

interview

Laurian Lungu

Managing Partner, Macroanalitica



You are a member of EuroTeam Romania and, in that capacity, you participated in a series of meetings on the euro. What are the main vulnerabilities of the euro area and how can European institutions and also Member States authorities, contribute to eliminating these weaknesses?

It is often said that the euro is a currency without a State and that most of the current problems faced by the euro area originate precisely in the flawed manner in which this architecture was initially designed, conceived as a political project. However, it is fair to say that from the onset of the crisis, European institutions and Member States have made significant progress in addressing some of these shortcomings pertaining to fiscal and

economic governance.

Nevertheless, one of the core problems of the euro area, namely the profound structural gaps among its member states, remains a serious one. The economies of Italy, Germany or Ireland for instance, need a different mix of economic policies in response to shocks. In practice, however, this flexibility has been reduced even more lately as the euro area economies have been subjected to additional constraints (six-pack, treaty on stability, coordination and governance), besides the ones imposed by the common monetary policy. This is likely to alter the efficiency of the mix of individual economic policies, for each Member State. In the short term, the highest risk for the stability of the euro area is posed by the high political cost of unemployment. The rigidity of the euro area labour market, the reduced flow of migration between Member States and the low economic growth perspectives will test the responsiveness of decision makers ... **p.2**

event

Launching of the Strategy and Policy Studies (SPOS 2012)

The European Institute of Romania organized on April 11, 2013 the **Strategy and Policy Studies (SPOS) 2012** launching conference. The event aimed to introduce the public to the subject matter of the studies, shedding light on some aspects, important for both the decision-makers, who are the beneficiary in this context, and the entire society. In this context, the event was attended by personalities from the political scene, from the Romanian academic environment, as well as former and current Romanian high officials ... **p.3**



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... In the 2013-2016 Government Programme, Romania maintains its objective of joining the euro area, being concerned by real convergence as a necessary condition for attaining this target. Taking into account the recent developments, as well as the macroeconomic trends in the short and medium term, does the goal of joining the euro area in 2015 remain achievable or is it just another political “mirage”?

Romania’s target of joining the euro area in 2015 was not realistic even at the time of launching. Back then, the decision was made purely on political grounds, without any supportive economic analysis of subsequent implications. Recently, both the Governor of the National Bank of Romania and the Prime Minister stated that the 2015 target is no longer feasible. The current economic situation in countries such as Italy, Greece or Spain, is proof that the mere fulfilment of the Maastricht criteria, achieved in a relatively short window of time, is far from being enough to guarantee the success of the accession to the euro area. The ability of an economy to compete successfully in the euro area is subject to the test of time. At present, Romania does not have a competitive economy able to resist in the euro area. In practice, real convergence requires the achievement of a per capita income as close as possible to the euro area average. In 2011, Romania’s per capita income, measured in purchasing power standards terms, was less than half of the EU average, much too low. At the current pace of structural reform implementation, Romania would likely need at least another decade for alternative mechanisms of economic adjustment to shocks to work in the context of a free market economy. The euro should be adopted when the economy is ready; otherwise the subsequent risks for the economy are much too high.

The absorption of Structural Funds is a stated priority of policy makers in Bucharest. Having regard to the recent history in this field, what are the causes of such a low rate of absorption and what would be the solutions requiring urgent implementation with a view to redressing this state of affairs?

There is a complex set of factors that have generated this situation, from the poor strategic planning, fragmentation of decision-making processes, financial constraints faced by projects’ applicants, to the insufficient administrative capacity or the low level of expertise, at the level of local, state administrations and projects consultants.

“The ability of an economy to compete successfully in the euro area is subject to the test of time. At present, Romania does not have a competitive economy able to resist in the euro area”.

Laurian Lungu is managing partner at Macroanalitica.

He holds a PhD in Economics (Cardiff University), a Master’s degree in Economics (Liverpool University) and a Master of Business Administration degree (the Canadian MBA Program in Bucharest). Previously, he worked in the academic environment, teaching courses in Macroeconomics and Mathematical Methods at the Department of Economics of Cardiff University. His areas of expertise include macroeconomic forecasting and policy modelling, with emphasis on the monetary policy, international economics, fiscal policy and labour market policies. He is author of several articles and analyses published in international professional journals and books. He is a member of several research groups, such as the UK-based Liverpool Research Group in Macroeconomics and Julian Hodge Institute of Applied Macroeconomics.

