THE CURRENT STATE OF CONVERGENCE IN THE EASTERN EUROPEAN COUNTRIES. ROMANIA'S STRATEGY FOR CHANGEOVER

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Abstract

The whole process of euro adoption, which requires the strict fulfillment of formal criteria, was designed in order to reduce the risk of weakening or even destabilising the European monetary system by integrating some serious imbalanced ecomonies, while at the same time safeguarding the economies of the countries adhering to euro from the possible shocks resulting from any direct confrontation with the euro area. In this paper I aim to achieving a pragmatic and analytical study on the performance of European countries, as well as the analysis of relevant indicators in order to meet the convergence criteria of the applied monetary policy, thus emphasizing Romanian strategy to adopt the euro, in the actual context when Romania doesn't fulfill the nominal convergence criteria ogf the eurozone.Regarding the convergence criteria, Romania finds itself last in the Eastern European countries raw, fulfilling only the public debt criteria.

Key words: convergence criteria, eurozone, Romanian monetary strategy, Eastern-European countries.

Clasificare JEL: E23, E24, E27, E31, E37, E43, E47.

1. INTRODUCTION

The process of preparation and actual adoption of euro is for Romania the most important challenge in the first decade after accession. It challenges the political and administrative capacity to design and implement a coherent program of measures which ensures the real and nominal convergence and which puts pressure on the economic system, that takes on the ultimate burden of adjustment.

The crisis, which currently affects the international financial system, introduces an additional uncertainty factor and, if it extends, can complicate a lot the task of adopting the euro by Romania. On one hand, the management of the real and nominal convergence process becomes a lot more difficult, on the other hand, the current crisis may be the most serious test undergone by the European financial system and its currency, the euro.

The negative economic evolutions in all national markets conducted to important changes in the way the people thing, behave, and in their value system. The identification of the economic and social consequence of the economic crisis is a very difficult issue because a precise estimation can't be done because many of these are not visible yet [Pandelica A., Pandelica I., 2011].

Beyond these general guidelines many questions are raised about the preparation process of the adoption of the euro currency, about the timetable for the changeover and the impact on the Romanian economy. It is a vast field of research, and in what follows I only intend to review and to make some comments on the major themes of such a research, just as I see them at this moment (Turliuc et al., 2008).

One of the most ambitious projects undertaken by the European Union focuses on its enlargement through reunification of the European continent, of its people and of the legislative framework. The desire to become members of the European Union has led to decisions on democracy and market economy and has encouraged the continuation of the road towards reform.

2. THE STATE OF THE ECONOMIC CONVERGENCE IN ROMANIA VS. OTHER EASTERN EUROPEAN COUNTRIES

With the beginnning of the process of transition to market economy, the liberalization of prices was imposed, so that the market mechanisms should begin operating. Price stability has become an ultimate objective, universally accepted by all countries in developing their own monetary policy.

Regarding the 7 countries, only three have recorded lower values, reference value of the inflantion rate, while the other states have reached high values the largest deviation being observed in Romania.

In the last decade, in most of Central and Eastern Europe countries, inflation has undergone many changes, falling from high levels in the period 2001 - 2002, at moderate levels in 2003. Thereafter, the inflation rate was on the rise in all the analysed countries. In the Czech Republic, Hungary, Poland, the volatility of the inflation rate has been less striking. In Romania, the inflation rates remained high until 2011, despite a downward trend in 2007.

Hence, the purpose of the table below is to comparatively highlight the inflation rate in the countries examined (Table 1):

Table 1. **Inflation rate (%)**

	2005	2006	2007	2008	2009	2010	2011	2012
CZECH REPUBLIC	1.6	2.1	3	6.3	0.6	1.2	2.1	3.5
HUNGARY	3.5	4	7.9	6	4	4.7	3.9	5.7
POLAND	2.2	1.3	2.6	4.2	4	2.7	3.9	3.7
ROMANIA	9.1	6.6	4.9	7.9	5.6	6.1	5.8	3.4
BULGARIA	6	7.4	7.6	12.0	2.5	3.0	3.4	2.7
LATVIA	6.9	6.6	10.1	15.3	3.3	-1.2	4.2	2.3
LITHUANIA	2.7	3.8	5.8	11.1	4.2	1.2	4.1	3.2

Source: www.europa.eu/publications/statistics/index_ro.htm

One can observe a moderately high level of the inflation rate in Central and Eastern European countries compared to Romania, where the gradual liberalization of the prices has led to increased inflationary pressures.

