The strategy adopted by Romania EURO

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Abstract: *In the context in which most countries in Western Europe is almost unanimously accepted advantage of using the single currency, it appreciates that for Romania, whose foreign trade is facing up to approximately 2 / 3 to the market, adopting the single currency will bring real benefits.*

To become a EU member state, Romania has had to build and a reference system, the reference currency is Euro, not U.S. dollars. The new currency will be a factor of stability which will reduce a lot of trading losses due to local fluctuations of the dollar against euro. From 1 January 2003, the currency has been established in relation to EURO.

The introduction of the euro will be a factor of stability which will reduce much of the losses caused by domestic commercial risks of currency. First, economic agents would be to become familiar with the euro, to use in transactions that they perform both EURO as the currency of payment and the U.S. dollar as the currency to strengthen, said Mihai Ionescu - secretary general of the Association Exporters and Importers of Romania.

EURO 1. Strategia adoption is one of consistency, being developed from the position of EU country. As such, Romania has obligations "countries" as regards the conduct of economic policy, seen as a matter of common interest community. This conduct resulted, in turn, Romania's participation in the coordination and oversight of multinational macroeconomic policies and, implicitly, the reporting of the "Stability and Growth Pact". Another obligation Romania has been developing "programs convergence instruments successor of the pre-accession programs, which stated that expose the fulfillment of the Maastricht criteria, in parallel with the technical transition to euro adoption. At this point, is to avoid excessive fluctuation of exchange rate depreciation of the grounds of national strength and competitiveness of exports in general, maintaining an exchange rate that is not consistent with fundamental economic factors.

2. There is, however, and two freedoms, beyond the constraints of Chapter accession Economic and Monetary Union (EMU), which have seen: euro adoption date (calendar phases) and the exchange rate to euro adoption.

EURO 3.Decizia had adopted based on national interest and on two major aspects: schedule planning, dynamic implementation of preparedness measures. Evocation has been particularly linked with market expectations, which change after they have created, had substantial adverse effects on the success of training measures for the changeover to euro were required to be completed with results expected before adopting the euro but the principle of equal treatment practiced by the Eurosystem does not require the new EU countries, Romania and thus to a "loading" unprecedented policy, but never allows them to adopt the euro laxe fund measures, which could not give credibility preparation EURO adoption. In conclusion, although Romania had to take, finally, EURO, has no formal obligations as a member of the EU, forcing the dynamics of convergence and participation in ERM II (Exchange Rate Mechanism II) and Euro adoption in a timetable imposed the Eurosystem.

4. It is clear that, for euro adoption, Romania had to first meet nominal convergence criteria laid down by the Maastricht Treaty, also imposing a single period / time limit. As a result, Romania, the country of EMU, with the exemption from EURO, has the right to request at any time an assessment of its progress in achieving th

currency. At the same time, such assessments are required every two years (even unbecoming participating in ERM II), the European Commission (EC) and European Central Bank (ECB) in developing a separate "Convergence Report" which has undergone analysis ECOFIN (Council of Ministers of Economy and Finance of the EU). This is assessing the extent to which the preadoption the euro have been met. It is noted that although the two bodies-EC and the ECB is guided by the definitions of the convergence criteria of the Treaty, their assessments may differ as a result of how its interpretation and application. To adopt effective EURO, ECOFIN decided by a qualified majority and performance criteria, especially the irrevocable exchange rate at which conversion takes place the final of the national currency in euros.

5. As for institutional arrangements for adopting the euro, had noted that there is no explicit preconditions for participation in ERM II, but after joining the EU, when the request to participate in this mechanism is solely Romania. This time was chosen in view of the role of ERM II, and testing of the central parity of the national expectations and orientation to minimize market risks and vulnerabilities, through the transparency of monetary policy credible and sustainable. It is noted that setting the central parity, beyond a technical intern laborious, had agreed on the basis of agreements with other countries in the euro area, the ECB and possibly other countries already participating in ERM II. In order to avoid speculative pressures, all countries concerned through the establishment (acceptance) central parity had the right to require the application procedures realignment the central parity when it was appropriate. In the spirit of the same lack of formal preconditions for participation in ERM II, the mechanism was compatible with a variety of frameworks and monetary policy regimes in progress. ECB intervention has been to identify incompatibilities, if there were not only theoretically but also in relation to certain realities.

