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We make known that on **19.09.2012, 11⁰⁰** o'clock, in room 402, str. Lăpușneanu, **Dorian POTLOG**, from the Faculty of Economics and Business Administration, will publicly defend her thesis with the theme: **“The real convergence and nominal convergence in the process of adoption by Romania of the European single currency”**, in order to obtain the title of PhD in the field of FINANCE.

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We are sending you the summary of the thesis and await you at the public defence of the thesis. The thesis can be found at the Library of the Faculty of Economics and Business Administration.

**“Alexandru Ioan Cuza” University of Iași
Faculty of Economics and Business Administration**

PHD. THESIS:

**THE REAL CONVERGENCE AND NOMINAL CONVERGENCE IN THE PROCESS OF
ADOPTION BY ROMANIA OF THE EUROPEAN SINGLE CURRENCY**

PHD. TESIS COMMISSION



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The real convergence and nominal convergence in the process of adoption by Romania of the European single currency

TABLE OF CONTENTS

Introduction

Chapter 1.

Analysing the current state of knowledge (Literature review)

Chapter 2.

Structural adjustments in the perspective of Romania adopting the European single currency

2.1 The effects of adopting the single currency euro and the necessary conditions for its adoption

2.1.1 EURO - a powerful engine of economic and financial integration and of Europe international propagation

2.1.2 Benefits and costs of joining the euro area and of the single currency adoption

2.1.3 The necessary convergence criteria for adopting the euro

2.2 Analysis of the convergence criteria and the possible Romania's timetable for adopting the euro

2.2.1 Romania's situation among the group of the non euro area member states in the vision of the Convergence Report for 2010

2.2.1.1 Price stability criterion

2.2.1.2 Public finance criterion

2.2.1.3 Exchange rate criterion

2.2.1.4 Long-term interest rate criterion

2.2.2 Comparative approach on the fulfilment of the real and nominal convergence criteria by Romania, Bulgaria, Poland, Czech Republic and Hungary

2.2.2.1 Comparative analysis of the nominal convergence

2.2.2.2 Real convergence analysis of the Romanian economy

2.3 Structural adjustments in the Romanian banking system integration process into the European banking climate

2.4 Convergence on the road to EMU: empirical investigations for European Union countries during the period 2000 - 2010

2.4.1 Methodology and data used

2.4.2 Assessing the degree of convergence - the results of the analysis

2.5 Challenges for current and future members of the euro area

Chapter 3.

Convergence criterion for the adoption of the European single currency

- 3.1 Exchange rates mechanisms - ERM I and ERM II -*
- 3.2 Nominal convergence and real convergence*
- 3.3 Romania a potential member that wants to join the single European currency*
 - 3.3.1 Are there alternatives in joining the ERM II ?*
 - 3.3.2 The necessity of nominal convergence criteria*
 - 3.3.3 Real convergence criteria*
- 3.4 Preliminary conclusions*

Chapter 4.

The nominal convergence in the light of the politics and strategies of the NBR in the process of euro adoption

- 4.1 Monetary policy - particularities and limitations for an emerging small and open economy*
- 4.2 Price stability and financial stability in the monetary policy development process*
 - 4.2.1 Inflation targeting and securing the stability of the national currency against the single European currency*
 - 4.2.2 Macro-prudential policies at EU level and Romania's concern to implement them*
- 4.3 Capital flows and their consequences on macroeconomic and financial stability*
 - 4.3.1 Theoretical approaches on capital flows*
 - 4.3.2 Developments of the capital flows in the Central and Eastern Europe countries*
- 4.4 The necessity for an appropriate mix of macroeconomic policies*
- 4.5 Capital account liberalization and the adoption of inflation targeting strategy in Romania*
- 4.6 Preliminary conclusions*

Chapter 5.

The real convergence through the impact of the foreign capital investments on the process of the euro currency adoption

- 5.1 The causes and effects of massive capital inflows*
- 5.2 Developments after the end of massive capital inflows – stylized facts*
- 5.3 Dynamic of the Romanian economy indicators during the period of capital inflows*

The real convergence and nominal convergence in the process of adoption by
Romania of the European single currency

5.3.1 The period of massive capital inflows

5.3.2 Macroeconomic adjustment after the end of the massive capital
inflows

5.4 Attracting European funds to achieve economic growth

*5.5 Modelling Foreign Direct Investments (FDIs) and their influences on
other endogenous economic indicators - the case of Romania*

5.5.1 Analysed period

5.5.2 Data used

5.5.3 Research methodology

5.5.4 Empirical results

5.6 Preliminary conclusions

Final conclusions and proposals

References

List of annexes

INTRODUCTION

In 1957 six European countries (Belgium, France, Germany, Italy, Holland and Luxembourg) have signed the Treaty of Rome, through which the European Economic Community has been formed. Few were the ones that dare to anticipate at that time the future development of the organisation, that has been developed steadily but quickly from a historical perspective, from a simple costume union to a comprehensive political and economical structure, that has been sanctioned through the Maastricht Treaty of 1992. The accession in 2004 of ten countries and in 2007 of another two countries - through which also Romania - which will be joined in the near future by other countries that before 1989 were beyond the so called "Iron Curtin" will finally transform the Economic and Monetary Union (EMU) into a firsthand political-economical environment in the world of the XXI century.

