

IS REFORMING THE EU AN OPPORTUNITY FOR ROMANIA?

Napoleon POP²⁰, PhD
Valeriu IOAN-FRANC²¹, PhD

Abstract

Romania has to comply quite fast with the documents produced and published by the European Commission with regard to the future of the European Union. The authors are advancing some ideas that Romania should consider reforming the EU as a good opportunity to think about the directions of the reforms enabling the Union to become stronger economically and politically, but in a more united manner, with Romania in, and all partners should consider seriously the principles of solidarity and cohesion. The disrespect of these, echoing in the lack of political discipline in many economic and social engagements regarding the UE as a whole and every member state individually, was the main cause of the EU crisis opening doors for financial crisis and euro crises. Romania has to take the opportunity to be closer to the making decision process with the goal to reposition and to use all the instruments to take real active part in designing and driving the future of the EU as Romania's European and global future is strongly linked to EU.

Keywords: macro-stability, EU reforms, EU integration, convergence

JEL Classification: E02, E61, E65

Alan Bennett, a British dramatist and screenwriter, dared to remind all his fans a profound truth about the ripe time to take a decision: "*Sometimes there is no next time, no time-outs, no second chances. Sometimes it's now or never*". We think in the same terms, when we live a dramatic time of reinventing the EU, in order that community of states continues realizing the incipient political project goal, a Political Union. It does not matter when, but just to keep the compass towards that goal, building up the necessary institutions to remain ahead on the road. The dramatic time comes after a hard period for the EU, following the fight with and recovering from the financial crisis and its subsequent impacts, mainly the developing Euroscepticism and the illiberal political movements, both capable to dismantle the EU. While de danger of both has been prevented by a series of election results in some important EU member states - as the Netherlands, France, Germany - new paths for the future of the EU were open with those five scenarios developed by the European Commission and those five reflection papers delivered on: defense, EMU, finance globalization and social standards. The meaning of all these have to completed with the latest speech of the president Jean-Claude Juncker on the State of the Union (13th September, 2017), marking a synthetic offer to all the EU members. The core issue is what should be the better way to tackle with the destiny of the EU, in the present European and global context.

Romania has the right and the obligation, as a state member of the EU, to deal with the mentioned offer; in our opinion the best message being a more united Europe, Romania included. Such a position is based on hard considerations: Romania has to assume a new proactive attitude to reach the decision table of the EU and to be involved directly in the decision making process of the Commission with relevance to its own interests. It means that, as the core nucleus of the EU is enjoying more attention from now on, Romania has seriously to consider becoming a member state of Eurozone. We should remember that the fate of the euro, during the harsh time of the financial crisis, was linked with the fate of the EU and all the measures put into practice were serving the salvation of the common currency. We are quite straight in our opinion regarding the choice to be made by Romania, because reforming the EU is a real opportunity for a new deal with a so-called multispeed EU (it was always) and that opportunity is working in favor of Romania in a limited span of time.

The authors are expressing a real concern about the lack of interest of the public, in the move Romania has to do soon, except for some general political statements referring mainly to the opposition to a multispeed Union. It seems that the propensity of almost all media to panic the

²⁰ "Costin Murgescu" Institute for World Economy, Romanian Academy, email: iemnapoleon@gmail.com

²¹ "Costin C.Kirişescu" National Institute for Economic Research, email: valeriu.ioan.franc@ince.ro

population on different speculative issues is more important at these crucial times. For Romania, the future of the most important European political project for becoming part with great efforts is paramount. But it seems that a lot of those speculative issues debated every day can reach a resolution only by serious debates exactly on the future involvement of Romania in designing the destiny of the Union. Those debates can help Romania to leave the peripheral place for a core once within the Union.

We are talking about Romania as a full-fledged member state of the EU, with equal right, having to choose between remaining a contemplative one or a proactive one in the concert of EU's decision process. The opportunity window is narrow enough to lose it and only a constructive and positive approach, more in an academic mood and enough courageous in arguments, is to prevent speaking more about the complexity, difficulty, risks, unpreparedness, etc. revealing in fact our helplessness. Are we really talking about helplessness or we are in the trap of wrong messages?