Given these, the solutions would likely focus on two directions. The first one should address the re-shaping of the entire institutional architecture. Some progress has been made and it is very likely that, for the 2014-2020 financial exercise, Romania will have a single Management Authority, not seven as there are at present. This should, in principle, lead to an improvement in the process of project coordination and monitoring. The second direction should aim at attracting and retaining skilled human capital for the entire chain of EU funds process, from planning to accessing and implementation stages. Each individual stage of the EU funds process would also need to become more transparent. This later problem however, is likely to be more difficult to solve in a short period of time, as it requires specialised staff in various fields, such as forecasting financial needs for each individual operational programme, within multi-annual budgeting framework, for the entire financial period, for instance.

Fighting against tax evasion and reducing underground economy are priorities for any State. What would be, in your opinion, the measures that the Romanian State should adopt in order to increase state budget revenue?

The low collection of state budget revenue has a simple economic explanation: the population perceives the quality of public services provided in exchange for the taxes paid as inappropriate. Over the last two decades, regardless of the existing tax levels, Romania has had a low budget revenue collection compared to the EU average, around 28% of GDP. In time, as the quality of the public services improves (for instance, health, education etc), the population’s willingness to pay a higher price for these services would likely increase.

The solution I support in order to get out of this vicious circle is for the authorities to adopt a so-called Transparency and Credibility “pack”. It contains a set of measures which need to be applied in parallel. For instance one measure focuses on total transparency of budgetary expenditures, whereby public expenditure allocation is based on economic efficiency criteria. The public should be able to monitor freely and continuously the expenditure process with individual accountability if expenditure ceilings are exceeded. At the same time, there should be clear timelines for investment strategies in infrastructure, health or education, with objectives monitored through a set of pre-established indicators. Concerning revenues, a detailed medium-term plan to reduce the taxation level, especially labour-related taxes,

should be pre-announced. In parallel, penalty measures for tax evasion should be stepped up. The aim of these measures is to consolidate the accountability-trust relation between the state and the population.

In your media interventions you talked about a so-called critical inflexion point of economic development. Would you elaborate on this concept, as well as its implications for Romania?

Indeed, once the crisis emerged at the end of 2008, the economic cycle initiated back in 2001, after the start of the EU accession process, ended for Romania. This inflexion point has to do with the medium and long-term financing needs of the Romanian economy. It is generated mainly by the overlapping of current external conditions, where external financing constraints will persist in the years to come, with the current state of the domestic economy. Regarding the latter

there are three important factors. . First, there are the large investment needs by state-owned companies, which have an important weight in the economy, especially in the sectors of energy and transport. Second, is the "obsolete" structure of the economy, whereby the industry companies operate often with outdated technologies and relatively high costs. The agriculture sector is also, inefficient. Third, there is the so-called "valuation effect" of various assets in Romania. After 2001, this effect was positive but now the trend has changed and its persistence may have significant negative effects on the economy, especially if the high level of indebtedness for households and companies persists. Overcoming this critical point requires the adoption of those economic policies able to ensure medium-term capital flows which are necessary to finance future economic growth.

Interview by **Oana Mocanu**

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Mrs. Gabriela Dragan, director general of the European Institute of Romania, opened the conference, presenting the main subjects tackled by the **SPOS 2012** studies. The EIR studies cover a wide range of issues and offer an image of Romania's evolution and of the needs for analysis of the decision-makers. At the beginning, the research focused upon the impact of Romania's accession to the EU and starting with 2006, it addressed mainly the national policies and strategies within the European space. The research themes and the terms of reference of the studies reflect the needs of the potential institutional beneficiaries, aiming to help substantiate the policy decisions in different stages of the European path of Romania. The activity, carried out with carefully selected experts from the academic environment meets the scientific rigour and enjoys the appreciations of the decision-makers and of the general public.