Hence, each Central Bank has oriented its monetary policies so that they could enable the best way to ensure price stability.

The evolution of the inflation reflects the general macroeconomic conditions in the analysed countries. The previous economic growth period prior to 2008 was mainly affected by the global economic and financial crisis. Although the economic activity has resumed its growth in recent years, it still remains at a lower level than before the crisis in most of the countries.

The forecasts of the international institutions indicate the likelihood that in most of the analysed countries the inflation to remain stable in the period 2012-2013.

In order to have a favourable environment for price stability, the analysed countries must implement stability-oriented monetary policy. This crucially depends on the development of further efforts in both fiscal policy and reform programs towards achieving the markets of goods and services and those of labor.

In the analysed period of 2011 - 2012, all Member States had an excessive deficit, according to the decision of the European Council. For this, they required some time to remedy the situation as it follows: the year 2011 for Hungary and Bulgaria, the year 2012 for Latvia, Lithuania, Poland and Romania and the year 2013 for the Czech Republic.

Following the analysis it was noticed that most states, except Bulgaria, have registered a budget deficit-to-GDP ratio above the reference value of 3% in 2011. Bulgaria has had a surplus of 2.1%. Latvia and Romania were subject to assistance programs from the European Union and the IMF in 2011 and continued their tight fiscal consolidation process. Bulgaria and Lithuania have implemented tax policies in order to reduce costs, while Poland and the Czech Republic have switched to fiscal consolidation.

The rate of government debt to GDP increased in 2011 in all countries except Bulgaria, Latvia and Hungary, which recorder a debt decrease. This indicator decreased in Hungary due to a unique effect associated to the transfers of assets from the private pension system to the state pension system.

During 2005 - 2012, the average of the public debt to GDP in Latvia has increased by 29 percentage points, by 24.7 percentage points in Hungary, by 16.3 percentage points in Lithuania, by 14.1 percentage points in the Czech Republic and Poland, and by 8,4 percentage points in Romania.[1]

In the table below I am going to highlight the values related to the public finances recorded in the analysed countries (Table 2).

Table 2. **Budgetary excedent/deficit (% of GDP)**

	2011	2012
BULGARIA	2.1	-1.9
CZECH REPUBLIC	-3.1	-2.9
LATVIA	-3.6	-1.2

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[1]http://www.ecb.int/pub/pdf/conrep/cr201205ro.pdf

LITHUANIA	-5.5	-3.2
HUNGARY	4.3	-1.9
POLAND	-5.0	-3.9
ROMANIA	-5.6	-2.9

Source: appsso.eurostat.ec.europa.eu/nui/show.do

In the table below I have highlighted the public debt as a share of GDP, recorded in the analysed countries during 2010-2012 (Table 3).

Table 3. **Public debt (% of GDP)**

	2010	**2011**	**2012**
BULGARIA	16.3	16.3	17.6
CZECH REPUBLIC	38.1	41.2	43.9
LATVIA	44.7	42.6	43.5
LITHUANIA	38.0	38.5	40.4
HUNGARY	81.4	80.6	78.5
POLAND	54.8	56.3	55.0
ROMANIA	30.5	33.3	34.6

Source: appsso.eurostat.ec.europa.eu/nui/show.do

In order to meet the criterion of public finance, it is very important for countries to maintain strong fiscal positions. The countries that register an excessive deficit should respect in a reasonable manner the commitments made.

From my point of view, it is necessary to limit the growth of spending in countries where the budget targets are not met. A strong fiscal framework at the national level is likely to avoid any macroeconomic imbalances.

Consequently, such strategies must be integrated into a program of reform which focuses on economic growth.

