The Strategy of the Euro Adoption in Romania

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Abstract
Romania's adhering to the European Union implies obtaining the quality of European Monetary Union member and, consequently, the derogation of subsequent adoption of the unique official currency, the Euro. The adoption of the single currency is a process that implies major internal economic changes, given the present situation. That is why, choosing the moment of substituting the national currency with the Euro is a decision that belongs to the respective country, yet without having a unilateral character. That means that the solid preparation and the internal decision towards adopting the unique currency implies the involvement and the permission of the European Union. This symmetric mechanism – internal preparation and external evaluation by the EU – must be respected, taking into account Romania's final implication in ensuring the stability and the fluid functioning of the Euro-zone, by minimising the inherent shocks due to the increasing number of national actors using the same currency.
All these being mentioned, we will try to present in this paper the advantages of adopting the unique currency for Romania, respectively the Euro adoption strategy, proposed by the BNR (National Bank of Romania) through the plan concerning Romania's integration into the European Monetary Union and the adoption of the Euro.

Keywords: Euro, integration, monetary union, nominal convergence, real convergence

Introduction

The 1st of January 2007 represents an extremely important moment for Romania, our country officially became part of the European Union. The transition to the Single European Currency is a real challenge for the Romanian economy and society. Although for Romania, the day the Single European Currency will be introduced is pretty far away, the most optimistic prognoses placing this event somewhere between 2010 – 2011, while careful ones consider that the event will take place only in 2012-2014, the problem of adopting the Single European Currency is of special interest to us. From the experience of Eastern and Central European countries, which have adopted the Euro as a national currency, one can learn a series of advantages resulting from them entering the Euro-zone, of these we refer to the following:

- the elimination of the exchange rate risk in the intra-communitarian trade and financial relations, having in view the fact that over 50% of exports and imports are being conducted with EU-countries;
- favouring of economic growth acceleration and the attraction of foreign investments;
- the discipline of national tax policies, under the circumstances of the Euro-zone, where these fall under the incidence of the Stability and Economic Growth Pact;

* the reduction of interest rates and their alignment to the European average, respectively an increase of the quality of financial and banking products and services, as a result of the globalisation of markets.

The adoption of the single currency is a process which implies major internal economic changes if one thinks of the actual situation. That is exactly why choosing the moment of replacing the national currency with the Euro is a decision taken by the respective country, but without having a unilateral character. This means that the responsible preparation and the internal decision in order to adopt the single currency means the implication and the permission of the European Union to switch to the Euro. This symmetric mechanism – internal preparation and external evaluation by the EU – is absolutely necessary to be respected, having in view Romania's final commitment in ensuring the stability and the fluid functioning of the Euro-zone, by minimising the shocks which are inherent due to the increase of the number of national actors using the same currency.

Adopting the Euro as a national currency is, from our point of view, not an option, but an obligation for the state wishing to take part in the Economic and Monetary Union. In order for this objective to be achieved, there is no generally valid calendar for all states. In order to support this affirmation, we are showing, as example, in table 1, a mini-calendar of the Euro-zone integration of some countries of Central and Eastern Europe:

Table 1: The calendar regarding the Euro-zone integration – Countries of Eastern and Central Europe

Country	Joined the EU in	The date of entering the ERM II (objective)	Target date for entering the Euro-zone
Poland	2004	2006	2009 - 2010
Czech Republic	2004	2006-2007	2009 -2010
Slovakia	2004	2006 – first half of the year	2008 – 2009
Hungary	2004	2007 – 2008	2010 – 2012
Romania	2007	2010 – 2012	2012-2014

Source: www.ecb.org

Like in the case of other countries which have joined the EU in 2004, presented in table 1, in Romania's case, too, joining the Euro-zone, respectively entering ERM II, is foreseen to happen between 3-5 years, due to the fact that Romania must make up great discrepancies, which are more serious than those of the countries which have joined the EU in 2004. Within this time interval, our country will have to make a very in-depth economic restructuring, in order for existing discrepancies to be substantially reduced, if not even eliminated.