Regarding these studies, **Mr. George Ciamba**, secretary of state for European Affairs in the Ministry of Foreign Affairs, said that they are especially valuable because they meet a specific need, following a rigorous methodology of analysis, something which provides the quantitative and qualitative dimension of the final product. Good governance is assured, also, by a good collaboration between think-tanks, research entities, and authorities. In the next period, there is a growing need for academic research in decision-making in order to strengthen the European profile of Romania. In this



context, achievements such as these studies, tackling issues of major impact, contribute to the development of expertise. EIR can further support the collaboration with the EU member states' governments and think-tanks.

Mr. Leonard Orban, former minister of European Affairs, included in his speech both the dimension of the applicability and the one of actuality of the studies, which are firmly anchored in the current matters. All four studies respond to the decision-makers needs of information and analysis, stressing on the one hand the weaknesses and advantages of Romania and, on the other hand, making relevant recommendations regarding policies or institutional development. The analysis and the recommendations promoted by the SPOS 2012 Studies remain of current concern as the issues approached at European or national level remain open. That is why we need more good quality studies for a correct positioning of Romania within the framework of the processes which take place at the EU level.

Mr. Andrei Mocearov, director of the Community Law Division within the Chamber of Deputies, highlighted also the important role of these studies, mentioning the fact that they are addressed to the general public, especially to those formulating the national position in various fields. By referring to the annual fine-tuning mechanism which transpires during the inter-institutional negotiations, Mr. Mocearov stated the need for an early initiation of these studies, as their utility is best achieved in the reflection and consultation phase. The studies have the role to consolidate the institutional dialogue, promoting in this sense the European and national interests.

The second session was dedicated to the presentations made by the coordinators of the four SPOS 2012 studies. **Mr. Ovidiu Nahoi**, journalist with Money TV was the moderator of this session.

Mr. Bogdan Suditu, Ph.D, Faculty of Geography, University of Bucharest, presented the authors of the study *Perspectives of the Migration Policy in Romania's Current Demographic Context*, and highlighted the main aspects of the research process.

Mr. Iordan-Gheorghe Barbulescu, PhD, dean of the International Relations and European Integration Department, National School of Political Sciences and Public Administration, presented the study *Coordination of European Affairs at the National level. Cooperation Mechanisms between the Government and the Parliament on European Affairs. A Comparative Study in EU Member States*, tackling the dilemma regarding the nature of the European affairs.

Mr. Bogdan Moinescu, PhD, associate professor within the Finance, Insurance, Banking and Stock Exchange Faculty, Academic of Economic Studies, presented the study *Taxing financial transactions and its consequences on economic growth, financial stability and public finances*.

In his intervention during the debates, **Mr. Cornel Albu**, Deputy Director of the World Economy Institute of the Romanian Academy, presented the study *Perspectives and Challenges for the Romanian Exports between 2012-2014, from the Standpoint of the EU Bilateral and Regional Trade Relations*. He also presented the group of authors of this study.

In the end, **Mrs. Dragan** approached the conclusions of the debate and announced the organization in the near future of thematic debates, dedicated to each SPOS study individually. As all the topics of the SPOS 2012 studies led to relevant and consistent debates, with impact onto the audience, it is, thus, necessary to promote them over the next period. Organizing these debates is particularly important in helping pursue the mission of these studies, namely to introduce the target audience, the beneficiary and also the entire society, to the information and the recommendations formulated by the experts and the authors of these Strategy and Policy studies.



Oana Iftime, intern

Assessment of Programs Financed by Structural Funds

(L'évaluation des Programmes Financés par les Fonds Structurels)



The training programme “L'évaluation des Programmes Financés par les Fonds Structurels” took place at the European Institute of Romania, 11-12 April 2013. The programme focused on understanding the mechanisms and methodology for evaluating Structural Funds programmes. The objectives were: the participants' understanding of the role of evaluation in the Cohesion Policy cycle, lessons learnt from the evaluation of current programmes and participants' familiarisation with the prospects for programme evaluation.

The course was held under the coordination of *Organisation Internationale de la Francophonie* (OIF), with the exceptional presence of expert Patrick Faucheur, head of the Transport

and Regional Policy sector from the General Secretariat for European Affairs in France. In addition, presentations were made by experts Chantal Moreau, Director of *Mission Europe et Politiques Contractuelles* (Conseil régional d'Auvergne) and Loredana Suditu, counsellor from the Analysis, Programming and Evaluation Unit of the European Funds Ministry.