Among the countries examined, Latvia and Lithuania are currently participating in the ERM II. The currencies of these countries were part of the ERM II for two years before the convergence assessment in accordance with Article 140 of the Treaty.

The agreements required to participate in ERM II are based on the strong commitments of the authority in the concerned countries, regarding strong fiscal policy, the promotion of salary growth, limiting credit expansion as well as the impelementation of structural reforms.

The authorities in the two countries said that they would keep the exchange rate of their national currency at the central parity against the euro, with a fluctuation band of ± 1%.

In the case of Latvia, the country has benefited from a program of financial assistance from the European Union and the IMF, thereby benefiting from certain funds. This assistance programme has contributed to the decrease in financial vulnerabilities and may have favoured the alleviation of the pressures on the exchange rate. Towards the end of 2011, the conditions in the financial markets in Latvia and Lithuania have experienced a temporary degradation, due to the bankruptcy of domestic banks, but the conditions have improved in early 2012.

The other currencies have recorded, during the analysed period, strong fluctuations due to the tensions manifested in certain markets in the euro area. All countries applying inflation targeting strategy, except SEK, have recorded depreciations against the euro in the second half of the year 2011, but the situation has been improved in the early 2012 (Table 4).

After the depreciation of the Polish zloty, the authority in Poland have taken measures, thus the IMF intervened, which has extended the flexible credit line since early 2011. This has helped to mitigate the risk associated to the exchange rate pressures.

Regarding Romania's situation, the Romanian leu was traded at lower levels of the exchange rate. Romania and Hungary benefit from international financial assistance programmes with preventive character.

Table 4. **Exchange rate, deflated by HCPI (harmonized consumption price index)**

	2009	**2010**	**2011**
BULGARIA	18.6	10.4	2.8
CZECH REPUBLIC	13.6	12.7	-0.1
LATVIA	23.7	8.5	-0.6
LITHUANIA	16.9	9.1	3.5

HUNGARY	7.8	-0.5	-3.7
POLAND	-4.0	-0.5	-10.9
ROMANIA	-4.8	-10.4	-2.8

Source: European Comission (Eurostat) and European Central Bank.
level: ±11.0%

In the analysed period, the benchmark for long-term interest rates was of 5.8%. This result was obtained by adding two percentage points to the unweighted arithmetic average of the long-term interest rates of two of the three member states with the best results in terms of price stability, namely Sweden (2.2%) and Slovenia (5.4%), while Ireland has had limited access to the financial markets during the reference period since the average long-term interest was of 9.1%, a much higher level than that of the average long-term interest rate of the two countries with the best results in terms of price stability criterion and than that of the average value recorded in the euro area and in all EU Member States, thus Ireland was exluded[2] (Table 5).

Table 5**. Interest rate in the long-run (%)**

	2010	**2011**	**2012**
BULGARIA	6.0	5.4	5.3
CZECH REPUBLIC	3.9	3.7	3.5
LATVIA	10.3	5.9	5.8
LITHUANIA	5.6	5.2	5.2
HUNGARY	7.3	7.6	8.0
POLAND	5.8	6.0	5.8
ROMANIA	7.3	7.3	7.3

Source: European Comission (Eurostat) and European Central Bank.
Referece level: 5.8%

Among the analysed countries, namely Bulgaria, the Czech Republic, Latvia, Lithuania, Poland recorded medium long-term average interest rates equal to or below the reference value for the interest rate convergence criterion.

In Romania and Hungary, higher values than those imposed by the Treaty were recorded. In Romania this aspect was affected by the adverse economic developments, while Hungary has suffered the consequences of investors' view against the applied government policies. In the analysed period, long-term interest rates were situated, at an average of 7.3% in Romania, while Hungary registered a value of 8.0%.

The treaty requires the consideration of other factors for the economic convergence. They are: the integration of markets, the situation of the balance of payments, the evolution of unit costs with labor force and of other price indices.

It is important to consider these factors as they provide information for assessing the sustainability character of a state integration in the euro area (Table 6 and 7).

