European project. As a result, the rational strategy for Romania's relations with the EU is to opt for a **'wait-and-see'** scenario,'* he added.



Another speaker in this session, Mr. **Artur Nowak-Far**, Professor at the Warsaw School of Economics, Poland, noted that the EMU's vulnerability derives from its incomplete architecture. Consequently, the professor called for a *strengthening of the current arrangements and for finalising the banking, fiscal and economic unions*. Addressing the same issue, Mr. **Carlos Puente Martin**, political and economic analyst, Team Europe member, explained that, in the EMU, **'although the monetary policy is centralised, large parts of the economic policy are still matters of national competence, and Member States of the Eurozone depend on each other to secure growth'**. *'We must start from the premise that the euro is not just a currency, but a European project'*, Mr. Puente stated.

In the opening of the second thematic panel, moderator **Octavian-Dragomir Jora**, journalist, editor-in-chief of the *'Economistul'* Journal, reiterated the importance of such debates on European issues in Romania, stressing that **'their final beneficiary is always the citizen'**. However, like other speakers before him, Mr. Jora pointed out that Romania is bound by Treaty to adopt the single currency, so the question to be raised is not *whether* our country adheres to the Eurozone, but *when*. **Romania's goal of joining the Euro is supported through both the government programme and the presidential one**, the latter claiming that perhaps the most important evidence of Romania's maturation and institutional modernization is *the accession to the Eurozone, which should mean, in the following years, a true anchor for economic policies, for predictability and for the acceleration of economic growth*.

Mr. **Valentin Lazea**, chief economist, National Bank of Romania, echoed Mr. Mugur Isărescu in saying that it is good for our country to *join the Eurozone as soon as possible, when we will be ready*. **'Euro adoption should not be a goal in itself, but rather a catalyst for convergence, fuelled by maintaining macroeconomic stability and accelerating structural reforms and reconfiguring the architecture of the public administration system'**, he explained. Further, Mr. **Ion Ghizdeanu**, President of the National Prognosis Commission, began his intervention by expressing optimism about Romania's prospects of adopting the single currency, highlighting in turn that *'there is no other option, and real convergence must be discussed at a macroeconomic level'*. In this regard, he noted several weaknesses of the Romanian economy, which should be addressed: **'Unfortunately, Romania lags behind in terms of structural modernization, particularly in the private sector. Additionally, the too-high concentration degree in certain sectors undermines economic sustainability'**.

On the other hand, Mrs. **Carmen Mărcuș**, European Semester economic advisor, stated that *'there is life outside the euro'*. **'It is true that the nominal convergence criteria have been met and, apparently, Romania has never fared better in terms of macroeconomic stability. However, despite a surge in productivity, we continue to lag behind in Europe, in relative terms'**, she added. *'The main challenge for the Romanian economy is to ensure its medium-term competitiveness'*, Mrs. Mărcuș also stated.

'Among the countries of Central Europe (Bulgaria, the Czech Republic, Hungary, Poland and Slovakia), Slovakia is the only member of the Eurozone. The Czech Republic, Hungary and Poland have opted for a 'wait-and-see' approach, and Romania and Bulgaria are eager to join, but are not yet able', said Mr. **Florin Bonciu**, PhD., Rector of the Romanian-American University, Bucharest. *'For Romania, the adoption of the euro should remain a priority, with an emphasis on real convergence'*, he further expanded. **'The enlargement of the Eurozone could potentially consolidate the EU's status on the global economic stage, but this expansion should take place between states with similar levels of development'**, he added. For his part, Mr. **Vasile Secăreș**, PhD., President of the Romanian Banking Institute, made it clear that *'in a complex geopolitical context, adopting the euro relates not only to economic policies, but makes for an important state decision'*. **'Romania must decide how it wants to develop during the next decade, in a European Union with a visible East-West fault line and a European continent that witnessing a Realpolitik revival'**, warned Professor Secăreș, referring to the Russian Federation.



EUROPEAN INSTITUTE OF ROMANIA

Conference

The conference concluded with the **awarding ceremony of the EIR Excellence Awards** for the support and promotion of the **Cultural and Creative Industries** sector in Romania. On this occasion, Mrs. **Gabriela Drăgan** congratulated the winners for their active involvement in a burgeoning field at the European level, one that is also represented inside the SPOS 2015 research programme, coordinated and implemented by the EIR.

This edition's award **winners** were: the Regional Center for Excellence for Creative Industries (Cluj-Napoca City Hall); The National Festival for Youth Theatre Ideo Ideis (T.E.T.A. Association); Teen-Fest (Excelsior Theatre); Creative Est Festival (Oricum Association); ALT Festival (ALT Brasov); Romanian Design Week and Diploma (The Institute); Gabroveni Inn (ARCUB – CulturalCenter of Bucharest); Vectorwatch (Andrei Pitis); Intuitext (Softwin); NOD makerspace; Dizainăr.

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