The decision of Romania to join the European Union (EU) represents a strategically orientation that has been embraced by all the political forces from the country and the vast majority of the population. It is to be expected that after the joining of Romania to the Union (from 1 of January 2007), after the fulfilment of the economic criterion, the joining of the euro zone will take place, this giving full content of the integration in the Economic and Monetary Union (EMU). There is no doubt that that the decision to join the European Union represents the only correct and useful option for the long term development of our country. The joining of the European Union represents a catalyst for progress and an instrument through which Romania can go through the steps expeditiously and remove the gaps that exist at the present moment compared to the average level of the European Union, both economically and from the view of the institutions and the overall performance of the society. This will require without a doubt a long term effort - and will imply first of all the abandoning of some anachronistic mentalities for a society based on competition, performance and welfare. It goes without saying that in such an undertaking the orientation of the major economic programs will transcend the economic cycles, aiming to reach the major national objective represented by the quick diminishing and removal of the existing gaps.

In this context the joining of the European Union represents, without a doubt, a step forward, but the diminishing of the gaps will continue for a long time after this. The joining of the euro zone will represent a second step of great importance in this process. According to the current regulations, the euro adoption cannot be achieved sooner than two years after the joining of the European Union, but it is possible that the fulfilment of the conditions required for this process will not take place in the first year after ascension. Moreover, if the joining of the euro zone is implicitly a major strategically objective, the moment at which will take place must be properly weighted in order to identify

the advantages but also the restrictions implied by this process.

According to the calendar for the adoption of the European single currency, our country has opted for the passing to the euro between 2012-2014. But, in order for Romania to adopt the European single currency with the 1st of January 2015 it must fulfil a series of economic criterions, in order to prevent the destabilization of the European economy and not to affect the parity of the euro with other international currencies. These conditions are specified in the treaty regarding the establishment of the European Union (the Maastricht Treaty, which came into force on 1st of November 1993). The Maastricht Treaty has designed the adoption of the European currency as a way without return, as it does not provides any possibility for a member state of the European Monetary Union to withdraw and either that a member state that has adopted the single currency to the excluded from the Union. It has been established that after joining the European Union, the member countries should join the European Monetary Union gradually, as a series of nominal convergence criterion will be fulfil, this aiming to ensure the macroeconomics stability on the long term and a sufficiently high level of convergence in the case of the economies involved, these being premises for a goof functioning of the monetary union. In regard to Romania joining the EMU, N.B.R. considers that three stages must be completed

➤ a first stage that took place between 2007 and 2010 when the following objectives were achieved:

- the consolidation of a low inflation;
- the forming of an internal capital market and the convergence of the interest rates;
- the relative stability of the LEU course on the market (in conditions of full convertibility) around a long term equilibrium level;

➤ A second stage that will take place between 2011-2012 and aims at the consolidation of the fiscal discipline through the establishment of sanctions and a tighter supervision of the national budget (a budget deficit of maximum 3% of GDP and it equilibration in order to achieve budget surpluses) and of the public debt;

➤ A third stage necessary for the fulfilment of the nominal convergence criteria's and the achievement of significant progresses in the real convergence process, market by: the accession to the ERM II mechanism, in the year 2013 and the adoption of the euro in 2015, after a period of participation to the ERM II mechanism as short as possible, but not less than the minimal period of two years.

Regarding the *real convergence*, there are no imposed rules and there are no references to any documents that could generate juridical effects from the European Central Bank or the European Commission, but it must receive at least the same importance as in the case of the nominal convergence, thus the

The real convergence and nominal convergence in the process of adoption by Romania of the European single currency economy of our country will be able to keep up with the developed European economies once it adopts the European single currency.

But, the *nominal convergence* criteria's are mandatory and explicit because of two reasons: on the one hand, in order to participate in the monetary union is essential in the first place the harmonisation of the monetary policies of the member countries, to which we add the compliance with the budgetary discipline, while on the other hand the nominal convergence can be achieved in a much shorter period of time than it is necessary for the real convergence, that is a more long term process, especially in the case of the former communist countries. Still, a great importance presents the fulfilment of the nominal convergence criteria's in a sustainable manner, that allows their achievement on the medium and long term and not the reaching of a certain level at a given point.

