

Romania's European Moment: Reflections on the Common Future

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Abstract: *Recently, the European Commission has drawn up a series of strategic documents regarding EU's future. What all those scenarios have in common is the highlighted need for reform in different key domains, while opening new possibilities for further cooperation among EU Member States. Our paper explores the main strategic approach that Romania must embrace for achieving its full potential as a European Member State, while pursuing its own objectives in terms of economic development. It is our opinion that as a full-fledged member of the EU Romania has to emphasize its position regarding the future of European Union. The present economic and political framework offers a narrow window of opportunity for Romania in terms of establishing its future, which in our opinion is closely linked with the one of a more powerful and democratic Union. Our analysis is based on a scenario approach related to the Romania's future in the "European common house". In our view the best way for Romania approach this future is to adopt a strategy of cooperation that allows a rapid catching up with other advanced European economies under the principle "to do less together but more efficient" (scenario 4), while pursuing its ultimate objective: "do more together" (scenario 5). In order to actively contribute to building a stronger Europe able to face multiple challenges, both internal and external, Romania must reposition itself in a such a way that will allow it to be closer to the decision making process of the Union, while targeting its major future objective: to become a member of the Eurozone. This article is arguing that acquiring the status of Eurozone member will be beneficial for Romania, although in our final remarks we are highlighting both the advantages and the vulnerabilities of this status-quo. However, it is our strong belief that political will is essential for Romania's accession in the Eurozone, and therefore the establishing of a proper institutional framework is crucial for finally adopting the European single currency.*

Keywords: *European Union, Eurozone, Romania, economic development, European single currency*

JEL Classification: *E, E32, E42, F, F02*

1. The need for a new dynamic approach

There is no doubt that the need to reform the European construction opens new opportunities for each Member State, while offering the chance to actively contribute to shaping the future of the EU. As a member state, Romania needs to put in practice a strategic approach taking into account the exogenous and endogenous challenges of this crucial moment for its future and for that of the EU. In this economic and political framework Romania has the duty and the obligation to express its opinion on the scenarios described in the European Commission's documents regarding the future of the EU, while being free to critically analyze them. At present, Romania has a unique chance to express itself on how its own future can be shaped within a Union of states that share the same democratic values: the rule of law, respect for human rights, and enforcement of market

economy and property guarantee. Taking this into account, our article proposes an analysis of "Romania's European moment", critically reflecting on the possibilities and challenges brought by the vision exposed in the strategic documents of the European Commission (Report of the 5 Presidents, State of the Union). It should be noted that these strategic documents underline not only the need to choose a way to continue the integration process (flexible integration, Multi-speed Europe), but also the need to find adequate solutions to some pressing challenges of the present. In our endeavor to imagine the Romania's European future we will group all the above-mentioned elements in order to create a construction that we want solid, perennial, able to face any kind of challenges. As a result, the axes of Romania's future development will be seen as pillars starting from the "vault" of Romania's EU membership, since this is a key element in the multi-dimensional stability at national and European level.

We hope that it has not yet been forgotten that Romania's accession has been unanimously approved at political level and that is why we cannot think of Romania's future outside from the European community. We believe that we have not yet fully benefited from all the instruments of European integration (the Schengen Area, the Eurozone) and that the fault must be shared objectively with our European partners if we want to pragmatically take into account the principles of solidarity and cohesion and their real effects on Romania's development. It is noteworthy that Romania, as a full and equal member state, after 10 years of accession has not made significant progress on real convergence. Sustainable economic growth remains a necessity, but expectations have been and are related to the recovery of development gaps, while achieving a match with EU standards and performance. Returning to the pillars of European construction, they are linked to the challenges, opportunities, vulnerabilities and risks to which Romania is currently exposed, and the "Romania's European Moment" signifies the necessity of expressing its own position regarding the future of the EU. The strategic approach to this common future must take place as quickly as possible and in a very narrow window of opportunity. Together with its European partners Romania needs to find solutions to a tense geopolitical situation at home and abroad, in order to prevent a possible new economic crisis, but also multiple imbalances that might occur in the Euro-Atlantic relationship as a result of Brexit and of the Trump Administration policy. All these challenges require a fast positioning of Romania in relation to the European integration future scenarios (EC, a, 2017) while expressing its support for one of the scenarios of the future of the Union (See Figure 1).

Figure 1: Five scenarios for EU's future

SCENARIOS	IMPLICATIONS
1. CARRYING ON	<i>Focus on jobs, growth and investment in digital, transport and energy infrastructure</i>
2. NOTHING BUT THE SINGLE MARKET	<i>The single market as key pillar of EU-27 with a more positive outcome for free movement of capital and goods</i>
3. THOSE WHO WANT MORE DO MORE	<i>A group of Member States decides to cooperate much closer on defence matters making use of existing legal possibilities</i>
4. DOING LESS TOGETHER	<i>New tools for deepen single market in key areas: innovation, trade, security, defence</i>
5. DOING MORE TOGETHER	<i>EU speaks and acts as one organic body in trade and is represented by one seat in most international fora</i>

Source: Authors, based on studied literature.