In order for Romania's integration into the European Union to be realised and in order for Romania to be able to join the Euro-zone, it is necessary to meet with the convergence criteria imposed by the Treaty of Maastricht.

In what follows, we will talk about the fulfilled level of nominal and real convergence by Romania.

1. The level of fulfilled nominal convergence criteria

The integration implies the alignment of Romania's economic indicators to those of the EU-countries that is fulfilling the convergence criteria foreseen for the superior phase of integration, the integration into the Monetary Union.

The Treaty of Maastricht foresees as necessary and enough conditions for a country to adopt the Euro only nominal convergence criteria, respectively:

- a budget deficit which should be lower than 3% of the GDP in the year the Euro is adopted;
- a total public debt lower than 60% of the GDP in the year the Euro is adopted;
- an inflation rate which should not be more than 1,5% higher than the average of the 3 most performing EU - countries in what price stability is concerned;
- an interest rate on bonds issued with a maturity of 10 years, that should not be more than 2% higher than the average of the 3 most performing Eu – states;
- the stability of the exchange rate, without unilateral devaluations towards the Euro, for at least 2 years.

These criteria target not only what is under the control of the authorities, but also indicators by dint of which the market achieves its own evaluations. By the way, we can assert that the criteria of Maastricht represent normal objectives for any state wishing to realise a sustainable and lasting development, be it inside or outside the European Union.

At the present moment, Romania is recording a favourable evolution in what the degree of the achievement of these criteria is concerned, now, two of the criteria are fulfilled.

1.1 The criteria of public finances

From all nominal convergence criteria, Romania fulfils those regarding the budget deficit and the public debt, precisely the criteria causing headaches to the other countries wishing to adopt the Euro.

1.1.1 The budget deficit

Ever since 1998, Romania's budget deficit has been maintained on a level of maximally 3% of the GDP, even if the needs of financing the economy and the society have been higher. According to the National Bank of Romania, during the last 7 years, the budget deficit recorded the following values:

Table 2: Romania's budget deficit (% of the GDP)

Years	2000	2001	2002	2003	2004	2005	2006
Budget deficit	4,4	3,1	3,1	2,3	1,1	0,8	1,68

Source: www.bnr.ro

One can notice that the year 2005 is the one when the lowest budget deficit of the GDP was recorded, the budget income being 29,7% from the GDP, while budget expenditures recorded 30,5% from the GDP. The strongest increase was recorded by the cash-ins of VAT, the amounts being collected from this taxes increasing by 36,2% in nominal terms, that is, by 1,1% from the GDP. Concerning the taxes on profit and income, the results were above expectations, as a result of introducing the unique quota of 16%. Thus, ALTHOUGH the cash-ins from income taxes were by 61,4 million lei higher than those of the year before, their percent in the GDP decreased by 0,4%. In the case of the income tax, collected sums dropped by 5,3% in comparison to 2004, the GDP being diminished by 0,6%. Budget expenditures increased by 16,3% but their quota within the GDP dropped by 0,4%.

Much to the astonishment of the unknowing, the year 2006 ended with a deficit of 1,68% from the GDP, although in November 2006, the budget still had a surplus of 1,23%. Expenditures increased by 25,3%, while their quota within the GDP increased from 31,3% to 33,5%, while the income increased by only 22%, representing 31,82% from the GDP. An explanation given by the Ministry of Public Finances was that investment projects already under way had increased expenditures as a result, a large part of the payments generated by public acquisitions being concentrated on the end of the year 2006. Moreover, a perturbing factor for public finances was given by the unfavourable impact of the strong flooding of the year 2006, which slowed down the execution time of infrastructure works and generated additional costs for the state budget.