Table 6. **Ratios of the external imbalnces**

	Currennt account sold (% of GDP)	**Net international investment position (% of GDP)**	**Exchange rate deflated by HCPI**	**Exports market shares (percentage variation in 5 years)**	**Labour cost**
Bulgaria 2009	-19.1	-101.8	18.6	18.3	38.5
2010	-11.0	-94.7	10.4	15.8	33.9
2011	-3.0	-85.3	2.8	18.2	20.3
Czech Republic 2009	-2.9	-46.2	13.6	10.1	8.7
2010	-2.8	-48.5	12.7	10.2	5.1
2011	-3.0	-49.7	-0.1	9.3	1.8
Latvia 2009	-9.0	-82.7	23.7	31.8	42.0

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[2] http://www.ecb.int/pub/pdf/conrep/cr201205ro.pdf

2010	-0.5	-80.2	8.5	14.0	0.4
2011	3.5	-72.5	-0.5	24.7	-15.1
Lithuania					
2009	-7.6	-58.6	16.9	22.7	16.0
2010	-2.3	-55.9	9.1	13.9	0.8
2011	1.5	-55.2	3.5	26.4	-9.0
Hungary					
2009	-4.9	-117.9	7.8	6.6	14.1
2010	-2.1	-112.7	-0.5	1.4	3.9
2011	0.8	-105.2	-3.7	-0.2	3.9
Poland					
2009	-5.5	-58.8	-4.0	27.9	12.8
2010	-5.0	-64.0	-0.5	20.1	12.4
2011	-4.3	-63.5	-10.9	12.8	5.4
Romania					
2009	-9.7	-62.2	-4.8	32.7	45.9
2010	-6.7	-63.8	-10.4	21.3	36.6
2011	-4.3	-61.6	-2.8	24.0	13.0
Level	-4.0/+6.0%	-35.0%	±11.0%	-6.0%	+12%

Source: European Comission (Eurostat, DG, ECFIN) and European Central Bank.

Table 7. **Ratios of the domestic imbalances**

	Houses prices deflated by consumption	Credit flows for the private sector	Private sector debt	Public debt	Unemployment rate
Bulgaria					
2009	-	19.0	175	15	6.4
2010	-11.1	-0.2	169	16	7.6
2011	-	-	-	16	9.4
Czech Republic					
2009	-4.6	0.7	76	34	5.5
2010	-3.4	1.7	77	38	6.1
2011	-	-	-	41	6.9
Latvia					
2009	-42.4	-6.1	147	37	10.2
2010	-3.9	-8.8	141	45	14.4
2011	-	-	-	43	17.1
Lithuania					
2009	-33.5	-11.5	88	29	8.0
2010	-8.7	-5.3	81	38	12.5
2011	-	-	-	39	15.6
Hungary					
2009	-	5.2	170	80	8.4
2010	-6.7	-18.7	155	81	9.7
2011	-	-	-	81	10.7
Poland					
2009	-4.7	3,9	72	51	8.3
2010	-6.1	3.8	74	55	8.3
2011	-	-	-	56	9.2
Romania					
2009	-	7.9	123	24	6.4
2010	-12.1	1.7	78	31	6.6
2011	-	-	-	33	7.2
Level	+6.0%	+15.0%	+160%	+60%	+10.0%

Source: European Comission (Eurostat, DG, ECFIN) and European Central Bank.

Interpreting the indicators of the external imbalances shows that the current account imbalances have been adjusted in recent years in Bulgaria, Latvia and Lithuania. The indicator on the current account balance represents the deficits, which exceeded in 2011 to the threshold of 4% of GDP in Poland and Romania. The net investment position remained at high negative values, above the permissible value of -35% of GDP in most Member States. These values have exceeded -80% of GDP in Bulgaria and Hungary reflecting the deficits of these countries. Regarding the exchange rates, they have faced depreciation in Hungary, Romania and Poland, and the Czech Republic and Latvia, but to a lesser extent. In case of Poland, the impairment was close to the threshold of 11%, while Bulgaria and Lithuania have witnessed an appreciation of the exchange rate.

