ROMANIA AND THE EURO AREA

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Abstract

The experience of recent years shows that speed up adoption of the euro can transform the way for a full and effective integration in the EU in one extremely difficult. This paper suggests that the shift in the euro area must not be accelerated useless, and adopting the euro must not become an end in itself. Through this work, I propose analyzing the advantages and disadvantages arising from Romania's accession to the Eurozone, given the theoretical basis of achieving monetary union and the legal framework of the euro,

The main conclusion that emerges from this work is that, along with the nominal convergence criteria, achieve in a short time of real convergence must retain the attention of the authorities of each country.

Keywords: *Eurozone, nominal convergence, real convergence*

JEL Classification*: F02, F15*

1. Introduction

With years ago, it was necessary belief of many skeptics in Europe as elsewhere, that the euro will really be released. Many observers have pointed out alleged inconsistencies and alleged inconsistencies, claiming, for example, that economic divergences and spreads structural between euro area countries would be too large to ensure a monetary union viable or that the lack of coordination between economic policies would deprive the area of a corresponding policy (policy-mix), and would not be achieved without a political federation. Other objections raised were lack of response instruments to asymmetric shocks and lack of flexibility and labor mobility in the European economies. The conclusion was that the euro would not exist. Facts have contradicted this. But the same arguments are sometimes shown to suggest that the eurozone economy has some inconsistencies that might endanger prosperity.

The time that elapses between the moment of entry into the EU and the effective entry into ERM II will have our country used wisely, the depth economic restructuring to achieve investment programs as substantially to reduce the gap with current EU standards.

Adopting the euro is seen [9], usually as a culmination of European integration. The aspirant countries are rushing towards full integration. Although, this fact is fully aware of both the EU and the aspirant countries, the solution proposed for EMU vary substantially from country to country. The experience of recent years shows that speed up adoption of the euro can transform the way for a full and effective integration in the EU in one extremely difficult. Therefore, the experts suggest that the shift in the euro area must not be accelerated useless, and adopting the euro must not become an end in itself. Along with the nominal convergence criteria, achieve in a short time of real convergence, must retain the attention of the authorities of each country. As a result, the time that elapses between the moment of entry into the EU and the effective entry into the ERM II mechanism will be used by our country wisely for restructuring the depth to conduct investment programs designed to reduce as substantially gap with current EU standards.

The benefits that the introduction of the euro brings to member states of the Eurozone are [7]: reducing the cost of trading, no longer need foreign exchange; better visibility prices; facilitating the free movement of persons, capital, services and goods, helping free market; reducing the currency risk; economic efficiency; greater economic stability; increased international visibility; intensifying monetary cooperation.

2. The advantages of accession to Eurozone

When the euro is weak, the consumers pay lower prices for products imported from the eurozone. When EURO is too weak, it triggers inflation in the euro area and makes foreign loans obtained by the companies and European governments to be extremely costly. Conversely, if the euro is strong, they have affected export-oriented industries, which are so important for European growth, as countries that are not part of the euro zone must pay more to buy products in EURO. Meanwhile, the euro area imports grow, leading to the sharp rise in production for major trading partners in the region:

a. The European Central Bank and the European Commission draw up a report on convergence criteria by the country intends to adopt the single currency.

b. The report is debated in the European Parliament

c. the report, the European Council examines and finds the convergence criteria are met, then decide by qualified majority, admission to the euro zone candidate state

d. The European Council will decide by unanimity, the conversion rate of the currency of the new country eurozone member

e. the entry is considered the single currency adoption in the European Council decides admission, effectively, the euro will enter into circulation later.

3. The advantages and the disadvantages of accession to Eurozone

Among the advantages [8] adoption by Romania of the euro, we can be listed: reducing the costs that companies incur as a result of the Romanian currency exchange rate fluctuations; Time saving in management activity, disappearing need to assess every transaction risk and cost-benefit ratio; simplifying business performance assessment conducted in terms of the enterprise, into account currency volatility; greater access to export markets Member States, giving free rein to direct exports, without intermediaries; transparency; increasing the role of the European Central Bank, which took over the tasks of the International Monetary Fund in terms of financing and the pursuit of price stability policies, which will benefit and Romania; increase economic growth rate etc.