For the year 2007, it is estimated that the budget deficit will increase, given the additional costs generated by the implementation of the acquis communautaire, especially in fields like: agriculture, protection of the environment, transport, energy, respectively by the institutional compatibility, the remission of Romania’s contribution to the budget of the EU and ECB (2,9 billion Euro), the co-financing of investment projects, the modernisation of infrastructures and public services. All these represent higher pressure on the state budget and hence reasons of higher budget deficits. Another factor about which we think that it will affect the budget deficit is the decision of the Ministry of Public Finances to change the tax of micro enterprises to 3% on the turnover, to 16% on income, which, by the calculations of the Ministry, will mean a loss of 30 million Euro. Pressure will be also made from the part of the public pension system. And if up to now, a part of the budget deficit has been financed of income resulted from privatisation, in the future, this will disappear as a source of financing, the volume of income from this direction becoming smaller and smaller. The forecast for 2007 shows that by the end of this year, the budget deficit will be, in the optimists’ view, of 1,5% from the GDP.

1.1.2. Public Debt

It is one of the fields where Romania’s performances are superior to all other states which have joined the EU, in what this criteria is concerned, Romania being much below the 60% from the GDP, imposed by the Maastricht convergence criteria.

Table 3: Romania’s public debt (% from the GDP)

Years	2000	2001	2002	2003	2004	2005	2006
Public debt	23,9	23,1	22,7	23,7	21,5	15,2	14,7

Source: www.bnr.ro

Given the low level of public debt from the GDP, there is a manoeuvring margin Romania can benefit from in order to modernise the economy, having the possibility of resorting to contracting foreign credits (taking into consideration the betterment of country rating as well) in order to achieve this objective. The question is which should be the sustainable public debt for Romania, which is the threshold until which the amount of public debt from the GDP does not affect the public deficit and the inflation rate, respectively what level of the public debt service can Romania sustain under non-inflationary circumstances.

Public debt management has focused so far on solving the problem of the hard foreign currency and gold reserves of the National Bank of Romania. This orientation is favourable to solving the problems emerging on short term, respectively to assimilating asymmetric shocks of conjunctural nature. The absence of correlation in the public debt strategy of all directions the determining factors of public debt evolves on, makes that sustainability remain a challenge the support of which identifies with the sustainability and restructuring of the economy, not being able to remain an exclusive problem of the National Bank of Romania. It is necessary to find a compromise between financing the debt service on a lower cost and accepting a reasonable risk on medium and long term. The increase of issued bonds maturity in order to refinance public debt is a priority for the Romanian state.

One can notice that Romania comfortably meets with the tax criteria, while countries like Greece, Portugal, Italy (according to Eurostat) face difficulties in fulfilling the criteria of public debt. From this moment, it is important to maintain these indicators at least on the actual level, given the fact that the quasi-tax deficits and large public expenditures can be strongly destabilizing factors in what tax criteria are concerned.

1.2 The inflation rate criterion

"In the last decade, the problem world economy has been confronted with was a general increase of prices, a reason due to which inflation is not being taken into consideration by authorities, be it about the monetary ones or the political ones, it is good news." (Debelle, 1998, page 25)

The persisting high level of inflation has been a plague for Romanian transition. Romania recorded lower performances in its battle against inflation than the other countries of Eastern and Central Europe. The politics of de-inflation decided upon was adopted only in 2000, ever since it recorded a continuous favourable evolution, up to the present moment, while a consolidation of the favourable position is being expected, once the regime of inflation-targeting is enforced.

The inflation rate calculated as yearly average, a rate which is being considered by the European Commission, reached in 2005, for the first time during the transition period, to a level which could be expressed by a single digit (9%). Although the evolution of inflation is remarkable, the results situate Romania much outside the optimal level foreseen by the Maastricht convergence criteria, being surpassed by countries like Slovakia, Slovenia and Hungary, who recorded inflation rates twice or even three times lower. Inflation remains the major critical point of the Romanian economy, the fact that this criteria has not been fulfilled indicating the lack of sustainability of the macro stabilisation process of the Romanian economy.