We believe that the current tensions faced by EU may prove be an incentive for Romania providing a historic chance to capitalize on existing opportunities in order to reshape its priorities and gain benefits related to its future development. We are currently witnessing rapid changes triggered by the Fourth Industrial Revolution which has induced a new competition for all the countries of the planet: the race for the development of high technology. As regards globalization, it is noted that this process has reached certain limits. This is why, in the future, we could front with the process of deglobalization¹ or we may witness the emerging of new driving forces of this process. For both globalization and the European integration, we can name plenty failures in the interaction of states, currently assisting either to an informal globalization or to a formal European integration. But the new competition induced by the Fourth Industrial Revolution puts into question the very essence of the current international order.

¹ "Deglobalization" is the process of diminishing interdependence and integration between certain units around the world, typically nation-states. The term is widely used to describe the periods of history when economic trade and investment between countries decline.

Accepting this, Romania may build a strategy in order to approach the new status-quo regardless of what kind - political, geopolitical and geostrategic – even if this new international framework disturbs the traditional order of powers. Depending on this, we can discuss what Romania should do as a Member State, since the Union itself is endangered by those changes occurring in the international arena. The risks related to the future of the EU are self-generated by the implementation of its own common policies and by the complicated decision-making process (see the financial, economic and fiscal crises, the sovereign debt crisis, the migration crisis, some member states deviations from the Treaty, the Brexit event) or driven by external factors such as: the new US administration, the divergences with Russia post the Ukrainian crisis, the global financial stability, the quantitative easing policies, growth of trade protectionism, climate changes.

Considering the modernization stages of its historical past (the Revolution of 1848, the Unification of the Romanian Principalities, the regimes of Cuza and Carol I, the achievement of Great Romania², the reign of Carol II and the systemic changes that occurred after 1990), but also the present developments (the signing in 1993 of the Association Agreement with the European Economic Commissions and of the Treaty of Accession to the European Union in 2007, through which our country became involved in Europe's largest political project of all time), for Romania the future is defined within the EU, and this is why we believe that Romanian authorities must support by all means the consolidation of the European project.

Romania's European destiny of is validated by both the political parties and by the population's choice³, backed-up by the political consensus on three capital strategies: systemic changes (1990, transition to the market economy), argumentation of the necessity of Romania's European integration on the basis of the 1995 Strategy and the Pre-accession Strategy from 2000 which was preparing the accession through detailed negotiations.

It should be noted that in the context of its aspirations for European integration, Romania has established the foundations of its future evolution as a democratic state with a functioning market economy, and was subsequently recognized as such by the international partners. At the same time there was a national consensus on the need to become a part of the collective defense system of the NATO Alliance. What is to be emphasized is that in the current global political, economic, financial and commercial system, with the maintenance of its European trajectory, Romania is seeking to secure its own national security in all its dimensions, in order to build a future at European standards for its own citizens. Of course, such a target is not easy to achieve given the existence of multiple challenges - internal governance, sometimes divergent interests of external partners, new challenges and the uncertainties caused by globalization that have affected the very essence of the European integration process. We are currently witnessing the erosion of confidence in the European project due to the lack of strong external activism as well as due to the weak performance of national governments. In this context, Romania has to decide as a Member State on the five scenarios of the European Commission, supplemented by the synthesis scenario proposed by Jean-Claude Juncker.

Note that after the global financial crisis a series of systemic transformations occurred (geographically closer or more distant from the European space), and both the EU and Romania faced economic imbalances as a result of the somewhat brutal measures enforced in order to cope with the crisis challenges. At EU level such measures designed to help the affected economies were for instance the controversial austerity programs that have proven to be exaggerate, affecting the economic development of the targeted states – see the “Troika” and the Greek case.

For Romania, the international context (especially the one related to the Eastern Neighborhood) calls in our opinion for a revival of the national political consensus, which must now focus on a way of action under the new EU approaches in order to ensure the European security and, implicitly, the national security at all levels.

Both in the European space, under the impact of the EU reform as well as on the global stage, Romania faces the emergence of new interests and dimensions of economic and political competition. As a result, recognizing a certain lack of internal and external activism, we are confronted with the urgent need to express a national position regarding the scenarios for the future of the EU at global level. Asserting ourselves

² The origin of the modern Romanian state can be traced to the 1859 unification of the principalities of Moldova and Wallachia under Prince Alexandru Ioan Cuza. During Prince Carol I regime the country obtained its independence (1877), followed by the great unification during king's Ferdinand I regime (1918) and the birth of Great Romania.

³ The signing of the Accession Treaty was received by the Romanian society as a political event of paramount importance, which made possible unprecedented opportunities in promoting Romania's role in building up the united Europe, founded on the principles of liberty, sustainable development, tolerance and respect for human rights.