We don't want to give an answer either, but to insist that the opportunity is worth to turn things to good account. Romania has the chance to get out from a "cone of shadows" represented by not being yet a member of the Schengen Area or having problems with rule of law and corruption. We think that those ten years of full EU membership of Romania, provide any good negotiator with a lot of arguments for promoting both Romanian and EU interests, this time probably on a more reciprocal basis. From this point of view, we move away even opposite to a series of many other positions expressed in public on our propensity to reach the core of the EU, mainly on adopting the common currency – euro. Too many doubts, fears, difficulties, risks or theoretical economic thesis are evoked in an endless cascade, trying to discourage any positive attempt for more action needed both at home and abroad, along with better institutional capacity and capability to tackle with the issues of a genuine political project.

To many of us, the opportunities seem to be easy to be defined, but they also need to be treated with the responsibility of making them to work for Romania while the debate for more or less Europe is acute. The "European Moment" for Romania, as we use to call these opportunities, is linked to reaping the benefits of a complicated geopolitical situation facing both the EU and Romania. This situation is forcing us to look and link us with a Union eroded by a series of economic and political crises and to be part of the healing process.

Responding to the goals of reforming the Union is crucial for the continent and global stability and securing the peace is an absolute priority. That is why Romania has to strengthen and to use all the potential anchors of her belonging to the EU and NATO. They are not to be discovered or invented now, but to comply to the standards of the existing ones.

The problem of more or less extensive Europe is now of interests and it is not any longer just a subterfuge of the politicians. It is about the quality of the European governance which still allows other member states to organize an exit referendum or to exert pressure for territorial secession. The bulk of motivations can be reduced to the mere fact that either the principles of governance at Brussels have no more consensuses, or the contributions to financial resources of some member states are too high as compared to the loose responsibilities of the countries that benefit from.

The alternative source of distress is of high interest for the European leaders and the only way to repair it is to come with political declarations that European integration should be deepened mainly by mutual cooperation. It is a pity that when the issues of different basic unions (fiscal, defense, political) needed for the better functioning of the single market or the euro were mentioned by high-rank officials, usually in a low voice, we were sure that those things would be delayed, even *sine die*. The evident adjournments expressed by some of our (usually powerful) European partners are not of good omen for anybody, especially when we pretend to look after the future of the Union. For sure, it is not the kind of a choir singing to the benefit of Romania as Romania did not accomplish all the integration instruments available, and this is not entirely its fault.

As we have revealed, the future of Romania cannot be dissociated from the political European project, defined as the EU, either in terms of European security or global stability. To be on the both fronts, Romania needs be part of a strong Union. From this point of view and looking at the historic stages of its *suis generis* modernization (from the 1848 revolution, passing through the Union of the Romanian Principalities, the reigns of the kings Carol I, Ferdinand I, Carol II and the systemic transition after 1989), the Association Agreement (1993), joining the NATO Treaty (2004) and UE Treaty (2007), all have given chance to Romania to be associated with the grandeur of the

of political, economic and defense umbrella mastered for peace security in Europe after World War II. It is all about the need to perform in an environment full of stimulus, provided that Romania should re-embark (after consistent efforts in negotiating a new European position) more actively on the present road of continuing the European integration. The context is that Romania should "deliver" more for the future fate of the EU, engaging from inside in the reforming the EU in a loud and credible voice.

Romania is in great need to continue its modernization in many areas of common interest and to be able to raise structural funds remains important. Brexit, irrespective of the diplomatic words used for describing the "*the constructive and friendly atmosphere of the negotiations*" has to end in three issues: citizens' rights, the Irish border and the bill of divorce. This will affect the weak economic members of the EU. Romania has to show that it can sustain its macro-stability while fulfilling the Maastricht criteria and almost all economic indicators included in the European Semester assessment. Romania is prepared technically to join the Schengen Area and is complying with the state of law. Romania can tackle with global risks as a strong member of EU.

Romania is encouraged by Mr. Juncker, the president of the EC (scenario six), when he says that his vision put into a scenario is rooted in decades of first-hand professional experience working for the European project. Maybe it is too ambitious for Angela Merkel who is ready to amend more promising facts wanted by him and Emmanuel Macron. But his speech deserves our attention in many respects. Juncker, from the high tribune of the European Parliament, rejects a multispeed Europe in favor of uniform steps to be taken by all EU members and this would mean for a state member, as Romania, expanding the Schengen Area with its inclusion.