In perspective, the real convergence process and the nominal convergence process of the Romanian economy will take place in a rhythm that deepens, mainly, on the coherence of the economic policies implemented by the authorities, this being the reason for I consider that it is indicated that the directorial lines of the economic programs must be strictly enforced, beyond the short horizon of the electoral cycle.

In this context, the opinion of the Governor Mugur Isărescu is that Romania, which has joined the European Union in January 2007, could fulfil the Maastricht criteria's sooner than it was anticipated initially, but wants to avoid the adoption of the euro currency before a "minimum of necessary" real convergence is reached. Although, the adoption of the single currency seems like a simple decision, it is in fact a complicated one, through which an equilibrium must be achieved between "being ambitious and being realistic" and the prevention of an evolution similar to Hungary, where the central bank was forced to delay twice the term for the adoption of the euro.

The opportunity of the countries from the European Union to participate in the euro zone is more and more questioned in the academic literature. The joining of the euro zone by Romania represents a second step in the integration process in the structures of the European Union and constitutes a catalyst of progress and an instrument for Romania to eliminate the gap that exist in present compared with the standards of the countries of the Monetary and Economic Union (MEU). The full process of European integration, that is the equivalent with the development process of Romania cannot be achieved without the existence of a modern and performing banking system. From the multitude of systems that define the existence and the economy of a nation at a certain point and which are interrelated, the economic system having a fundamental role, the banking system being a major component, practically the modern economy not being able to exercise its role and functions.

AIM AND SPECIFIC OBJECTIVES

Motivation of the theme. The major changes registered at the level of the European countries after 1989 both political and economical, the creation of the euro zone as a counterpart of the global economical transactions and the success registered by the European single currency in its first decade of existence as well as the current dynamic registered by the European and Romanian banking systems and the major economic transformation that took place at the international level - the financial crisis - have constitute the reason for which I have chosen to undertake the current research. Taking into account that Romania, once it has joined the NATO military structure and became a member of the European Union, it is in a full process of convergence and catching-up against the euro zone economies I considered that the undertaking of a radiography of the current state of the Romanian economy to join the European single currency is needed, opportune and is a current theme of research. I have identified in the academic literature o series of opinion that suggest that we will never converge to the welfare of the euro zone states, but I have also identified a series of credible arguments that sustain the opposite. My opinion is that we will register a positive evolution if we will be able to correctly identify the factors that play an important role in the convergence process and through policies we will be able to create room for action. Nevertheless another motivation in the approach of this research theme is related to my preoccupations, especially the ones related to the fields of money and currency, banking systems and economic globalisation.

In this context the following questions arise: Why so many European countries express their intention to drop their national currency? Which are the benefits and the costs of the monetary integration through the adoption of the single currency? Is Romania ready to adopt the European single currency on 1st of January 2015? These are a few questions that represent the base of the undertaken research and to which I have tried to provide answers in this research.

Objectives of the research. The current research “*The real convergence and nominal convergence in the process of adoption by Romania of the European single currency*” aims to evaluate the way in which the Romanian economy has progressed in the last decade and the perspectives of Romania to integrate in the Economic and Monetary Union, starting from a comparative approach of the convergence level in the case of Romania and other states from the Central and South-East Europe. In my PhD. thesis we have aimed to analyse, in an original meaner, the quantification of the degree in

The real convergence and nominal convergence in the process of adoption by Romania of the European single currency

which the Romanian economy is ready for the integration in the European monetary environment, providing a special attention to the analysis of the foreign direct investments (FDI) on the macroeconomic indicators, an analysis of the degree of absorption in the case of the European funds in Romania for 2007-2011, while also analysing the costs and benefits of joining the Economic and Monetary Union, the analysis of the nominal and real convergence criterions, and also the challenges that exist on the road to the Economic and Monetary Union.

Research methodology. In order to undertake the proposed academic research we have used a biographical documentation based on different sources - books, articles, studies, conference proceedings published home and abroad, statistical databases and also web sources - including specialised researches from the field of monetary economy, financial banking and financial integration. Also, in order to reach the proposed objectives and to develop the thesis we have used the following research methods: a theoretical research, quantitative measurement methods, qualitative analysis, comparative analysis and also different econometric models. The research was constructed based on different instruments for the gathering, processing analysis and interpretation of the data.

STRUCTURE OF THE RESEARCH

Following the aim presented previous, the thesis was structured on five chapters, to which we add the introduction, conclusions, biography and annexes.