Table 4: The rate of inflation in Romania (%)

Years	2000	2001	2002	2003	2004	2005	2006
Target	27	25	22	14	9	7,5 ± 1 pp	5 ± 1 pp
Inflation rate	40,7	30,3	17,8	14,1	9,3	8,6	4,87
Average annual inflation rate	45,7	34,5	22,5	15,3	11,9	9	6,6

Source: www.mfinante.ro, Convergence programme 2006 - 2009

In 2005, the National Bank of Romania adopted the strategy of direct inflation targeting. Although in 2004, it has been managed to reduce the inflation rate to a one-digit-level, in 2005, the speed of the de-inflationist process diminished, the inflation target recording an surplus of 0,1 %.

To the causes which lead to this criterion not to be fulfilled, we can enumerate:

- the sustained pressure on the exchange rate appreciation, which determined the reduction of the efforts to sterilise excess market liquidities by the National Bank of Romania, the reduction of the interest rate the National Bank of Romania accepts deposits from banks for, the halting of a strong appreciation of the exchange rate;
- The increase of administered prices;
- The increase of volatile prices of some foodstuff products;
- The increase of the internal demand, as a result of a strong increase of private consumption;
- The decrease of direct taxes by the introduction of the unique tax rate;
- The increase of wages and rapid credit expansion;
- The increase of agricultural products as a result of floods;
- The manifestation of the Balassa -Samuelson effect, which explains between 1,4 and 3,8 percentage points of the inflation differential between Romania and the Euro-zone. Analyses show that this in comparison to the countries from the first „joining-wave” high values due to the much more intense rhythm of the convergence process of the Romanian economy given the fact that conditions there less favourable.

The year 2006 marked a strong reduction of the inflation rate, this process being sustained by the fall of volatile prices. The third trimester of the year 2006 has been the first one since inflation targeting was adopted, when volatile prices were situated below the average level, to this contributing, against expectancies, the fall of the price of vegetal products, due to a good year for agriculture. Moreover, if in 2005 prices were affected by soaring oil prices, in 2006, these were favoured by falling oil quotations on the international market. Likewise, to the acceleration of de-inflation contributed a lot the reducing of administered prices, which recorded a much slower reduction of the yearly variation, the tariffs for

Romtelecom subscriptions partly voiding positive influences induced by the tariffication in the fields of energy, road and rail transport, water, canalisation and sanitation.

The de-inflationist process has been perceived as a beneficial one, of economic stabilisation, which supported economic growth during the last years. Yet, it is to be expected that with the fall of inflation below 10%, the rhythm of economic growth will be slowed down, real criteria being more difficult to meet than nominal ones.

During the period between 2007 – 2010, the disinflations process will continue, so that on the eve of the year 2010, it should be possible to attain a level of inflation comparable to that of the European Union, the targets being the diminishment of inflationist expectations, the more moderate growth of regulated prices, respectively the continuous appreciation of the leu in comparison to the Euro in real terms and the adoption by the government of a careful wage policy.

1.3 The criterion of the interest rate

It is one of the criteria Romania does not fulfil, this fact being normal, since the criterion of inflation is not met. The instruments of long-term debt are not unknown to the Romanian market, but they are poorly developed. Moreover, banks offer to those who are interested only interest rates valid for one year at most. If we also consider the fact that the first issuing of 10-year-maturity-bonds, meant for the internal market, took place in April 2005, it is normal and logical that we be in deficit in what this criterion is concerned. Thus, if on external level, the issuing of 10-year-maturity-bonds was possible in 2002, on internal level, as a result of the high inflation rate, until April 2005, only the issuing of state bonds with a maturity of 5 years at most was allowed. We consider that with the diminishment of the inflation, that is, the continuing of the de-inflation, investors will become more confident and they will be able to see that the inflation is kept at bay, the state will issue 10-year-maturity-bonds, if not even bonds with higher maturity.