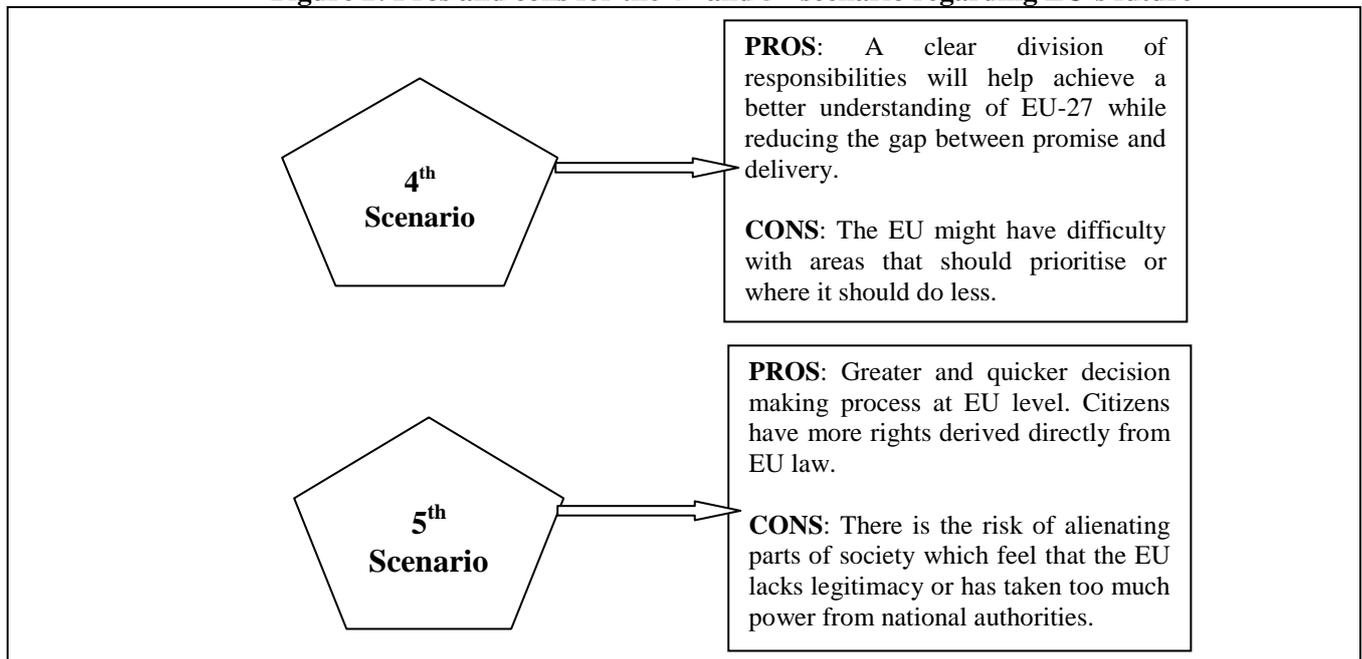
a notable voice in the international arena, maintaining our membership in a stronger and more democratic Union is essential. Hence Romania has to decide whether it remains just a contemplative EU Member State or is firmly committed to the European future agenda that will be depicted at the next European Council meetings. This position involves both an offer of credibility and the allocation of resources to justify it.

From this perspective, we believe that Romania needs to support a mixed choice: embracing the 5th scenario ("doing more together"), with some element from the 4th scenario ("doing less and more efficient"), a formula that might lead to a better structured Union (see Figure 2).

Otherwise, it must be said that the crucial importance of choosing a future path for the EU was highlighted by the President of the European Commission, Jean-Claude Juncker: "We only had two options: either to reunite around a positive European agenda or to retire each in his own corner."

We believe that in this historic European moment it would be a mistake for Romania to choose self-isolation influenced by false activism based on some political statements that are fueling the nationalist and populist agenda.

Figure 2: Pros and cons for the 4th and 5th scenario regarding EU's future



Source: Authors, based on studied literature.

In addition to expressing its support for one of the scenarios presented by the European Commission, Romania needs to show its readiness to engage actively in the new European security and defense structure, in line with how the Union defines its specific action instruments in the field, since the future of the European political project depends greatly on strengthening the external security. The goal of meeting the expectations of European citizens in terms of security and defense has been an established through the adoption by the European Council of the Rome Declaration on 27 March 2017 (EC, b, 2017). The Rome Declaration presented a vision of a Union that can provide stability and security and is based on a Reflection Paper of the European Commission on the Security and Defense Package of the Union (EC, c, 2017). The Reflection Paper established measures for creating a Union for Defense and Security by implementing: the EU's overall strategy in the security and defense sectors; the European Defense Action Plan; the Union's cooperation with NATO.