Chapter 1 named “Analysing the current state of knowledge” – the literature review is focused on a theoretical approach of the concepts referring to the notions of the economic convergence, respectively the three types of convergence: nominal, real and institutional.

Chapter 2 named “Structural adjustments in the perspective of Romania adopting the European single currency” aims at identifying the particular aspects that derives from the entering of Romania on the road to the European single currency. The process of integration of our country in the monetary structures of the European Union have constitute a phenomenon that has marked the banking activity, becoming a necessity, the adjustment of the banking system in order to financial sustain all the economic activities necessary for the reform of the Romanian economy. The first step toward the single currency is represented by the participation to the Economic and Monetary Union. In order to realistically estimate the trajectory of Romania toward EMU we have consider the opportunity to evaluate the degree in which the nominal convergence criteria’s are fulfilled and also the real convergence degree achieved by our country in comparison with other states from Central and Eastern Europe - Bulgaria, Poland, Hungary and the Czech Republic - but also with states that are already in EMU and have already adopted the European single currency like Slovakia or Estonia respectively.

The present research is not just one theoretical, but also presents an empirical dimension aiming to measure the convergence degree achieved by Romania, but also of the other 26 European Union states. Thus, we have analysed the convergence degree and the synchronisation of the economic cycle with the one of the European Union using the concepts of β -convergence and σ -convergence. The empirical research on the convergence of the European Union states is not justified through the absence of such a study, but as a completion of the existing volume of empirical researches using a more recent database.

Chapter 3 named “Convergence criterion for the adoption of the European single currency” a special merit regarding the current state of convergence being attributed to the Romanian National Bank that has fulfilled the role of initiator and coordinator of reforms in the banking system, but also that of “trusted men” in the undertakings and negotiations made by the Romanian authorities with the European institutions - the European

The real convergence and nominal convergence in the process of adoption by Romania of the European single currency

Commission, the European Central Bank, the European Bank for Reconstruction and Development and nevertheless the International Monetary Fund. It is obvious that the will and the effort to adopt the single currency must be both of the people and the government thus when the date will be set the whole society will be mobilised to support the macroeconomic and microeconomic decisions.

Chapter 4 named “The nominal convergence in the light of the politics and strategies of the NBR in the process of euro adoption” presents the fact that in order to fulfil the nominal convergence criteria’s needed for the adoption of the European single currency a series of macroeconomic measures must be taken, like the liberalisation of the current account, the stability of prices and financial stability, the targeting of the inflation to two percent and the insurance of national currency stability in comparison with the euro in order to diminish the vulnerabilities of the Romanian economy. The important role of foreign direct investments and also of the absorption degree of the European funds in the achievement of a sustainable economic growth in the context of the European Union macro-prudential policies adopted after the current global crisis.

Chapter 5 entitled “The real convergence through the impact of the foreign capital investments on the process of the euro currency adoption” approaches the causes and the effects of the massive capital inflows especially on the main indicators of the economy. For our countries we have presented a modelling of the foreign direct investments and their influence on other endogen economic indicators.

Chapter 1

Analysing the current state of knowledge

In a first stage of our research we have focused on the clarification of the conceptual aspects specific to the convergence phenomenon in the sense that if the monetary system and the institutions of the states that suffer the necessary transformation needed for the operation on the European single currency in an unitary way and in full compliance with the removal of the economic gaps between the poor countries and the rich countries, means that the environment is acting in the way of the real convergence of the economy. In another way, the institutional convergence process and the nominal convergence is conceived and implemented from the perspective and necessity to create a competitive market in the whole European Union, in such a way in which economic agents will operate in equal conditions and ensure the achievement of a real convergence in order to diminish the development gaps between the different countries and regions.

The most important step in the line of adoption the principal of cohesion and harmonious development was been made through the introduction, in the Maastricht Treaty in an explicit way, among the nominal convergence criteria's also three economic objectives that aim the convergence, namely: the harmonious and durable development of the economic activities; a high level of convergence of the economic performance; economic and social cohesion and solidarity among the member states.

Even if in the adoption process there are sustained efforts on the line of economic and institutional reforms and the achievement of a equilibrium in regard to the development, still, in the real life, there is a natural tendency to polarise the processes that deepens the divergences in the development of the countries and regions.

Although the development of the real economy of a country is not a condition for the joining of the European Union or a subject of negotiation in the pre-membership period, the removal of the gaps between the member countries and the EU regions remains an essential subject and of great interest for the economic, scientific and technological strategy of the European Union. The subject is important, firstly, through the fact the in the EU there are big discrepancies regarding the economic development level in the case of the regions and countries. These disparities have been exacerbated with the two wave of expansion that encompassed the Central and Eastern European countries.