The disadvantages of joining the euro area are related to the risk of generalized increase in prices, caused by a high demand for cash in the single currency; loss of the possibility of choosing the inflation rate and exchange rate loss as a tool for removing macroeconomic imbalances; the risk of loss of control and power of decision on monetary issues and decisions flexibility, enabling protection of Romanian economy to external shocks.

Like all other currencies, the Euro fluctuates over time, the strength of a currency depends on supply and demand. Simply put, the currencies rise when investors want to place their money in investments denominated in those currencies. The investment demand, in turn, is directly related to trust issuers. There are five factors that determine the overall demand for investment and current forecasts for the euro area.

1. The political stability, economic and general tax. The stable economic environments is the excellent investment. When the financial markets fear that budget problems, thepolitical discord or social tensions begin to jeopardize the monetary union, they avoid investing in the single currency area. Of particular, concern for the euro area are high unemployment and political uncertainty that surrounds the whole single currency project. Unemployment, in the euro area rose to 9.2% in April 2016 from 8.9% in March, above expectations of 9.1% economists environments. This is the highest value recorded unemployment in the 16 countries of the euro area since September 1999. The European Commission estimates an average unemployment rate of 9.9% in 2017 and 11.5% in 2018, the highest values continue to be recorded Spain and Ireland. Spain's unemployment rate rose in April to 18.1%, the highest in the euro area and one in Ireland has reached 11.1%. Switzerland's economy declined by 0.8% in the first quarter, continuing the decline from Q4 2016 which was revised to -0.6%. The level of exports contributed significantly to the decline, suffering a decline of 5.4% compared to Q4 2016, while imports remained unchanged, while consumer spending rose by 0.1%. GDP decline to Q1 2016 was 2.4%.

An important part of the overall stability of the Eurozone is the ability of European Union governments to "balance the scales". EURO enthusiastic supporters say that the new currency will be a strong one, because the Stability and Growth Pact has already done much to improve the fiscal profile (ie spending habits) governments in the European Union. According to this pact, the annual budget deficits are formally limited to less than 3.0 percent of GDP. However, the Stability Pact is subject to significant changes and exceptions and the risk is that countries which in the past were wasteful in terms of fiscal periods can return to large government budget deficits.

2.The situation of foreign trade. Another factor that determines significantly, economic stability and thus EURO power refers to the foreign trade situation of the eurozone. When a country imports more than it exports, it records a deficit in its current account. A country consumes more than it produces and must borrow from abroad to fill the gap. The financial markets believes current account deficits as signs of instability in the long run, just as analysts securities markets heavily indebted companies deemed as riskier than those with lower debts. All other things being equal, the countries with current account surpluses have strong currencies and countries with current account deficits have a weak currency. At this point. it seems that the foreign trade situation of the euro area leans towards a stronger euro. The first estimates for foreign trade in the euro area in November 2016 showed a surplus of 2.6 billion euros, compared with 5.2 billion euros, as recorded in the same period of 2015. The balance relating October 2016 was 5.4 billion euros, as opposed to 2.4 billion in October 2015. Meanwhile, in November 2016 compared with October 2015, seasonally adjusted exports rose by + 0.3% and imports by + 0.5%. The initial estimates for the balance of foreign trade in the EU 28 reflect a deficit of -16.8 billion Euros in November 2016 compared with -12.4 billion in November 2015. In October 2016 the balance was -14.3 billion, unlike -14.9 billion in October 2015. in November 2016 compared with October 2015, seasonally adjusted exports rose by + 0.8% and imports by + 0.6%.