These three strategic pillars are already being implemented through actions for the reform of the common security and defense policy structures and for developing civilian and military capabilities and tools while deepening European cooperation with partner organizations such as the UN and NATO. Their enforcement put Romania in front of its own responsibility of choosing the appropriate enforcement measures that will be required under three different scenarios for the transition to a Union of Security and Defense (each scenario reflects the "EU ambition levels" for implementing joint security and defense activities).

For achieving Romania's commitment to assure peace for today's and tomorrow's generations, political parties have to express their support for implementing the guidelines from the White Paper on the Future of

Europe and from the five reflection papers addressing key themes for the future of the European Union. Hence Romanian authorities could express their support for the best scenario that could lead to an authentic Union of security and defense, while ensuring the highest protection of national interests.

Political consensus should focus not only the EU and NATO membership, but also on a concrete way of action, on finding instruments to ensure European security that responds to the current global geopolitical challenges. At the same time, this consensus should also focus on Romania's commitment to some non-antagonistic bilateral partnerships, such as the one with the USA.

Decisions made through political consensus must reflect an official commitment regarding the major ideas outlined in the five reflection papers related to: the future of European defense policy, the deepening of the Economic and Monetary Union, the future of EU finances, the social dimension of Europe and the exploitation of opportunities brought by globalization.

It is our strong belief that as a Member State we cannot pass onto the exclusive concern of the Euro-Atlantic partnership the tasks related to the national security. Such an approach would lead to a strong national deficiency in the field hence increasing the development gap compared with our strategic international partners.

What we want to emphasize is that in the midst of these evoked needs, against the backdrop of the most active agenda for reforming the European Union, Romania must actively contribute to this process even by assuming the economic costs that shorten its road to security and prosperity. In our view the adoption of the euro is a vehicle and not a goal of these targets.

In our opinion, Romania must support the creation of the Fiscal Union as a medium-term objective, with its "core" being represented by the Eurozone. This means implicitly engaging in a deeper Economic and Monetary Union, with participation in the Banking Union. The completion of the joint resolution fund (European Stability Fund) that will become the European Monetary Fund would allow Romania to become a founding member of the European Monetary Fund. By default, Romania urgently needs to decide on the adoption of the single currency - the euro - not in terms of a date, but as a formalized political program, immediately institutionalized for action. For technical reasons this window of opportunity is very narrow and is also related to Romania's commitment for maintaining its macro stability especially regarding the exchange rate of national currency. We are now facing an outlook marked by inflationary growth driven by domestic causes (the inflation rate will probably exceed 3% annual growth) and this evolution will have negative effects on the exchange rate (the depreciation of the national currency). Moreover at this inflation level the Central Bank will most likely act by applying restrictive monetary policies that will diminish market liquidity.

2 The need for a different strategy

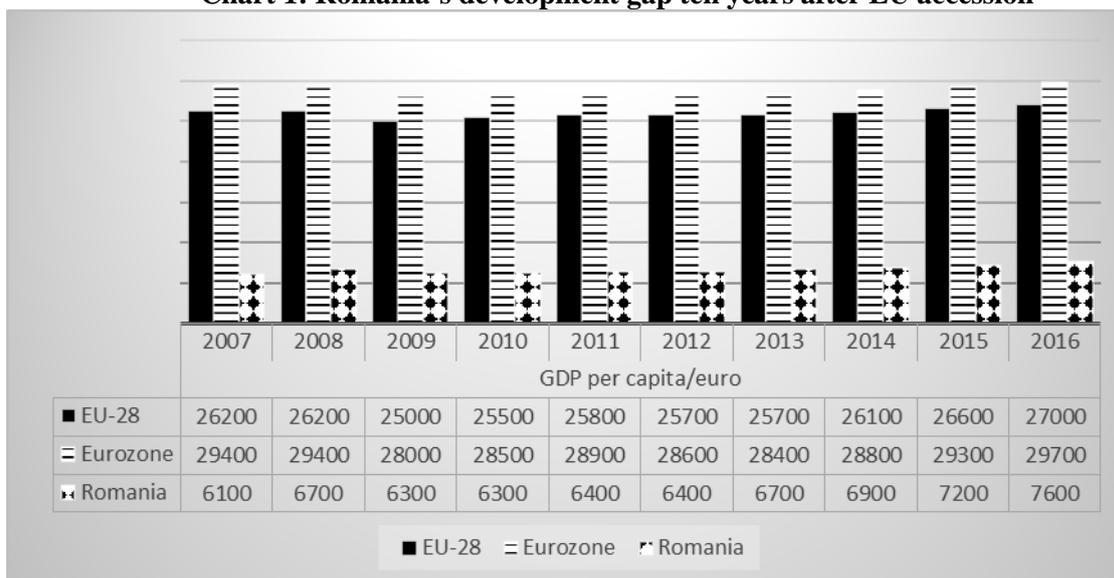
2.1. A changing context

At present, fundamental institutions such as the Romanian Parliament, the Romanian Academy, the National Bank, and other research institutes are hosting crucial debates regarding Romania's future in the European Union. Public space has become a forum that addresses this issue that we could call the "Romania's European Moment" and this context implies the need for urgent and far-reaching policy decisions on strategic and geopolitical options.