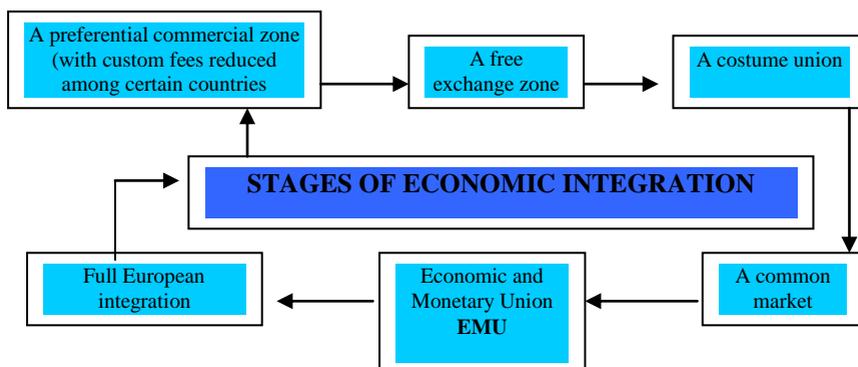
The real convergence and nominal convergence in the process of adoption by Romania of the European single currency

Chapter 2

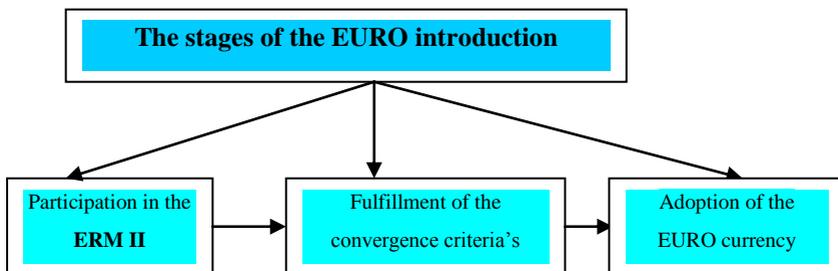
Structural adjustments in the perspective of Romania adopting the European single currency

In the second chapter of our research we have focused our attention on the effects that the adoption of the European single currency has, of the conditions necessary for the adoption and also of the benefits and costs involved in this process.

The stages of the European integration have taken place in the last three decades and encompassed:



The stages of the introduction of the euro currency have been formulated in the Maastricht Treaty, being based on the European Commission Report from 1989 and are composed from:



Still in this chapter we have presented the benefits and the costs involved by the adoption of the European single currency for the countries that wish to join the euro zone, we have evaluated the preparation level reach by our economy in order to join the EMU and the level of a sustainable economic convergence reached and of compatibility of the national legislation with the

terms of the Maastricht Treaty and the fulfilment of the juridical criteria's in the case of the central banks as part of the Eurosystem.

From the empirical analysis implies that, at the present moment, the Central and Eastern European countries are not ready to respect the nominal convergence criteria's established by the Maastricht Treaty.

We are considering that the most important challenge regarding the extension of the euro zone is represented by the insurance of a high level of a durable convergence, this being underlined by both a nominal convergence and also by a real and juridical convergence and we recommend to all the countries that are planning to join the euro zone to consider well these challenges.

In the next three chapters the thesis is focused on the analysis of the fulfilment by our country of the nominal and real convergence criteria's and also of the necessity for foreign direct investments (FDI) and the absorption of a high level of European funds in order to achieve a sustainable economic growth.

Chapter 3

Convergence criterion for the adoption of the European single currency

In this chapter we have focused on the stages the must be undertaken and the indicators that must be fulfilled by Romania in order to join the euro zone, presenting also an analysis of the real and nominal convergence criteria's fulfilled by our country from the moment it joined the European Union and until the present day (the year 2011).

Indicatori de convergență nominală	Maastricht criterias	Indicators fulfilled by Romania in:					
		2006	2007	2008	2009	2010	2011
0	1	2	3	4	5	6	7
Inflation rate (HCPI)¹	< 1,5 pp over the average	6,56	4,9	7,9	5,6	6,1	5,8
(percentage, annual average ²)	of the best three EU performers	against (2,8 %)	against (2,8 %)	against (4,0 %)	against (1,1%)	against (2,4%)	against (2,8%)
Consolidated budget deficit	Under 3 %	1,9	2,5	5,4	8,3	6,4	4,4
(percentage in PIB ³)							
Public debt	Under 60 %	12,4	13,0	13,6	23,7	30,8	33,3
(percentage in PIB ³)							
Exchange rate against the €	+ / - 15 %	+ 10,0 / - 6,1	+ 10,8 / - 9,6	+ 9,7 / - 14,6	+ 1,6 / - 18,7	+1,4 / - 10,4	+1,1 / - 7,4
(appreciation/depreciation maximal over the last two years average ⁴)							
Long term interest rates	< 2 pp over the average of the best three	7,49	7,1	7,7	9,7	7,3	7,3
		against	against	against	against	against	against