As to the euro, Juncker says that the common currency has to unite and not to divide the Union. It means that euro is to cover the entire space of the Union and not only a group of "select" member states. Juncker's vision that the EU will focus on strengthening the euro for its existing members, it will become more attractive for outsiders. The member states that want to join the euro and are able to do so would be helped with a promising euro accession instrument, offering technical and even financial assistance. In the meantime, completing the Banking Union is a matter of urgency in terms of reducing the remaining risks to the financial stability of the member states and its functioning means that risk reduction and risk sharing go hand in hand.

It should be observed that steps to be taken from top to bottom, e.g. from politics to techniques is the way how Juncker sees a Union of values, freedom and equality that can reunite us in a strong Union with less visibility of the different speeds of integration. Notwithstanding the possible controversial outcome of Juncker's speech, Romania has to defend the principles of a such vision just to reduce the subversive critics holding back a firm march to integration. The European Commission is in stand-by after Juncker's speech, probably waiting for the decisions of the December 2017 European Council when Germany will have a settled government; but in order that Angela Merkel succeed many amendments will be done to her previous political statements.

It is obvious that the exit from the financial crisis, due to some brutal austerity programs and many other restrictive measures applied to some member states, Romania and the EU as whole are confronted with limited political and economic resources, but we witness a steady recovery of them after the latest elections. This creates a helpful environment for the future political negotiations for a road map of the EU, not excluding new dimensions of economic and political competition. Romania has to embark rapidly on such a competition and such a positioning has to come along with an offer of credibility and the resources to justify it. A new national political consensus is again needed. We call it a structured political consensus because it has to refer not to a belonging which has been accomplished, but to a new stage of European integration in which Romania should engage to overcome the peripheral position revealed by many ranking indicators. Unfortunately, they are keeping Romania in the last place within the EU even after 10 years of full-fledged membership. Something has to be done and we invite the political class to tackle the matter within the described opportunity.

The three principles on which a promising more united, stronger and more democratic Union should be based is suggesting why, for us, the formula of more Europe with Romania in is the best. We have to succeed to embrace the proposed scenario with a rapid shift to the fifth one, e.g. from DOING LESS MORE EFFICIENTLY to DOING MUCH MORE TOGETHER. The alternative is seriously described by Juncker: We have two options, to reunite us around a positive European

agenda or each of us to remain where it is. So, the European Moment is a historical one, either a challenging or provoking one which means isolating us is a historical mistake.

Beyond any risk, adopting euro is a strategic target which needs an immediate tactic approach, keeping in mind that we should be interested in reforms of EU governance that enhance its strength and resilience, in regional cohesion and nominal convergence and real convergence. But this is a process and the question is whether we are waiting it to be improved while Romania remains at periphery, or to strive to be closer to the hard core of the EU? It is for sure a process to be accomplished, but **we have to understand that initiating any process also needs a moment zero to take a decision and a devoted political and professional team to reach the target. That is the point we are insisting on, to take a decision, to launch the arrow!** Otherwise we are talking and talking only about lack of preparedness. We see around us many speaking, in long complaining discourses, only about risks, so the straight invitation is just to “wait and see”.

Two things have to match at present: the reform of the Union and the good shape of Romania`s macro-stability. In both cases we are confronted with the speed: the clock for the availability of the window opportunity to be turned to good account is ticking and keeping Romania`s macro-stability can be at risks in short time.

For Romania, to maintain in good shape the macro-economic equilibrium is paramount and the task is in the hand of the political and economic decision makers. This goal means sustaining economic growth on long term for more convergence, and high growth to be translated into a high catching-up process. In an interdependent world we cannot do it alone, and to become a closer partner to the EU, aspiring to the Eurozone, is obviously more helpful. Looking ahead, Romania is not prepared to overcome a possible new international crisis announced by many, just because it needs more instruments to absorb shocks or mechanisms to manage the effects of a crisis. In this respect we have the choice to go to the EU or the IMF, but as a state member, Romania probably has to address the EU, which nowadays is better prepared to help, provided that we become member of the Banking Union and a founding member of the future European Monetary Fund. Addressing difficulties with the IMF, usually affects our progress in deepening European integration.