The agenda included a general presentation of the different types of evaluation of programmes, case studies and examples of good practices in the current evaluation methodologies. The main challenges and problems for evaluation were presented, as well as the specificities in evaluating public policies, both at EU and Member State level, in FEDER and ESF programmes. Of great importance were the prospects for evaluation in preparation for the new Cohesion Policy that were discussed in the last part of the programme.

The foreign experts and the main trainer, Patrick Faucheur, having an extended expertise in evaluating European programmes, ensured a high quality of the training programme provided to public servants from various ministries, whose activity involves evaluating European programmes.

Daniela Marinache

Resources for a New European Democracy



The European Institute of Romania is a partner in organising and implementing the *New EU Diplomat: Beyond Democracy Defending* project, April-June 2013, together with the *Centre for European Affairs of Slovakia*, with European financing by the *Youth in Action* program. The project is aimed at creating an international network of future European leaders and young diplomats with knowledge of the concrete aspects of the professional activity of a European diplomat and the role of EU's foreign policy in the processes of transition towards democracy of third world countries.

The four meetings of the project organised in all four partner countries (Hungary, Germany, Romania and Slovakia) are intended to create a context of learning on EU diplomacy, EU delegations and the decision making processes in EU's foreign policy after the launch of the European External Action Service.

The first meeting of the project was held in Budapest, 11-13 April and opened with the panel session **Visions and Ideas for Redesigning EU Foreign Policy in Third Countries: Is Mali a European Success Story?** at which highly esteemed Hungarian diplomats were invited, such as: **Péter Balázs**, Minister for Foreign Affairs of Hungary and Director of the Centre for European Union Enlargement Studies and **Victor Marsai**, Research Fellow at the Hungarian Centre for Strategic and Security Studies.

The meeting in Budapest was focused on negotiation as an essential aspect in the diplomatic activity. Thus, the participants benefited from two training sessions in negotiations techniques held by trainer Janos Wagner, Partners Hungary Foundation. The intensive training program was focused on exercises and concrete negotiation circumstances, the participants improving, thus, their communication skills, the skills of cooperation with a view attaining a common target and the skills necessary for solving conflict situations by lobbying and negotiating. A concrete and complex negotiation exercise was the simulation of the EU Foreign Affairs Council for adopting EU's stance regarding the conflicts in Mali. Each participant had to perform the role of the Foreign Affairs Minister of an EU Member State with all that such a role involves for the representation of the stance of their country's Government and the national interests. To this effect, the ministers were encouraged to have informal talks and to apply intelligent negotiation tactics in close cooperation with lobby groups.

The *European Institute of Romania* is a partner in this project along with: *Euro Atlantic Centre* (Slovakia), *Association of Professional Student Organization in the Higher Education* and *AEGEE Budapest* (Hungary), *German Atlantic Association* and *Bringing Europeans Together Association* (Germany) and the *Romanian-American University*.

Daniela Marinache

EIR Participation to LISBOAN Seminar on the ENP

The Italian Institute for International Affairs (IAI) organized on March 22nd 2013 in Rome, Italy, a seminar in the framework of the LISBOAN project, entitled „*The European Neighbourhood Policy and the Lisbon Treaty: What has Changed?*“. EIR participated with a paper entitled “*Eastern Partnership Roadmap 2012 - 2013 and the European Enlargement Strategy: Main Challenges to the conditionality and differentiated integrated principles*“, presented by **Agnes Nicolescu**, expert within the Studies and Analyses unit, during the third session of the conference.

Participants included representatives from European universities and research centres, such as the University of Ghent, the Trans European Policy Studies Association (TEPSA) Brussels, the University of Hanover or the Institute of World Economy of Budapest. Discussions were held over the course of three sessions, with topics covering the legal basis of the ENP, the coherence brought by the Lisbon Treaty to the European Neighbourhood Policy, the EU external action service, as well as the current geopolitical, economic and institutional context and the role of the European Neighbourhood Policy.