3.The estimates of inflation, nobody wants to invest in a currency that is unlikely that will retain value. As a result, all other things being constant, when the euro weakens increase long-term inflation in the euro area. EURO architects argue that it tends to become a strong currency since the European Central Bank is the most independent central bank ever created. Having a well-defined objective, that of price stability being and forbidden to finance budget deficits, modeled after the Bundesbank, an institution famous for its independence, and unattached one nation, European Central Bank fights inflation with what some call a zeal unprecedented. Of course, this does not mean that there is no political influence or the European Central Bank monetary instruments are always effective in driving business cycles. Eurozone inflation rate remained at 1.8% for the second consecutive month, said the Statistical Office of the European Union in Luxembourg in 2016. The annual inflation rate in the euro area slowed to 0% in March 2017 for the first time since the single currency, according to the European Statistics Office Eurostat. In previous months, the annual inflation rate in the 16 countries of the euro area was 0.6%. According to analysts interviewed by Reuters, most likely in the coming months will be negative indicator.

4.The estimates of interest rates. The high interest rates in the euro area attract investors seeking high income that. in turn, generates a demand for assets denominated in Euros. Although, the investors weigh carefully the opportunities posed by high interest rates compared to economic instability (ie inflation), which usually determines these variations increase interest rates EURO value compared to other currencies.

4. The possible causes of delay euro adoption

Mugur Isarescu, the governor of the National Bank of Romania, said the Conference Espera 2016 that [10], despite all the convergence criteria can be achieved, five member states of the European Union are in a position of expectation regarding joining the euro zone in question as Bulgaria, Czech Republic, Hungary, Poland and Romania, which have not yet established target date for adopting the euro. Possible causes of delay in the adoption of the single currency.

According to academician Mugur Isarescu, beyond the imperative of fulfilling the Maastricht criteria, which are waiting in Bulgaria, Czech Republic, Hungary, Poland and Romania could have several explanations:

1. An explanation lies in the loss of popularity of the euro, a trend recorded in all 5 countries. In Romania, for example, the percentage of respondents who believe that adopting the euro has positive effects for the country decreased by about 15 percent, ie from 65% in 2007 to 50% in 2016.
2. The advantages of euro adoption are less obvious, while costs have become more visible.

• Reducing funding costs benefit is not understood;
• The sluggishness of growth in the euro zone diminishes the benefits of trade integration;
• The kickback economic countries of Central and Eastern Europe, the stream floating regime, was relatively moderate compared with that registered in countries with fixed regime.

3. The awareness of the risks associated with too rapid an expansion of the euro zone are:

• insufficient degree of sustainability in meeting the nominal convergence criteria;
• the possible enhancement of centrifugal tendencies in the current configuration of the Eurozone. This would mean a larger number of countries in the "periphery", according to the same number of states "in the center";

The demotivation makers at the national level in implementing necessary reforms. According to the National Bank Governor Mugur Isarescu euro adoption is not abandoned, but its approach is more prudent and comprehensive. Concerning the candidate countries, it is considered that they are closer than ever to fulfilling the Maastricht criteria, but preparation for entry into the euro area requires further efforts.

"As regards the euro area enlargement of legally adopting the euro is assumed. Except the United Kingdom and Denmark, no country may opt for not participating in EMU. However, the actual time of materialisation legal obligation left to the Member. In fact, there is considerable room for maneuver in managing the transition to the euro, despite the de jure commitment to adopt the euro ".

5. Conclusions

The conclusions we reached in care from this work is that the euro as a powerful catalyst version is for un Structural reforms All non-financial core areas of Europe for CA:

- The Currency easier to compare prices, taxes and savings;
- A better notification euro would encourage Member State cooperation through policy coordination version Structural Areas such as labor market, education and training, social welfare
- Allows, the productive sector make great savings and allows their allocation towards investments Most effective;
- a growing market transparency;
- increase the competition and theconsumers benefit innovation version

Euro AND EMU is based on a credible monetary policy and contributes to economic and monetary equilibrium is reached in Europe accordingly.The euro brings a significant change in economic and financial environment. The launch of the euro was at first a catalyst for mergers and acquisitions in the European zone. The

European market for mergers and acquisitions seems to be among the most dynamic in the world, totaling nearly 1,000 billion in 2016. The euro has brought significant changes to financial market participants and stimulated structural developments in the financial industry, so this area monetary markets euro and equity markets

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