6. For the strategy of transition to the euro, which had to answer questions specifically how and when to adopt the euro, have been mentioned two aspects of participation in ERM II

a) mandatory participation in the mechanism of exchange, which was stretched over less than two years;

b) the nature of ECB intervention when the national participation in ERM II and its central parity was considered appropriate.

7. In connection with the first aspect, the experience of non-core member of the Eurosystem, demonstrating the stability of exchange before participating in ERM II, recommended flexibility in this minimum requirement. However, the ECB continued to insist on a minimum of two years while it was premature and impossible to assess an adequate participation in ERM II, beyond the two years. Analysis period had to consider the progress the country concerned on nominal and real convergence.

8. Regarding the second point, in principle his theory, intervention by the ECB support (usually in the form of financial facilities in the short term), was automatic and unlimited when the exchange rate has evolved in the bottom of the ERM band II, provided that such intervention should not jeopardize the primary objective of the ECB, and ensure price stability in the euro area and the country concerned has an adequate level of interest and a good reactivity of fiscal policy. In practice, whether direct intervention of the ECB, or an intervention funded by the ECB has been limited because it was expected that country to intervene or to adjust their interest long before the exchange rate to reach the lower limit of fluctuation band of ERM II for the set.

9. Another issue of interest for the euro changeover strategy was to invoke restrictions on capital flows at the stage of participation in ERM II, the liberalization of being taken before the EU accession. Under the Maastricht Treaty, the safeguard clause on the free movement of capital, could be activated only in case of substantial deficits in the balance of payments and, usually, with notification and approval ECOFIN.

10. Given the information so far made on the freedoms and constraints of the transition to the euro of EU countries, it is clear that to "navigate" among them towards the end avoided -completion of the Economic Monetary Union - Romania took strategy.

11. Euro adoption strategy aimed at fulfilling the Maastricht criteria and any other conditions which make the transition to the single currency a success for the country joined. Therefore, such a strategy included as a major element macroeconomic policies that have allowed a systematic way and, if possible, without major shocks of all the processes of convergence that had to Romania. Before adoption of the euro, the macroeconomic policy had to focus on the following objectives:

a. budget deficit within the "Pact of Stability and Growth", which assumed control of government spending;

b. reducing inflation and maintaining them at low levels;

c. choice central parity with the lion entered the ERM II;

d. minimize variations in the band being chosen for the ERM II;

e. a framework for monetary policy, fiscal and structural that prevented and / or minimize the vulnerabilities of the national economy from volatile capital flows and excessive growth of domestic demand.

12. Strategy focusing on the Maastricht criteria for convergence and the differences revealed the need for Romania and to recalibrate the monetary policy constraints on the criteria even before EU accession, and what has happened. This observation meant that the flexibility / variability of exchange-the key element in managing the risk of volatile capital influx has become incompatible with the philosophy of ERM II mechanism in which a high flexibility of the exchange rate should be avoided.

13. Dates for the changeover to the euro was the second major element of the strategy adopted Euro. Maybe it was less important place with accurate data, especially for the period up to entering ERM II, the relevance of the persistence of the calendar being targeted policies, with the potential to stabilize the central parity when the national currency has ERM II. Given the emphasis above has been recommended that in setting the timetable will prevail national policy to achieve the Maastricht criteria and not the earnings potential of the transition to the euro. Also, the policy will have to be sufficiently credible abroad, for Romania to enjoy the support of European institutions as a key element of perception and confidence of the markets.

These two determining timing strategy drew attention to the issues already addressed, but return to them in the context of development strategy, had a special significance. First, earnings Romania EURO by adopting new policies imposed by their management. Separate treatment, but return as a simple inventory without taking into account management policies, it was a mistake. From this point, the gains to the euro changeover should not be part of the strategy shift to the single currency, whereas the complicated, first, policies have distorted and need to concentrate on the real targets of the moment. Secondly, any impact of credibility in the conduct of national policies with the effect of shock and support institutions, shock caused by a national inability to achieve the criteria in the Maastricht timetable announced, was devastating to even the target strategy in question .