We consider that the current framework is defined by the key documents issued by the European Commission (White Paper on the Future of Europe, Reflection Documents about Integration, State of the Union, Towards a Defense and Security Union). At the same time, these new developments take place in a context that is marked by geopolitical risks for the EU and Romania, hence being necessary to find the most appropriate ways to reduce the vulnerabilities for both parties. The start of a major EU reform based on the aforementioned strategic documents is a major opportunity for Romania. In this context, Romania can acquire a new position within the EU due to its geostrategic advantages, and this change may be equivalent with leaving behind its former peripheral status and that of simple follower.

In our view, this historic chance means overcoming the Euroscepticism while targeting a true European future for Romania, which we see indissolubly linked to its Eurozone membership. Romania's accession to the Eurozone is vital because only in this way we will be able to fully benefit from all the advantages of integration, coming closer to the EU's decision-making core. In fact, joining the Eurozone can be an anchor for the stability of Romania's economy, guaranteeing that we fully commit to reducing the development gap, which remain visible ten years after accession (see Chart 1).

Chart 1: Romania's development gap ten years after EU accession



Source: Author's representation based on based Eurostat data. It should be noted that the goal of joining the Eurozone can only be achieved through political will, coupled with balanced macroeconomic policies. Such policies will stimulate Romania's sustainable growth, representing the key step in contributing to a stronger and more democratic Europe (Gallagher, 2013).

2.1. Why should Romania support a mix choice of elements from the 4th and the 5th scenarios?

We believe that, on the basis of the offers presented in the strategic documents of the European Commission and taking into account the Report of the Five Presidents, Romania must take firm action by implementing the necessary steps for the adoption of the single currency. The adoption of the Euro is not of course a panacea for all our economic imbalances, but it can undoubtedly be a catalyst for the reforms that we need to enforce for becoming a stronger voice within the Union. As a Member State, Romania should not endorse a Multi-Speed Europe project, since such future could ultimately lead to European disintegration. The best possible choice for us as for other Eastern European countries would be to support a necessary flexibility (elements from the 4th and 5th scenario) that could be achieved through enhanced cooperation under the current treaties while emphasizing the need for unity as future engine of EU development.

Strengthening the EU through Romania's participation in the 4th scenario (*less and more effective*) with the transition to the 5th scenario (*more together*) corresponds to our national interests, offering many advantages: (i) we could be at "the decision table" enjoying all the tools of integration; (ii) we could benefit from financial support (SF, EIB, the future European Monetary Fund) for economic objectives or for addressing future crises, without resorting to the IMF; (iii) we could benefit from the security tools that will be available for the Eurozone.

We note that the political action of the powerful states in the Union will now focus primarily on the Eurozone, including the distribution of European funds that will be diminished after Brexit, considering that the well-functioning of the EU's tough nucleus is vital for the future of the Union. Ultimately all major projects will focus on the Eurozone in the near future.

If left aside of the Eurozone, Romania could be entrapped under the Multi-Speed Europe reality. In such scenario we will in fact face a EU divided between a strong and developed core that make all the decisions, and a vulnerable periphery that is doomed only to austerity programs while lacking resources for growth and development. If the "less and more efficient" scenario materializes, Romania will benefit through common policies of the chance to progress in disadvantaged areas, and in our view this is the only way to make real economic progress through the partnership with other Member States. Only after narrowing the gap, Romania could really benefit from the 5th scenario: "doing more together."