The National Anti-Corruption Strategy – a year of monitoring 28 – 29 March 2013



The Annual Anti-Corruption Conference, organised by the Chamber of Deputies through the Legal Committee for Discipline and Immunities, in cooperation with the Ministry of Justice, was held at the Palace of the Parliament. The conference marked **one year of implementation of the 2012-2015 National Anti-Corruption Strategy** and is part of the project “Additional measures for meeting the benchmarks set out in the Cooperation and Verification Mechanism (CVM)”. The project is financed by the Netherlands Embassy in Bucharest and aims to strengthen the capacity of Romanian authorities to implement the measures adopted with a view to fulfil the commitments made under CVM.

The most important event of the conference was the **signing of the agreement between the Ministry of Regional Development and Public Administration and the Ministry of Justice** for collaboration in the fight against corruption and fraud. Anti-corruption assessments and the development of specific action plans are made under the guidance of anti-corruption experts in Finland, Netherlands and Germany, who will support the activity of the two ministries. As regards the collaboration with public authorities at local level in order to achieve the specific action plans, the Association for the Implementation of Democracy has been a partner since the establishment of CVM in Romania.

In the first part of the conference, interventions of central administration institutions emphasised the need for permanent and sustained efforts for creating a stable and transparent institutional environment and preventing conflicts of interest and the need to cooperate with the business environment. Another fact of key importance is the cooperation with the Embassy of the Netherlands in Romania, the Embassy of the United States and the Embassy of Great Britain and Northern Ireland. The participants highlighted the need to support justice, a priority in the context of CVM. Thus, the Superior Council of Magistracy, the National Integrity Agency and the National Anti-Corruption Agency will play an essential role.

As concerns the Cooperation platform for local public administration, the problems identified especially in the context of the anti-corruption fight are: the administrative staff shortage, the failure to illustrate, in the framework of the general strategy, all the situations in which the conflict of interest arises, the general perception on the existence of corruption at the level of the administrative system, even without concrete evidence. The representatives of the local administration were the mayors of Vlăhița, Mizil and Govora municipalities.

An important contribution to the conference was made by the activity of the Cooperation platform for independent authorities and anti-corruption institutions, through the representatives of the General Prosecutor, the National Anticorruption Directorate (DNA) and the National Integrity Agency (ANI). The statements focused on the two main issues currently affecting Romania, namely the problem of the EU fund fraud and the lack of foreign investors' confidence in the political environment in Romania. At present, control bodies in public institutions are understaffed and the solution - replacing the person who committed a corruption act, without adopting specific measures for monitoring and verifying the facts - does not solve the substantive issues.

On the second day of the conference proceedings, interventions focused on technical issues concerning the significant progress made in the implementation of the National Anti-Corruption Strategy. Representatives of the technical-administrative staff of the ministries took the floor, illustrating positive facts and also particular issues in the management of specific situations. The intervention of Mr. Miles Litvinoff from the Embassy of Great Britain offered concrete examples from the experience of his country and good practices in the process of implementing the commitments undertaken by Great Britain by the Open Government Partnership.

At the same time, representatives of civil society from Expert Forum had specific interventions on the problem of the failure to implement the existing legislation, especially in the field of conflicts of interest. Bogdan Manolea, Chief Executive of the Association for Technology and Internet, presented the concepts of Open Data and data security by their aggregation on free online platforms.

The conference ended with the speech given by the Prime Minister Victor Ponta, who emphasised the importance of stable public institutions for the foreign investment environment in the context of the problems faced at European level. The prime minister thought it is very important to establish an exhaustive code of incompatibilities and conflicts of interest and referred to the crucial role played by DNA and ANI and by the sustained cooperation with them in the fight against corruption.

Daniela Marinache

analysis | opinion

Growth and competitiveness in the EU

The Representation of the European Commission in Romania organized on April 4 2013 the debate entitled "*EU motors for growth and competitiveness in the European Union*", an event that brought to the forefront the role of the Cohesion policy instruments in increasing the economic competitiveness of Europe, making reference to the Romanian challenges in the upcoming financial period, as well as the lessons learned from the experience of both Poland and Ireland and from our own experience.

The two countries' models are similar in terms of transparency, strict control of spending, a reduced bureaucracy and state support in accessing EU funds. However, if the Irish model was based on a centralized system with no institutions especially created, in Poland, the secret of attracting European funds was the decentralization of the decision on the financing of projects.