The real convergence and nominal convergence in the process of adoption by Romania of the European single currency

(yearly percentage)	EU performers	6,2 %	6,4 %	6,2 %	6,0 %	5,2 %	5,0%
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It is obvious that the period between the joining of the European Union and the moment in which our country joins the ERM II must be used wisely for a deep economic restructuring and the undertaking of some investment programs that aim to diminish in the shortest possible way the gap that exists against the current standards of the European Union, and the establishment of the year 2013 as the target for joining the EMR II must be understood and treated as a supplementary opportunity for the convergence of the real economy and must not be understood as a rest period for the premature relaxation of the macroeconomic policies aimed by the public authorities.

Chapter 4

The nominal convergence in the light of the politics and strategies of the NBR in the process of euro adoption

Taking into account the particularities of the Romanian economy as an emerging country, like predominant offers shocks, the extension of the monetary substitution, the fragility of the fiscal institutions, not very deep financial markets, vulnerabilities determined by the sudden interruption of capital inflows and the migration of the workforce, as well as the low level of European funds absorption which amplifies the complexity of the monetary policy decisions destined to ensure the stability of prices.

In this sense, the request to join the ERM II for at least two years represents a real challenge, and the joining moment of EMR II must be thoroughly prepared, as the nominal convergence indicators (the inflation rate and the budgetary deficit) must be sustained for the whole period of time.

The main challenge for the authorities from our country is represented by the promotion of the nominal and real convergence and at the same time maintaining the macroeconomic stability. On the one hand, the fulfilment of the objectives regarding the achievement of a sustainable economic growth and on the other hand the macroeconomic stability require the stimulation of investments and the avoidance of the pro-cyclical macroeconomic policies. Regarding investments, the authorities must perfect the absorption capabilities of the European funds; such measures are necessary for the improvement of the business environment, in order to allow a high level of private investments.

Since the economies of Central and Eastern Europe had a tendency to overheat during the real convergence period, it is obvious that the fiscal imbalances must not overlap the economic cycle. The economic policies should profit from the sustained growth periods in order to promote the necessary reforms, thus ensuring the necessary manoeuvre space for the monetary policy

in the decline periods and the fiscal policy should be used in order to correct the current account imbalances.

In these conditions, the achievement of a mix of policies is more important than each individual policy used. In regard to the monetary policy, its excessive restrictions can only partially compensate and on the short term the lack of a coherent fiscal-budgetary policy and of governmental incomes, the resulting situation being subprime in regard to the achievement of the real convergence on the medium and long term. In this context, it is necessary that the fiscal policy plays a key role in the insurance of the external equilibrium.

Chapter 5

The real convergence through the impact of the foreign capital investments on the process of the euro currency adoption

In the case of Romania it has become obvious that after the joining of the European Union the massive capital inflows have led to the growth of the economy, which was not used properly in order to achieve a sustainable fiscal-budgetary policy. After 2008 the foreign direct investments have diminished drastically and their correlation with the reduced absorption of the European funds has led to a low economic growth and the enhancement of the real convergence gap against the euro zone countries.

In order to accelerate in a sustainable way the real convergence with the European Union, the Romanian economy needs to be reformed and enhance its growth potential that has led to crisis. In this sense the main priorities that must be followed during 2012-2013 are represented by the insurance of the fiscal sustainability and the growth of the GDP without endangering the potential for economic growth and the European Union convergence criteria's.

The real convergence and nominal convergence in the process of adoption by Romania of the European single currency

General conclusions and future research directions

In most of the European transition economies, the perspective to join the European Union structures have paved the way to reforms, the road chosen by most of the former central planned economies, among which is also Romania, and have helped the solving of the problems caused by the problems determined by the changes undertaken.

Structured in five chapters, our thesis "*The real convergence and nominal convergence in the process of adoption by Romania of the European single currency*" debuts with an introductory section that motivates the aim and the importance of the researched theme in the current national and international context. In this research we aimed to study the influences and impact of the euro zone joining program on the commercial banks practices from Romania and on the business environment in the context of integration.

The perspective of the European Union states to join the euro zone has aligned the banking systems and allow the achievement of a convergence process. Starting from this aspect, we have considered necessary the study of the convergence process through a comparative analysis of the convergence level reached by Romania and the other countries from the Central and South-East Europe, but also with a series of the euro zone countries.