3 Ten steps for shaping the future development

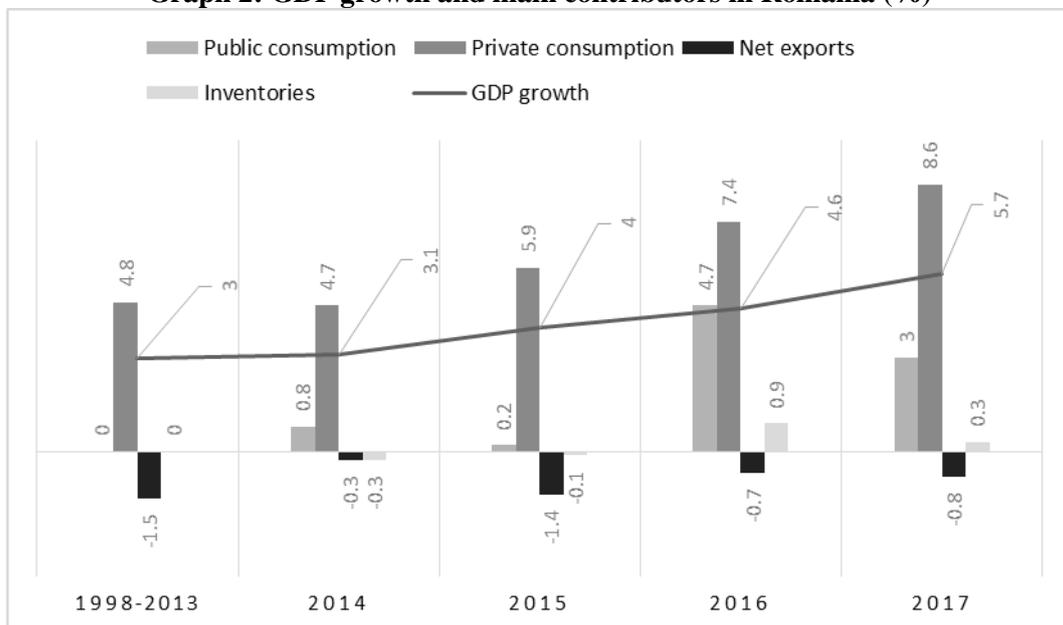
Although Romania is on track towards growth at a fast pace (see Chart 2), its economy is subject to a series of risks in the current European and global economic environment, marked by multiple imbalances. For instance, at European level “although the cyclical recovery has now been underway for 18 uninterrupted quarters, it remains incomplete, with for instance still significant slack in the labour market and untypically low wage growth while GDP growth and inflation are still dependent on policy support” (EC d, 2017).

Meanwhile, the European Central Bank must keep its monetary policy “very accommodative while some other central banks around the world have started raising interest rates” (EC d, 2017). The main risk for Romania is related to the cost of the increasing financing of the public deficit, in parallel with the outbreak of inflationary pressures.

As shown by the recent economic forecast of the European Commission in 2017 “the general government deficit is projected to remain at 3.0% of GDP, while tax cuts (the cut of the standard VAT rate by 1 pp.) will most likely reduce tax revenues” (EC d, 2017). On the expenditure side, public wages and social benefits that were increased will add additional pressure on the general government deficit.

Moreover as a consequence of fiscal easing and of an increasing output gap, “Romania’s structural deficit is forecast to rise to around 3¼% in 2017, hence despite strong GDP growth, the debt-to-GDP ratio is thus projected to rise from 37.6% of GDP in 2016 to 40.5% in 2019” (EC d, 2017).

Graph 2: GDP growth and main contributors in Romania (%)



Source: Authors based on *European Economic Forecasts (2017)*.

All these good and less good elements need to be objectively and pragmatically analyzed, to prevent vulnerabilities from turning into systemic risks with heavy impact on the exchange rate. Regarding these possible vulnerabilities we highlight some countermeasures that can be considered:

i) The Romanian state needs additional funds to support its policies. Between 2008 and 2017, the Romanian state collected around €365 billion from taxes and other contributions. During the same period, the Romanian state spent around €430 billion to support public debt payments, pension payments and redistribution policy. Throughout this period, public investment amounted to almost €44 billion. For the mentioned period, besides the refinanced debt for periods of less than one year (not included here), public debt increased by €48 billion. In the economic boom phase, the state had the duty to save funds for the adjustment phases that are to be forecasted according to economic cycle.

ii) The increase in government spending and public debt has no correspondent in the number of beneficiaries. During the mentioned period the average number of pensioners remained relatively constant at the level of 4.7 million people while the number of employees in the public sector decreased by about 200 thousand people. On the other hand, Romania’s population decreased by 1 million people (from 21.6 million in 2008 to 19.6 million people on January 2017). Rapid growth has proven to be inconsistent with sustainable economic development, and as a result real convergence remains low. As an EU Member State, real convergence can only be achieved by capitalizing the opportunities brought by all EU policies. The EU was

created precisely for achieving the real convergence of all Member States (materialized in achieving a better living standard for all) in order to avoid the conflicts and carnages of the 20th century.

iii) Romania's current macroeconomic framework presents higher risks compared with other CEECs countries. According to the European Commission forecast, Romania, together with Poland, is the only EU country that will register, this year and in the next one, an increased public debt and a growth of the current account deficit. The difference between Romania and Poland is that the latter has a slower rate of deterioration of the balance between foreign currency inflows and outflows. In addition, Romania is dangerously approaching the situation of a double deficit (a deficit of the current account balance and a budget deficit higher than 3% of GDP). Countries with such macroeconomic imbalances have a fragile position in the following negotiations regarding the future of EU and the new governance mechanisms. Hence the need for rapid political action, in order to avoid an increased economic fragility, while we are facing a very narrow window of opportunity in terms of both the chosen scenario regarding EU's and the possible deterioration of Romania's economic stability.