The export market shares have increased in all countries except Hungary. These high values lead to the improvement of their quality of goods and services.

The high degree of indebtedness is a major vulnerability faced by all analysed Member states. Regarding the debt of the private sector, they have exceeded the threshold of 160% of GDP in Bulgaria. Also pubilce debt ratios to GDP have increased. Such a level of indebtedness affects the production growth and overall economic growth.

In the labor market there is a high level of unemployment which exceeded in 2011 the value of 10%: in Latvia a value of 17.1% was reached, in Lithuania a value of 15.6% and in Hungary it was recorded a value of 10.7%.

From my point of view, in addition to the correcting of the indicators listed above, Member States should improve the activity of their local institutions, governance and business environment, combined with some progress towards the privatisation of state enterprises and should allocate more funds from the EU. This would lead to accelerating productivity and stimulating foreign investments, which are so necessary in this period.

3. THE EURO ADOPTION IN ROMANIA

In the convergence program of the year 2013, there is no longer mentioned a definite date for accession to the euro area, as it was before, when it stated the year 2015 as the date for adoption of the single currency. Among the criteria for membership, inflation represents the biggest problems for the Romanian authorities.

The budget deficit in 2012 fell below the threshold of 3% of GDP , mentioned by the criteria of the Maastricht Treaty, standing at the value of 2.9% for the year 2013, a budget deficit of 2.4% of GDP is targeted, and for the next 3 years, a value of 2% of GDP (Table 8).

Table 8. **Budgetary deficit and GDP growth after 2012**

	2012	2013	2014	2015	2016
1. Real GDP growth (%)	0,7	1,6	2,2	2,8	3,0
2. Current account sold	-2,9	-2,4	-2,0	-2,0	-2,0
3. Net payments of interest	1,8	1,9	1,9	1,8	1,7
4. Temporary measures and *one-off*	0,5	0,0	0,0	0,0	0,0
5. Potential GDP growth (%)	1,6	2,4	2,6	2,8	2,8
6. Output Gap	-2,9	-3,6	-4,0	-4,1	-3,9
7. Budgetary ciclic component	-1,0	-1,2	-1,3	-1,3	-1,3
8. Adjusted ciclic sold	-1,9	-1,2	-0,7	-0,7	-0,7
9.Adjusted primary sold	-0,1	0,7	1,2	1,1	1,0
10. Structural sold (8-4)	-2,4	-1,2	-0,7	-0,7	-0,7

Source: National Institute of Statistic

Regarding the structural deficit, it is expected to decline from 2.4% in 2012, to 1.2% in 2013, and later to achieve the objective of maximum 1% of the structural deficit - the limit imposed to states involved in the international assistance programme, which adopted the new EU fiscal compact.

The public debt is also kept below the threshold of 60% of the Maastricht criteria, although it is growing. In 2012, the public debt was of 37.8% and for the year 2013 is projected a debt of 38.6%.

The inflation criterion for joining the euro area proves to be the most difficult target to attain, but the NBR promises further action in order to obtain a sustainable achievement of the stationary target of 2.5% ± 1 percentage point (Table 9).

Tabelul 9. **Evolution of the prices index (projection)**

	2010	2011	2012	2013	2014
	Percentage variation				

1. GDP deflator	4,5	3,9	4,8	4,4	4,5
3. Harmonized consumer price index	6,1	6,5	3,5	3,2	2,8

Source: National Institute of Statistic

"In the near future, including the medium-term period, the major challenge of the monetary policy will continue to be represented by the firm anchoring of the inflation expectations on medium-term and the achievement of the sustainable target of 2.5% ± 1 percentage point (consistent with the definition of the stability prices in the medium term in the Romanian economy) while avoiding harming the economy's growth potential in the medium term through a potential enhancement of the anticipated contractionary impact on the economic activity exercised by other internal and external factors ", it is stated in the convergence programme, the chapter on NBR.   .

2013-2016 Convergence Programme: premises from which it starts

The macroeconomic forecasts and targets have worsened significantly in the 2013-2016 Convergence Programme compared to last year's edition of the document.