Best practices in implementing EU funds propel Poland among the most powerful states of the European Union in economic terms. His Excellency, Mr. **Marek Szczygieł**, the Ambassador of the Republic of Poland in Romania indicated EU's financial assistance contributed to the country's economic growth, which exceeded the EU average.

In Ireland, the increase of economic competitiveness had a close connection with the structural funds, and His Excellency, Mr. **Oliver Grogan**, the Ambassador of Ireland in Romania, noted some of the key measures that led to an efficient use of European funds, namely: focusing the operational programs on increasing competitiveness in infrastructure, human capital

and the productive sector; the principle according to which European funds are additional to national funding and not substitutable; creating an implementation system based on simplification and transparency. Human resource development has been a priority for which 35% of the structural funds were allocated, focusing on technological development, research and clusters.

Romania has not managed to capitalize on European funds as the main instrument to increase economic competitiveness, but starting with 2014 Romania has to contribute significantly to the EU's objectives for the Europe 2020 strategy under the risk of withdrawal of funds allocated, this year's actions being crucial to achieving this goal. The lack of competitiveness is one of the major factors hindering economic development in Romania and can be explained by the following factors: low productivity, outdated technology and equipment, a low level of entrepreneurial activity in some sectors and also an unfriendly business environment.

The funding priorities proposed to Romania by the European Commission aim to improve human capital by increasing the rate of employment and better policies on social inclusion and education, the development of a modern infrastructure, promoting the economic competitiveness and local development, optimizing the use and protection of natural resources and assets and the modernisation and consolidation of the national administration and of the judicial system, according to the Ministry of European Funds press release.

Livia Mirescu, intern

Winter Forecast 2013: EU Economy - Gradually Overcoming Headwinds



On 22 February 2013, the European Commission published the *Winter economic forecast* for the euro area and the European Union as a whole. It is the first of a number of exercises, part of the EU's efforts for a closer surveillance of national economies and public finances in order to counteract the economic and financial crisis. The forecast highlights the prospects for the European economy in 2013 and 2014 based on data recorded in 2012. The Commission's document includes assessments on the overall evolution, covering indicators such as: the growth in Gross Domestic Product (GDP), inflation, employment, and public finances for 2012-2014.

The bad news is that economic activity has been disappointing in the second half of 2012, particularly in light of the performance of Germany and France. Due to the headwinds, the return of confidence in the euro area will take more time. The balance-sheet adjustment process continues to diminish the pre-crisis imbalances, holding back short term investments and consumption and thus weighing on the economic growth. Consequently, the economic image of the EU and the euro area is becoming poorer than estimated. The economic prospects of most Member States are declining as compared to the November 2012 forecast, while maintaining a modest growth of 0.1% EU wide. In contrast, the euro area, despite an estimated growth rate of 0.1%, will record a contraction of 0.3% in 2013.

The good news is that while GDP in the EU is now bottoming out, the economy is expected to gradually recover. The pick-up in growth will initially be driven by an increase in external demand and, as domestic investment and consumption are to recover later in the year, domestic demand is expected to take over as the main driver of strengthening GDP growth by 2014. Growth will become apparent in 2014, as the GDP is projected to grow by 1.6% in the EU and 1.4% in the euro area.

The slow pace of the economic activity is expected to affect employment as well. The economy will face job losses, located in just a few of the Member States. The unemployment rate is expected to reach 11.1% in the EU and 12.2% in the euro area in 2013. High and persistent unemployment in certain geographical areas causes depreciation of skills of the unemployed workers, which could affect the economies' growth potential. On the other hand, the Commission estimates that inflation related risks appear balanced. Inflation is to decrease gradually in the course of 2013 and to stabilise around 1.7% in the EU and 1.5% in the euro area next year.

Since the summer of 2012, financial market conditions in the EU have improved substantially. The risk distribution has become substantially more balanced. As Member States implement fiscal consolidation measures, the fiscal deficits are to decrease to 3.4% in the EU and 2.8% in the euro area in 2013. The fiscal consolidation is going to advance at a slower pace, which will also reduce its negative impact on economic growth.