14.Elementele quality strategy adopted EURO-macroeconomic policies (such as package and targeting objectives) and the changeover to the euro are required to be supplemented with the technical aspects of macroeconomic policy, defined and specified from the realities of the moment of departure and the points reference. Analyzes and studies made by the ECB, the IMF and central banks of countries acceding to the euro, deepening recommended in the strategy adopted per following:

a. fiscal policies, with adjustments necessary to treat the deficit, on the counter and demand shocks on output, as a result of reaching a framework of prudent fiscal deficits (eg, the impact of convergence rates, tax implications of EU accession, the current budgetary infrastructure tax, fiscal decentralization, etc.).

b. control of inflation, based on the stabilization of the exchange rate, together with ways of interpreting the inflation criterion and the application of Balassa-Samuelson effect, the need to resort to administrative measures in the tax etc..;

c. selecting / setting a central parity exchange rate for participation in ERM II as a key element for the overall macroeconomic policies oriented towards fulfilling the Maastricht criteria.

If this choice is made correctly in terms of factors influencing the balance of the national currency when the central parity rate may even be the final conversion of the national currency in euros, this eliminates one of the tests to which market speculation usually called ;

d. the monetary policy, in particular options for its participation in ERM II, given the multiple objectives pursued in the exchange rate mechanism, and control inflation, maintain a competitive course in the performance criterion of stability rate shift. Economic theory and practice recommendations in respect of options, a better analysis of the schemes being between those two extremes (hard peg and floating rate) and their compatibility with the targeting inflation or exchange rate, as appropriate, depending on current and programmed inflation.

15. Successful strategy for the preparation of euro adoption became successful adoption itself of the single currency, to the extent that tactic, "The convergence" as a liability assumed by the EU Member States acceding to the euro, are followed consistently by the competent authorities. Monitoring by the European Commission and European Central Bank has been an ingredient of credibility of the approach for national adoption of the euro, not as a satisfaction for the political and executive, but especially as a tool to avoid risks of change the perception of markets, and implicitly, the their attempts to test the strength of macroeconomic policies employed by euro adoption strategy. In conclusion, the prospects of the euro, and domestic banks have shown interest to build and develop deposits in the European (EURO), using such a single currency from the 15 used, valid for all financial operations, banking and commercial .

Currently, operators may choose to conduct transactions or euro or national currency. It is expected that large multinational companies to be open road use in EURO. They began to operate and EURO will influence customers to do likewise.

The introduction of the euro has had positive effects on external trade of Romania, as the 2 / 3 is targeted by the EU The new currency has stimulated imports and Romanian firms. By launching the Euro, most commercial contracts were denominated in U.S. dollars. Only contracts with Germany, France, Great Britain were expressed in their national currency. Transactions with countries whose currency is weak (Italy, Portugal) used dollar. In the future, for those transactions using the euro. This will reduce the influences of course due to fluctuations of the dollar against the cu

Romania lost large sums of money due to the fact that until now were selected as the currency of the contract or the U.S. dollar or the currencies of EU countries whose course fluctuate.
EURO reduced costs that companies incur as the result of foreign exchange. Costs were estimated at 1-2% of the transaction. All are due EURO saves valuable time in management, disappearing need and risk analysis of the costs - profit for each one made by the company.

Was also simplified evaluation conducted business from the company, no longer necessary to take account of currency volatility.

Once removed monetary barriers within the EU, exporters have benefited from a much easier access to the markets of any of its member countries. Thus reduced the number of intermediaries, businesses and increasing revenues as a result of direct exports. Another important advantage offered by the single currency was transparency. Expressing all prices in EURO helped Romanian firms to choose their suppliers to ensure the lowest costs and to export to countries where they can obtain the highest revenues. Along with the euro, a significant importance for Romania and has a European Central Bank, which has started its work in Frankfurt and took a series of tasks of the IMF on the financing and the pursuit of consistent policy of price stability.

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