Although the European single currency have its ups and downs in its first decade of existence it registered a complete success, ensuring a series of the advantages for the countries that have adopted the euro currency and protecting them from the turbulences contacted with the foreign exchange rates. The reality shows us that the road toward the adoption of the euro currency is not smooth and the European Union has to fulfil still an substantial agenda of economic and political reforms in order to enjoy fully the effects of the joining of the euro currency.

The current crisis can be a real test for the European financial system and the euro currency. Because of the euro zone extension toward east provides major challenges for the monetary policy of the European Central Bank, the current member of the Economic and Monetary Union not wishing a quick joining of the candidate countries to the euro zone, but despite all these there are no other mechanism that prevent the extension, other than the criteria's established through the Maastricht Treaty.

The joining of the new member states will depend on the progress made in the field of convergence toward the euro zone and nevertheless to the political will. Taking into account these aspects we have opted still in our research to approach also the subject of the possible joining of the euro zone by

Romania. In this purpose we have undertaken an analysis of the current state to which the real and nominal convergence criteria's are fulfilled.

Starting from these aspects in Chapter II "***Structural adjustments in the perspective of Romania adopting the European single currency***" we have studied the reasons that have lead to the introduction of the European single currency by most of the European Union countries, in this way describing the costs and benefits of joining the European monetary zone and the European single currency. We have focused on the attractiveness of the single currency, underling its international role and especially its role in the context of the international financial crisis. After a theoretical presentation of the convergence criteria's that allow the joining of the Economic and Monetary Union and the adoption of the euro currency our research has continued with a comparative analysis regarding the fulfilment degree of these criteria's by the Central and South-East European countries and also a series of euro zone countries.

The aim of the empirical analysis was to evaluate the current state of convergence reached by our country in comparison with the other analysed countries, as well as to estimate is Romania respects the proposed calendar for the adoption of the euro currency. Taking into account the current state of the Romanian banking system and the attempts to aligned it to the European banking system level, our attention has been focused on the underling of the integration degree achieved by the Romanian banking system, using a comparative analysis of the specific indicators of the banking system. Through the usage of an econometric model, we have analysed in the last part of the chapter the convergence degree that exists in the case of all the European Union countries during the period 2000-2010.

The results of the undertaken analysis regarding the current state of readiness for the Romanian economy and also of other economies form Central and South-Eastern Europe to join the Economic and Monetary Union and to adopt the euro currency and also the comparative results of the convergence analysis are in line with other researches from the academic literature and underline that:

❖ As a result of the undertaken analysis the countries of Central and South-Eastern Europe that wish to join the euro zone we have observed that these countries are not ready at the present time, to respect the nominal convergence criteria's imposed by the Maastricht Treaty. Moreover, we can state that the recent international financial and economic crisis had a strong impact between 2008 and 2010 on most of the candidate countries, the only country fulfilling the nominal convergence criteria's being Estonia, this country adopting the euro on 1st of January 2011. Estonia can constitute form this point of view an example to follow by the other countries wanting to join the

The real convergence and nominal convergence in the process of adoption by Romania of the European single currency

European single currency, especially as it has fulfilled these criteria's in a very financial and economic turbulent period;

❖ From the point of view of the nominal convergence criteria's, the situation of Romania is not different from the one of the other Central and South-Eastern European countries, with the exception of the inflation rate that has registered the highest value in the region (6.1 percent in 2010) but has dropped to 3.14 by the end of 2011. If the inflation will be reduced and controlled, then the criterion regarding the foreign exchange rate could be easier fulfilled. In regard to the sustainability of the financial position of the government we can appreciate that Romania fulfils that criterion as the public debt level is rather low (30.8 percent in 2010 and 34.5 percent in 2011). From 2012, Romania will have to return the capital rates for the 20 billion euro loan granted by the IMF. Still, 2015 will represent a peak of these payments with a level of over 1.8 billion euro to return, the equivalent of 1,5% of the current GDP;

❖ The fact that the criteria's to join the euro zone are nominal must not undermine the importance of the real convergence process. The analysis undertaken comparing the progresses made in the real convergence process underlines that the Central and South-Eastern European countries still register large gaps although the process is taking place at a rather fast pace. Because of the difficulties related to the implementation of the structural reforms (in particular, the privatisation process and the liberalisation of prices) in Romania, the start of the real convergence process was delayed. In this context, the adoption of the European single currency by our country before a minimal real economic convergence is achieved is risky and potentially counterproductive because a real progress must be achieved in the real convergence process at the moment when the nominal convergence criteria's are reached;