Contributing to and benefiting from the schemes and mechanisms developed by the Banking Union, by sharing risks, a mechanism to reduce the risks, a resilience fund, the best oversight rules and, finally, the decisional process which refers even to the Supervisory Board within the Eurozone, etc., Romania may sustain the macro-economic stability with an impetus on improving convergence standards, a prerequisite to become a full member of Eurozone. Before joining the Banking Union we have to do some important homeworks, so that national banking system is better capitalized and supervised, with less pressure on Romania`s fiscal situation.

We need to think strategically and fix the targets sometime in future and to come all the way back to embark on what to be done in order to reach the targets. It is obvious that the monetary integration is more than adopting the euro because it implies fiscal integration. We think that Romania can afford fiscal integration, expressing an interest in taking early steps for achieving a Financial Union at the Eurozone level. The credibility of such an engagement is given by the role of the central bank in maintaining the financial stability by guaranteeing its single target – price stability – and its independent monetary policy for a fluid transmission of the monetary impulse.

Considering the mutually reinforced correlation between nominal convergence and real convergence by a dynamic compromise in macroeconomic policies, oscillating, in fact, between domestic stability and external vulnerabilities, we think that entering the ERM II will be of good omen for supporting macroeconomic stability of our country. The success in ERM II is at least for two years, by eliminating pro-cycle fiscal policy, and it will confirm the economic convergence sustainability and in advance contribution of Romania to the functioning of the single market, looking for the adoption of the euro. If we block ourselves now because of the costs (contributions to different resolution funds as instruments to minimize risks in a potential new crisis), these costs will be greater later.

We believe that the European Moment is giving us a chance for a “package approach” in order to fix our governance for more European integration in a new political dialog with the Union. We do believe that techniques fade before of the political and geopolitical peril, which the Union is facing. Any way toward a better qualitative approach of the European integration should be based *a priori*

on strong political will of all member states and Romania has to do the same if we want to continue the path opened by Treaty of Rome (1957). In order that everything should happen in a scenario in which Romania is approaching the core structure of pertinent decisions within EU, we come back to the issue of the security of the entire EU structure needed in the uneasy geopolitical context and the crisis to come.

There is no doubt that Romania is ready to be an active state member in a Defense and Security Union as regards the three components: a global strategy of the EU in security and defense domains, an action plan for defense and cooperation with the NATO. Romania has already its own responsibility choosing among the scenarios to contribute to an authentic Union of security and defense, in concordance with an ambition level which has to reflect her own security by participating in more common security activities with other member states. In this field we have to be actively engaged, because when the next clouds appear on the horizon – and they will – it will be too late.

Romania should be vocal pro and con with all the types of scenarios delivered officially in so far, and being attentive to all sorts of amendments invoked by the EU strong partners. Why? Because themselves started already to complain in an unreasonable way that they should do more **if the weak partner can do more domestically on its own** before trying to be closer to the core of the decision making process of the Union. An example is the Banking Union. The Commission is already responding to the concerns of Germany and others, which fear being saddled with the consequences of their partners' financial mismanagement. The subject was, as usually, the collective bank deposits, a resolution scheme which is badly needed. The new concept developed for the hot issue failed short as it was leaving too much risk with national governments, which is the most discussed critical weakness of the Banking Union. We have understood that the Banking Union cannot work without closer collaboration and risk sharing.

Romania has to draw attention to the way some partners are looking for solutions, just because the economic state of the Union is good now, but with a new possible crisis knocking at door, returning to the critical times which pushed Union for immediate reform. There is a feeling that what was considered proper and urgent solutions is now tempered because of former fears just at the moment when the UE economy is increasing its own resources. The example is given by Euro Zone Banking Union. The European Commission is striving for collectively insuring bank deposits, as Germany and others fear being saddled with the consequences of their "*partners' financial mismanagement*". That fear is understandable, but the way of expressing it seems offensive to the others. The question is why does partners' financial mismanagement exist when we accept that EU is a community of laws? Where and who is mistaking?