iv) Romania depends on foreign capital markets that finance its public debt, and this state of affairs presents at least two vulnerabilities. First, half of Romania's public debt depends on the perceptions of risk of non-residents. About 42% of Romania's total public debt is financed by external creditors. They are influenced in their decisions regarding the purchase price of state bonds issued by Romania, compared to yields offered by other states under similar risk conditions. The prospects of rising interest rates on international markets can no longer be neglected, even if Romania has fixed interest rates for 38% of the total public debt. In addition, even in the case of government securities issued on the domestic market, the share of non-residents' holdings in the total public debt reaches 8%. The second vulnerability is that 40% of Romania's total public debt is in euros, which may lead to additional costs for public spending, if external adjustments are needed and, ultimately, to the depreciation of the exchange rate. Romania needs to analyze the new macroeconomic adjustment and rebalancing mechanisms promoted within the new European governance, compared to the possibilities offered by the IMF and free markets, and ultimately choose the better option. No cost is now higher than the consequences of not being part of the tough EU core: the Eurozone.

v) Romania needs to look into whether it is prepared to cope with the effects of a possible new economic and financial crisis. There are four reasons to consider: (i) the state of public finances has become vulnerable, as has been shown above; (ii) there are no instruments to prevent internal macroeconomic imbalances, except for the provisions of the Financial and Budgetary Responsibility Act and the guidelines from the Country Recommendations of the Commission that have not been fully implemented for at least the last two years; (iii) there are no shock-absorbing instruments in the absence of a fiscal policy aiming on building capital reserves or a positive budget balance, or other elements in the structure of public revenues and expenditures that could actively contribute to the "smoothing" of the economic cycle while reducing GDP volatility (automatic stabilizers); (iv) there are no mechanisms to manage the negative effects of a crisis.

vi) As it is not a member of the Eurozone, Romania should resort, in the event of a crisis (external imbalances), to the support offered by the Troika: the EC, the ECB, and the IMF. In the case of the EC, the balance-of-payments facility has two disadvantages: it is a slow procedure (requires the individual agreement of each Member State) and is reduced in volume (the amount made available to all non-euro area countries is €55 billion). In the case of the IMF, funds can be accessed quickly (if the negotiations are successful) and the amount may be optimal, but there are disadvantages related to the conditions imposed that are often too harsh. This kind of financial support is just a panacea, as the lessons learned from the experience of other states have shown, and it does not answer Romania's need for to establish its own tools for preventing and absorbing shocks propagated by various imbalances and crises. In fact, the sovereign debt crisis has shown that in some cases external financial support imposes constraints on the receiving-state, but may not trigger the expected positive effects.

vii) In the event of a crisis, the Member States of the Banking Union can resort to the European Stability Mechanism (ESM), which, besides the bail-out function, will also provide financial support for major European cross-border investment projects (when it will be transformed into ESM+ and then into the future European Monetary Fund). Accession to the Banking Union is an important step of Romania towards Eurozone membership and this requires a political decision. Membership into of Banking Union is an investment for the future while the immediate costs must be negotiated to be covered by the proper functioning of the new structure that must enable the necessary resources.

viii) The Banking Union is a large-scale European project involving financial costs (stemming from the national contribution but staggered over a long period of time) and uncertainties regarding the settlement of

some issues such as the completion of the Single Guarantee Scheme. However, political indecision may be a risk for Romania. Due to the fact that Romania is a host state for banks with majority capital from member states of the Banking Union, by not being a member of the Banking Union, Romania will have no say in the decisions that are being made regarding banking supervision and resolution mechanisms. Moreover in the Banking Union, the dangerous interdependence between the budget deficit and the holding of government bonds by foreign banks could be limited (a situation currently existing in Romania as mentioned previously).

ix) There are multiple benefits for a Member State that is part of the Banking Union: (i) a risk-sharing scheme (which ensures a smooth financial disintermediation excluding the need for international agreements such as "Vienna I and II" that were imposed to Romania); (ii) a risk mitigation mechanism (through the European Banking Authority and the Single Regulatory Mechanism); (iii) a common rescue mechanism; (iv) best surveillance practices; (v) a common cooperation scheme; (vi) a common supervisory decision-making process that provides a place at the euro area decision-making table (within the Supervisory Board). The Banking Union requires Member States to strengthen both their prevention and risk mitigation capabilities so that the need to absorb risks and manage the effects of the crisis is minimized. So, Romania has all the interest to strengthen its prevention capability and at the same time to be in the decision-making pole for banks that have subsidiaries in our country (the parent banks).

x) The completion of the Economic and Monetary Union by 2025 requires rapid progress achieving the Banking Union over the period 2017-2019 (according to the Reflection Paper on Economic and Monetary Union from May 2017). It is precisely for this purpose that the European leaders' agenda that will be presented at the European Council of 14-15 December 2017 will agree on a timetable for decisions on the Banking Union and on the Economic and Monetary Union. We believe that Romania's opportunity to publicly declare itself in favor this projects should not be lost, such decision opening a path that will gradually bring us closer to the adoption of the euro as a vital instrument for achieving real convergence. What is extremely important is for such political decisions to be backed-up by concrete measures marking Romania's contribution to the consolidation of the EU in the post-reform era.

