

EURO ADOPTION IN ROMANIA: FACTS AND PERCEPTIONS

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Abstract: *The aim of this paper is to link the nominal convergence criteria with Romanian citizens perceptions about euro adoption. Based on convergence reports and Euro-barometer data, the 2010 and 2012 years are analysed. It is shown that even if the nominal convergence achievements are improving, the perceptions regarding the euro adoption are deteriorating. A better communication strategy is advised.*

Key words: *euro adoption, euro area, Romania.*

1. Introduction

The Euro adoption is one of the last and most challenging tasks that Romania has to address in order to complete its European integration. By signing the Treaty of Accession in 2005, Romania and Bulgaria had agreed to join the Economic and Monetary Union (EMU) and to comply with its requirements. To fulfill these requirements the monetary integration must be achieved. Therefore the matter is not if Romania will join the Eurozone, but when this will happen.

The scientific literature points out a multitude of facets of the Euro adoption. The moment needs to be carefully planned in order to take advantage of the business cycle correlations [6]. It is also important to consider how monetary and fiscal measures can bridge the gap between the non-euro area Members States, with not so strong economies, and euro area Member States. In this matter it seems that inflation targeting with floating rates is the best option [2].

The final objective of the non-euro area Member States is to achieve convergence with euro area Member States. When it comes to convergence criteria there are two perspectives: the real convergence and the nominal convergence.

The real convergence refers to countries gap reduction in terms of macroeconomic indicators like GDP per capita, income per capita, productivity, etc. This gap reduction process will not end when the euro is adopted [1]. Real convergence can be further analysed as β -convergence or σ -convergence [11]. For example, studies using unconditional β -convergence models showed an annual average rate of convergence of 5.97% among EU27 [10].

The nominal convergence implies compliance with the four Maastricht criteria. Nominal and real convergence are not always correlated. Nominal convergence can be achieved by damaging the real convergence [8]. The reform of Euro area entry criteria needs to be considered [3].

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Regarding the last two countries that joined the European Union studies focused on cost and benefits of Euro adoption [7], on the difference between real and nominal convergence [4], on perspectives [9], on illusion [5], etc.

But both the nominal and real convergence cannot measure the way the people are feeling about the euro adoption. Being founded on representative democracy the European Union needs to consider the perceptions among its citizens regarding the euro adoption. Flash

Eurobarometers were designed in order to understand these perceptions.

The present paper will focus on nominal convergence criteria in association with Euro-barometers.

2. Facts and perceptions – 2010

In march 2010 European Commission released a report that assesses the fulfilment of nominal convergence criteria for 10 non-euro area Member States. The case of Romanian is presented in table 1.

Nominal convergence criteria achievements for Romania - 2010 Table 1

Criteria	Target	Romania
Inflation (%)	1	5
Fiscal balance (% of GDP)	-3	-8.3
Government debt (% of GDP)	60	30.5*
Long term interest rates (%)	6	9.4
ERM II entry	Yes	No
Legal compatibility	Yes	No

Source: [13]; [12]

It is obvious that the only criterion met by the Romanian economy is the government debt. All the others need to be improved.

The legal compatibility criterion refers to “an assessment of compatibility between a Member State’s legislation, including the

statute of its national central bank, and Articles 130 and 131 of the Treaty and the Statute of the ESCB/ECB” [13].

On the other hand the opinions regarding the euro introduction are presented in Figure 1.

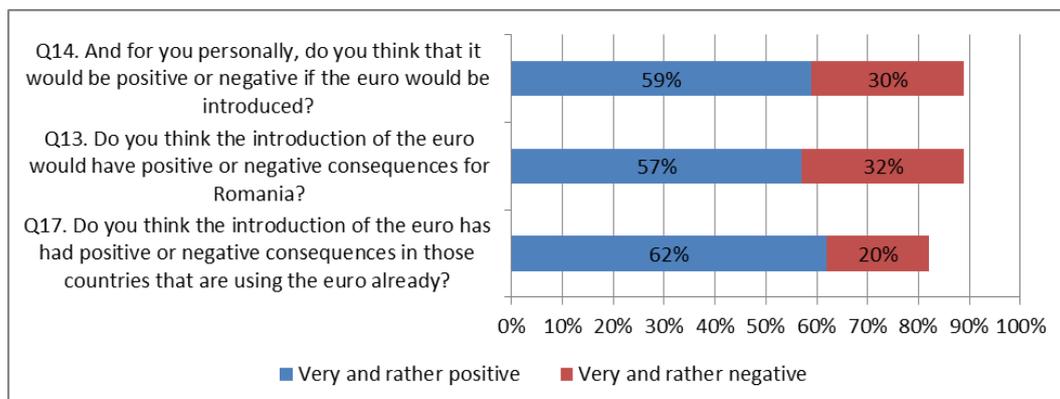


Fig. 1. *Population opinion regarding euro introduction – 2010*

Source: [16]

These positive opinions are enhanced by the fact that 40% of the respondents willing to change their currency “as soon as possible”. Only 20% are thinking that “as late as possible” is the better option.

Given these survey data the euro adoption seems to have an positive impact

on the population.

3. Facts and perceptions – 2012

The latest convergence report was released in March 2012. The Romanian indicators are presented in Table 2.

Nominal convergence criteria achievements for Romania - 2012

Table 2

Criteria	Target	Romania
Inflation (%)	3.1	4.6
Fiscal balance (% of GDP)	-3	-5.2
Government debt (% of GDP)	60	33.3
Long term interest rates (%)	5.8	7.3
ERM II entry	Yes	No
Legal compatibility	Yes	No

Source: [14]

The facts and the perceptions about euro adoption seems to have an inverse correlation. In 2010 the nominal convergence achievements were weaker than in 2012. But the Euro-barometers showed that 2012 had worst perception than 2010.

The financial crisis had an important impact on people perceptions. Even if the Romanian economic indicators are starting to close the gap with other EU countries, the news about the troubles in the euro area were enough to make the population more cautious about euro.

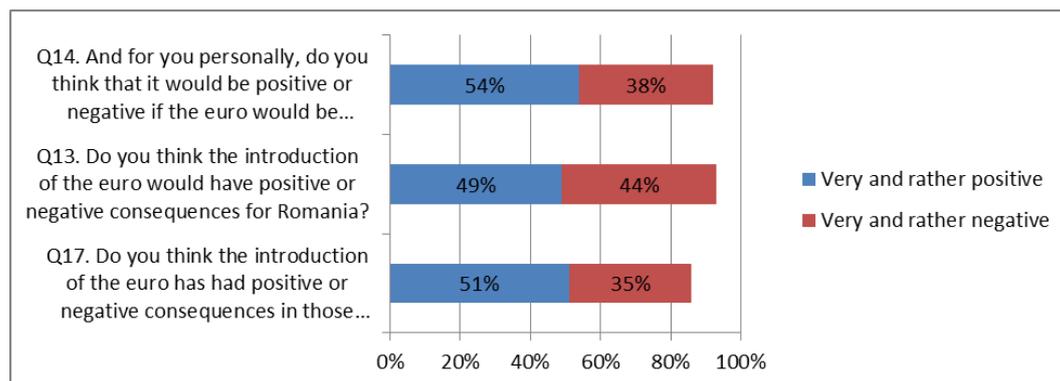


Fig. 2. *Population opinion regarding euro introduction – 2012*

Source: [15]

It is important not to forget that the European Union is based on democracy values. One of the most important assets of

the European Union is the people will to create a community. If the facts can't change the perceptions it is necessary to

design a communication plan that can explain those facts and the deriving benefits.

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