❖ In order to ensure the successful participation on the Economic and Monetary Union and the adoption of the euro currency, each member state must establish a own strategy according to the economic realities it faces and the specific working environment. In this way the time frame before joining the euro zone (the joining of the ERM II) must be used in order to ensure the compatibility with the euro zone through the adoption of structural changes like: the enhancement of the labour market flexibility and the correlation of the salaries with the work undertaken; consolidation of the structural reforms and the promotion of competitively enhancements; the consolidation of the internal market; synchronisation of the business cycle of the national economy with the one of the euro zone thus ensuring an appropriate answer to the macroeconomic policy mix of the monetary union; the development of the necessary condition for the sustainability of the external deficit, through the diminishing of the vulnerabilities related to crediting in the foreign exchanges;

❖ The banking climate in Romania has improved tremendously after the integration of our country in the European Union, this important step exercising intense pressures on the compatibility with the European banking system. The high level of integration of the Romania banking system is underlined by the enhancement of the number of foreign banks that operate in our country and also by the capital adequacy ratio of the Romania banks that has reached between 2004-2010 a superior level compared with the one of the major banking groups operating in the euro zone (13.3% in 2009);

❖ The results of the econometric test for the convergence level between the European Union member states for the period 2002-2010 underline that a β -convergence process took place, the inflation rate gap between the analysed countries being diminished despite a high level of heterogeneity between the countries in regard to their governmental debt level reached, while in the case of the interest rates the countries from Central and South-Eastern Europe registering a more rapid diminishing of the interest rate than in the case of the old European Union member countries.

THE MOST IMPORTANT OWN CONTRIBUTIONS

In the end of this scientific undertaking, we have summarised *the most important own contributions that we have*:

1. Having as a starting point the data published in the last Convergence Report made by the European Central Bank we have presented a comparative analysis of the fulfilment degree of the convergence criterions for the European Union countries that wish to adopt the euro currency. The data used cover the period 2000-2010;

2. Also we have undertaken, based on the data for the period 2006-2011 (the period from which Romania became member of the European union until present) an empirical analysis of the way in which the nominal convergence criteria's are fulfilled by our country, as well as the influence of the foreign direct investments on the nominal and real convergence indicators;

3. For a deeper analysis and for a correct understanding of the convergence degree of Romania to the euro zone, but also by comparison with the states that want to adopt the single currency (Bulgaria, the Czech Republic, Poland, Hungary) or with the ones that have already adopted the euro (Slovakia and Estonia) we have consider the necessity for a more detailed examination of the two categories of convergence criteria's, using exact data. In the comparative analysis we have used the data published by the Eurostat, considering the analysed period 2000-2010;

4. We have evaluated the integration degree of the Romanian banking sector in the European banking climate, underling also the structural adjustment that have taken place. For this analysis we have used quantitative indicators as well as qualitative indicators of the banking system;

5. Because the European integration process requires the fulfilment of the convergence not only in the institutional case (the nominal one), but also in the case of the real economy, through the creation and consolidation of the monetary union and the adoption of the European single currency by the EU states, our research has provided an enhanced attention on the analysis of the main macroeconomic convergence indicators for the period 2000-2010 for the member states of the European Union, using data provided by Eurostat. We have used in our analysis representative indicators of convergence like β -convergence that help us ti determine the possible catching-up processes and σ -convergence that underlines the diminishing of the gaps between the regions.

As a general conclusion, the persistence of a high inflation, the current level of the budgetary deficit, the unsustainable current account deficit, the reduce structural convergence of the economy, the extremely low capacity of absorption in the case of the European funds represent aspects that made us state that Romania will not be able to respect the established calendar through the last Convergence Program.

Our thesis suggests that Romania must not join the euro zone, as our country still has to overcome important gaps, and the adoption of the European single currency must not represent an objective by itself. The adoption by Romania of the European single currency must represent a final point in a complex macroeconomic convergence process and not the start of this. In essence, the euro currency dose not solves the imbalances between states but rather it deepens them. In this way we appreciate the opportunity for a delay of the already established calendar by the Romanian authorities, as long as the nominal convergence criteria's are not fulfilled in a sustainable meaner.

It is important to mention that, the delay of the entrance in the exchange rate mechanism - ERM II - and the adoption of the single currency is useful only if this time interval is used for the continuing of the of the nominal and real convergence. If this time frame is not treated as a "window of opportunity" for the intensification of the reforms but as a period for the relaxing of the macroeconomic policies, the delay of the EMR II adoption will not serve the national interests. Moreover, an excessive delay in the participation to EMR II can induce a "fatigue state of the adjustments" or can create the impression that the adoption of the euro has been dropped.

Nevertheless we must take into account the financial turbulences register at the international level which had an impact also on Romania, these reflecting the necessity of an adequate mix of economic policies in order to ensure the convergence and the macroeconomic stability.

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The real convergence and nominal convergence in the process of adoption by
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