4. Conclusions

We are currently witnessing a historical moment for both the EU and Romania marked by the search for the most desirable solutions and scenarios for the common future. It is worth noting that at a Eurogroup meeting in April 2017 it was stated that there was need for the necessary steps to be taken for the creation of the Fiscal Union within the Eurozone, and that the most appropriate solution for this new European mechanism are being debating: its own budget or a security fund. If it were to create its own budget, it would require permanent contributions either from the Member States or from the EU budget which would delay the creation of the "fiscal pillar" endangering the stability of the EU during the boom and bust cycle. We believe that the solution of a security fund would be more useful in the event of a crisis, contributing to the achievement of a true financial capacity of the Eurozone (as shown by the most recent European Council, which concluded that the euro area needs clear reform targets by the first half of 2018).

At the same time we must consider the most pessimistic scenario that would involve the dissolution of the EU, indicating an alternative future for all Member States in the post-EU period. It seems that the hypothesis that leads to this conclusion would be the fall into the trap laid by Russia of the former socialist countries placed under its influence during the Cold War since many of those states have relaunched closer cooperation with Russia in recent years, distancing themselves from the ideals and values of EU. It should be noted that some signs of such a "seizure" are already observed in Hungary and Poland, where democracy is jeopardized by certain recently adopted laws and political initiatives.

Last but not least we cannot ignore some of the latest news encouraging our immediate vision for the common future of Romania and EU. The first refers to the fact that a large number of EU finance ministers believe in developing a fiscal capacity of the Eurozone with its own budget. It seems that the proposals of the Five Presidents' Report are taken into consideration in the light of the Eurozone need to stabilize the single currency area. The news has been made public in a conference (November, the 6th) by the head of the Euro group Jeroen Dijsselbloem who has to present some conclusions on the subject to EU leaders at a summit in mid-December this year. The summit is to set goals for euro zone reforms which should be worked out in the first semester of 2018.

As the views differ from hundreds of billion euros to no budget at all, according to European Commissioners for Economic and Financial Affairs Pierre Moscovici, we detect not only the controversial

debate but a possibility for a common ground. The main ideas were around a revolving fund conceived as a financial source to be used in order to prevent a bigger crisis. The second news revealed in Financial Times (November, 8th) is following a Jean-Claude Juncker's meeting with Bulgaria's prime minister. Recognizing the message the Brussels pushes for all the countries in the EU to adopt the common currency (see Jean-Claude Juncker's speech held on the occasion of presenting the latest State of Union), Juncker declared that he "bluntly" supports the country's application to adopt the euro as Bulgaria's currency (leva) has had a high dependency to the euro since as early as the beginning of the single currency in 1999. As we said before, Romania has to take the opportunity to enjoy the "pre-accession" aid offered to member states who decide to take the road to membership to Eurozone.

But while considering good news, we must also take into account the perspective of a "nightmare scenario" which may become reality in the next 25 years. A secret document that was leaked recently to "Der Spiegel" says that the German defence ministry set out its worst-case scenario for the year 2040, predicting the dissolution of the EU. We remember that the beginning of such a scenario can be traced back immediate after the burst of the financial crisis following the worried declarations of some high ranking EU officials. We hear even now the echo of one famous statement from that period "if the euro falls, the EU falls too", coupled with this unsettling allegation "EU enlargement has been largely abandoned, and more states have left the community ... the increasingly disorderly, sometimes chaotic and conflict-prone, world has dramatically changed the security environment" (see Paul Mason, Guardian columnist: "The Germans are making contingency plans for the collapse of Europe. Let's hope we are, too", November 2017).

We think however that Member States will not fall for the trap of EU dissolution but on the contrary we believe that all projected reforms will boost the birth of a more powerful and democratic EU. We support the idea that a reformed and revitalized Europe will deliver enough economic growth and jobs to counteract the nationalist and xenophobic trend. However we have to be aware of the fact that if the desired reforms will fail on the background of not succeeding in delivering a better new order "through engagement, multilateralism, by accommodating what we can of the demands of rising powers and through the promotion of resilient democratic institutions" (Paul Mason), the very future of EU will be endangered.

Regardless of the good or less good scenarios, Romania has the opportunity to capitalize on the current challenges, otherwise geopolitical developments may be all the more unfavorable as the country delays in expressing a clear and firm position. It is indeed a unique chance, so our insistent mention of the "window of opportunity" is not accidental. For Romania, this window of opportunity is best described by the opinion expressed by one of the founding fathers of the modern Romanian state, I.C. Bratianu: "There is a good part in any unfavorable situation, it depends on the wisdom of man to take advantage of the offered opportunities."

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