Thus, in the 2012 version of the Convergence Programme, the economic growth for the year 2012 was estimated at 1.7%, while in the 2013 version appears an economic growth of 0.7% for the last year. The 0.7% for the economic growth in 2012 was announced on April 4th, 2013, by the National Statistics Institute. Instead, the IMF presented for Romania an economic growth of 0.3% in 2012, this value was probably using outdated data transmitted long ago by the Romanian authorities. Compared to the previous edition of the 2012 Convergence Programme, the 2013 edition of the document worsened the economic growth forecast from 3.1% to 1.6%, for the year 2014 – and from 3.6% to 2.5% and in the year 2015 - from 3 9% to 2.8% (see table 8).

The salary policy in the public sector

Regarding the measures to reduce expenses, the 2013-2016 Convergence Programme suggests "introducing the performance contracts in all public institutions and state companies (ministries, government agencies, local authorities and state companies)."

New medium-term taxes and charges

In the medium term, it is proposed to widen the tax base, which means that new taxes will be introduced.

The measures provided on the revenue side:
• Broadening the tax base;
• Simplification of the tax system;
• Increased budgetary revenue collection;
• Reducing tax evasion.

Pensions and budgetsalaries increace, an economic growth measure

A 4% increase in the pension point and by 7.4% of the salaries for reunification, are seen as a measure of economic growth by stimulating the consumption. "The increase in disposable income of the population by: the indexation of the pensions by 4%, the application of 7.4% pay increase to state employees, the increasing the minimum wage to 750 lei from February 1st 2013 and to 800 lei from July 1st 2013 '- is considered a measure of GDP growth in the 2013-2016 Convergence Programme (Table 10).

Table 10. **Increase of pensions and budgetary wages**

	2012	2012	2013	2014	2015	2016
	Nivel mii persoane	**Modificare procentuală**				
1. Total employed population	9.229	1,9	0,5	0,8	0,7	0,8
2. Employed population, thosand	16.929.674	-0,2	0,5	0,7	0,6	0,6

worked hours						
3. Unemployment rate	701,2	7,0	6,9	6,8	6,6	6,5
4. Labour productivity		-1,2	1,1	1,3	2,0	2,2
5. Hourly labor productivity		0,9	1,1	1,5	2,2	2,4
6. Employees' compensation – thousand lei	214.871	7,2	6,3	6,0	5,2	5,2
7. Compensation/employee	34.497	5,2	5,6	5,0	4,4	4,4

Source: National Institute of Statistic.

The increase in budget salaries this year is totaling an additional expenditure of 5.4 billion expressed in lei in 2013 and the increase by 4% of the pension point means a new budget effort of 2.8 billion expressed in lei.

4. CONCLUSIONS

Apart from achieving the nominal convergence objectives, achieving a short-time the convergence is the goal to which it would be appropriate to oriente the policies of each country.

So, for indicators which fall within the limits of the EU, the adjustment economic policies should be drafted taking into account on one hand, the development of the indicators over a certain period, and on the other hand, the measures implemented by the other countries of the Eurozone, during the process of adopting the euro. Among the analysed countries, the Baltic countries Latvia and Lithuania are the best in terms of convergence criteria, followed by the Czech Republic, Hungary, Poland and even Bulgaria. Romania has faced lately high inflation rates, high interest rates, large fluctuations of the exchange rate, has overpass the minimum 3% level for the budgetary deficit, while the external debt maintained at almost half of the maximum admitted level (Radulescu, 2011).

Czech Republic participated at the third stage of EMU. It is vital for it having a strategy of adopting euro. The moment of entering into eurozone depends on the speed of the real convergence of the Czech economy[3].

Monetary policy adopted by the Czech Republic is oriented mainly to insure macroeconomic stabilization, to achieve a strong deflation process and insuring the external balance in the same time. The nominal convergence imposed by the Maastricht criteria is quite satisfactory excepting the problem of the budgetary consolidated deficit.