According to the Commission's estimates, Romania might return to economic growth, after a flat growth in 2012 (0.2%). Based on the recovery of the domestic demand, GDP growth in Romania is estimated to increase to 1.6% in 2013 and to 2.5% in 2014. The effects on employment will be low, with the unemployment rate set to an annual decrease of 0.1 p.p., reaching 6.9% in 2013 and 6.8% in 2014. Due to the rising electric energy and food prices, inflation will shrink gradually, forecasts indicating 4.6% in 2013 and 3.3% in 2014.

The EU economy's gradual overcoming of headwinds is supported by efforts to improve the economic governance and to continue the reforms implemented beginning with December 2011. The winter forecast was published 2 days after EU institutions reached an agreement on the "two pack" for consolidating budgetary surveillance and continuing to promote economic integration in the euro area. On that basis, the Commission intends to push forward to create a deep and genuine Economic and Monetary Union, as highlighted in the blueprint published last year.

To sum up, the winter economic forecast for 2012 - 2014 starts off with some disappointing hard data regarding the activity in 2012, points to several encouraging evidence in the recent past and offers reasons for growing investor confidence in the future. In the moderately optimistic message given by Olli Rehn, Commission Vice-President for Economic and Monetary Affairs and the Euro, when the forecast was released, he highlights the positive results of the strategic policy action undertaken recently, which are paving the way for a return to recovery, urging to keep the course of reform.

Additional information here:

http://ec.europa.eu/economy_finance/eu/forecasts/2013_winter_forecast_en.htm

Iulian Oneașcă

THE EUROPEAN PARLIAMENT: Plenary Session 15 - 18 April 2013, Strasbourg

Banking Reform, Foreign Relations and Changes in the Hungarian Constitution



Source: http://www.flickr.com/photos/european_parliament/

This month's plenary session in Strasbourg had as main debate topics the extended bank reform which will take effect starting with January 1, 2014, the compatibility of the changes in the Hungarian constitution with the EU law and foreign relations with countries such as Turkey, Kosovo, Montenegro and Serbia.

MEPs decided to facilitate travel within the EU for the citizens of Ukraine and Moldova. The new rules simplify the visa and the applications for demonstrating travel purposes and exempt from obtaining the visa those who travel for a short period of time. Regarding the accession of Serbia, Montenegro and Kosovo, MEPs adopted three resolutions according to which reforms in these countries need to focus on fighting corruption and organized crime, maintaining the rule of law, guaranteeing the independence of the judiciary and protecting citizens' fundamental liberties. Also, the three acceding countries can shorten the process by developing good neighborly relations.

By adopting a resolution on the relations between Turkey and the EU, MEPs decided that there is a need for renewal of the mutual commitment between the two parts. Thus, Turkey will have to adopt a new package of reforms in the judicial system, increase its activity in defense of women's rights and to solve the Kurdish problem in a peaceful and democratic way. While

continuing negotiations with Turkey, Croatia remains in its position of becoming the 28th member state of the European Union on 1 July 2013. MEPs support the constant efforts of Croatia and the continuation of these reforms even after its accession in order to achieve a complete modernization. Thus, Croatia became a model for the other countries in the region, which will be able to follow the same steps in the accession process. Out of the 27 countries, only Denmark and Germany have not yet completed the ratification process of Croatia's accession.

Two other resolutions were adopted by MEPs during this plenary session, calling for measures to increase freedom of expression in Vietnam and the protection and respect of human rights in Kazakhstan.

MEPs have expressed their concerns over the Hungarian changes of constitution, which might be in conflict with the rule of law of the European Union. New amendments introduced by the center-right Hungarian party, including provisions related to the Constitutional Court, judicial independence, and recognition of religious groups, were seen as an attempt to monopolize power.

Other conclusions of the discussions in this session include the banking reform which will enter into force on 1 January 2014 and will limit bankers' bonuses and strengthen capital requirements for banks, while the European Central Bank will have to be more transparent. Also, while all other institutions and agencies were granted a discharge for their 2011 budget, the Council was denied approval of account due to a lack of cooperation.

For more details you may access: <http://www.europarl.europa.eu/portal/ro>

Ioana Ene, intern

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