Romania has to reveal that continuing with "*partners' financial mismanagement*" is unfair and it means maintaining the *status quo* of central and peripheral countries in terms of development. Can we talk about the general convergence with less help from our partners? The answer Romania waits for is not in any case what Kornelia Kirchweiger, editor of *Wochenblick*, said after Sebastian Kurz's victory in Austria: "*the rich countries (like Austria) are to pay for the poorer countries. This 'EU social assistance principle' is called 'Cohesion' in specialist jargon*". Is EU a charity organization?

The *per se* matter of convergence refers even to the Eurozone, where "*economic and social divergences matter for the euro area for its daily functioning but also for its political acceptability*," says European Commissioner for Economic and Financial Affairs Pierre Moscovici in a recent a speech on September 19th this year. The question of disparities is common to Romania and the Eurozone and the solution is the same: wealthier and poorer Eurozone countries (similarly with Romania's counties) must equalize their living standards if the single currency (or leu) is to receive necessary political support for regional development. The danger to a deep integration, in terms of any scenario, is adding to a wave of anti-EU populism, fueled by voters' uncertainty over the effects of globalization.

We believe that the *political acceptability* of anything which can help to achieve a stronger Europe has to be understood with greater effects on real deeds for implementing cohesion principle. That is the drive for Romania to engage more, but again to come closer the EMU. What will be good for the EMU should be good also for countries expressing their desire to join the Eurozone. Our understanding of what Moscovici means is that "*the Economic and Monetary Union (EMU) is our*

main tool for convergence in the Euro Area," and it should be shared with all member states, because the promise of shared prosperity was central for the creation of the Union as a whole and not only for the Eurozone.

Romania's integration is obliging us to become stronger economically by ourselves, but the need for political correctness of cohesion, more economic security provided to Romania with the tools of the Union means more general security for the Union. So, we have to assume a "package" of decisions and proposals covered with the credentials of maintaining macro stability and stability of the exchange rate of the leu, but using Union's resources and the Union can afford them. Going elsewhere will have the connotation that we depart from the Union. The accession to the Eurozone and political admission of it is the only truth in embracing the future of the EU. Euro adoption is to have the real vehicle to join our partners for a stronger economic and political Union. Good or wrong intentions provide the best arguments for the political urgency in adopting the euro and they should be negotiated for a start of the process. That will be the best incentive to be ready at the right time. Otherwise, we will talk only about possible schedules without doing anything.

The technicity of adopting the euro is well known in Romania and others should take care of that, but the main political decision is to enter the ERM II and not wait for a complete convergence which will never be achieved, just because this will always remain a process in progress and in competition. Let's take seriously the fact that the euro has the vocation of a common currency for the entire EU and this is the strongest instrument which can unite us in an authentic Union of values, more powerful and more democratic.

If the EU places the euro ahead of a political union, but succeeds in creating a wonderful single market, why cannot we put the euro at work for the needed convergence in every respect for a stronger and united EU?

Bibliography

Dăianu, D., Kallai, E., Mihailovici, G. și Socol, A., 2017, *România și aderarea la Zona Euro: întrebarea este în ce condiții!*, Academia Română.

Georgescu, F., 2 iunie 2017, *Creșterea economică, dezvoltarea României și reducerea sărăciei*, disertație susținută la Universitatea „Valahia”, Târgoviște.

Isărescu, M., 2015, "Convergența nominală versus convergența reală", Conferința *Calea României către Zona Euro*, organizată de Reprezentanța Comisiei Europene și BNR.

Lazea, V., 2016, *România competitivă*, Comitetul de pregătire a trecerii la euro, BNR.

Vesely, Lukas, aprilie 2017, "Can Europe Converge on What Convergence Should Mean", *Social Europe*.

Voinea, L., 2015, *O perspectivă asupra foii de parcurs pentru adoptarea euro*, Comitetul de pregătire a trecerii la euro, BNR.

* * *, Comisia Europeană, COM (2017) 315, Document de reflecție privind viitorul apărării europene, 7 iunie 2017

* * *, Comisia Europeană, COM (2015, 2017), Raportul celor 5 președinți, Documentele de reflectivitate, Scenariile privind viitorul Uniunii, State of Union