Despite the other Central and Eastern European countries that faced the beginning of the transition period, Poland was badly affected by a strong inflation process, starting with a four numbers inflation rate (in 1990). This fact forced the Polish authorities to speed up the implementation of a macroeconomic stabilization. Starting with 1999, the inflation targeting was used in monetary policy implementing.

Poland is one of the countries that faced well the financial crisis, but sill there are many structural and fiscal problems that need to be managed. In the fiscal area, it is necesarry to change the strategy based on budgetary incomes into a closer approach of the budgetary spending to reduce the fiscal deficit and to limit the increase of the public debt[4].

The mainn objective of the Hungay National Bank is to insure the prices stability to achieve a stable and lasting economic growth. Even if at the beginning of the transition period, Hungary faced the lowest inflation rate, the final objectiv of the central bank still aimed it to achievve the prices stability objective. In the same time, the Hungary Central bank focused on achieving the external stability through the current account of the balance of paymets. The high level of the Hungarian net external liabilities underlines the importance of the fiscal and structural policies for the external sustenaility[5].

Latvia's economy achieved important transformations in the last years and it succeded to recover after the transition period and after the Russian financial crisis in 1998. Despite all the recorded progresses, Latvia faces many problems caused by domestric structural factors, exogenous, but also by the conditions of adjusting to its new EU member state status. The best contribution of the monetary policy for the economic development is reducing unemployment and insuring the financial stability, by maintaining a low inflation rate.[6] For rising its

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[3] www.cnb.cz/en/monetary_policy/strategic_documents/download/eurostrategi_070829.pdf.

[4] www.nbp.pl/homen.aspx?f=/en.onbp/informacje/polityca_pieniezana.html

[5] www.mnb.hu/Monetaris_politika/donteshozatal.

[6] http://www.bank.lv/monetara-politika/monetaras-politikas-instrumenti

changes to participate to the eurozone in the short-run, Latvia should reduce its budgetary deficit and should implement the measures imposed by the financial assistance program signed with IMF and EU.

Lithuania was rejected by the eurozone at January 1st 2007, because of the too high inflation rate in the baltic states. Still, for adopting euro, Lithuania adopted some measures: achieving prices stability and macroeconomic environment stability, speeding the real convergenge process, deepening the economic integration into the EU area, an efficient management of the public finances, implementing the structural reforms, granting the best conditions for the developing business area, a good and more transparent management for the public finances, a more predictible legal frame (Radulescu and Popescu, 2008).

Given the tight acting area of the monetary policy, because of the Monetary Council arrangement, it is essential that other policies provide the necessary instruments for the economy to overpass its specific shocks and to prevent other macroeconomic imbalances. So, it is crucial that Lithuania continues implementing its large consolidation strategy based on budgetary spending and this will sustain the credibility of the fixed exchange rate regime[7].

Reviewing the aspects mentioned in the above analysis, the first step in the adoption of the euro refers to the analysis of the convergence criteria that must be met by Romania in order to join the Economic and Monetary Union. Moreover, "Romania could adopt the euro later than scheduled, in 2015, but it needs to strengthen its monetary and financial policies to get on the" right track "(Dominique Strauss-Kahn). So switching to the euro area must not be accelerated, and adopting the euro should not be treated as an end itself. Acording to this, it is necessary to achieve a good cooperation between the components of the macroeconomic policy, because the tight measures of the monetary policy impose a ferm support from the fiscal policy, firstly.

The year 2012, set as the date for the entry into the ERM II mechanism, must be understood and treated as an additional opportunity for real economic convergence rather than a premature relaxation of macroeconomic policies followed by the authorities. This period between the accession to the EU and entry into the ERM II mechanism will be wisely used in order to achieve economic restructuring and investment programs, the adoption of optimal policy, likely to reduce in short time the gaps between the main Romanian macroeconomic indicators which keep our country away from the current European Union standards.

However, there are skeptics who argue that Romania will miss the euro adaptation in 2014, believing that a minimum real convergence will not take place, devastating the transition to the ERM II and thus the changeover.

5. REFERENCES

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