1.4. The exchange rate criterion

The insurance of an exchange rate stability is a criterion whose fulfilment depends again, directly, on the fulfilment of the inflation criterion. A more stable exchange rate is not only the result of the fall of inflation, but can be, on its turn, a factor for the inflation being reduced, by a lower nominal depreciation, respectively, by a higher real appreciation. Thus, the real term appreciation of the exchange rate favours the de-inflationist process, although it affects the competitiveness of Romanian exports.

In order to fulfil this criterion, the national currency of the state which is to adopt the Single European Currency must find itself in a narrow fluctuation range of ± 2,25% and a larger fluctuation range of ± 15%, two years before entering the ERM II. In practice, the European Commission and the European Central Bank can tolerate a range of– 2,25% / + 15%, the narrow range not being fulfilled, but only in the direction of currency appreciation.

Even if on the level of the year 2006, Romania’s external financial position was solid, the country rating went up, the level of public debt has been reduced (15%), there were no difficulties in financing the public debt service, and the level of hard currency reserves covered the necessary of imports for a period of 6,6 months, the current account deficit sustainability risk made its presence felt. If in the period between 2001 – 2005 this deficit was covered by Romania to a degree of 75%, based upon direct foreign investments, in the year 2006, a decrease could be noticed, and for the year 2007 it is estimated that cash-ins from this direction will be reduced by up to 40%. This is due to the drawing near of the moment when privatisation will end. From September 2006, the Romanian National Bank does no longer intervene on the exchange rate market, this functions normally, without restrictions, which confers an accentuated flexibility to the exchange rate. We consider that this exchange rate flexibility will allow the National Bank of Romania to ensure the stability of internal prices, by an increase of monetary policy efficiency.

The exchange rate policy promoted by the National Bank of Romania must not disrupt the Balassa – Samuelson effect, but it must allow a real term appreciation of the national currency. Due to the superior increase of work productivity in the field of tradable goods, the appreciation of the national currency will be sustained without losing competitiveness on the external level.

As a conclusion, from the 5 nominal convergence criteria a state must fulfil in order to adopt the Euro, Romania presently fulfils two, but we consider that, in time, the country will be able, obviously as a result of a sustained effort, to fulfil the other three criteria in deficit as well.

2. The level of fulfilment of real convergence criteria

The real convergence criteria are not the object of the Maastricht Treaty, given the fact that initially, only developed countries with similar, comparable economic structures joined the EU. But the very moment the problem that Eastern and Central European countries join the EU came up, the problem of real convergence became of the utmost importance. These real convergence criteria lead to the ensuring of a high degree of similitude in the structure of the economies of countries willing to join the European Union with the structure of the economies of countries already members of this union.

Real convergence criteria refer to:
- The degree of economy openness, expressed by the importance of the total of imports and exports a country has in the GDP;
- The importance of the bilateral trade with EU member countries from the total foreign trade of the respective country;
- The structure of the economy expressed by the importance by which every important sector (industry, agriculture, services) takes part in the formation of the GDP;
- The level of the GDP per capita, expressed by the nominal course or by the parity of the purchasing power.

Real convergence is as important as nominal convergence, because „states from a group can mutually win from having the same currency only when their economic structures are similar and when there is no risk that asymmetrical shocks strike only some of these countries" (Isărecu, 2004, page 3 and the following ones)

2.1 The degree of economy openness

The degree of openness of the Romanian economy is recording a positive evolution, being on the rise, as one can notice in table 5 -

Table 5: The degree of Romanian economy openness - GDE(%)

Years	2000	2001	2002	2003	2004	2005	2006
GDE	70,7	74,5	76,4	76,9	80,9	76,6	76,7

Source: www.insse.ro

Despite these facts, it is much below the openness of the Czech Republic, of Slovakia or Hungary, being nevertheless superior to that of Poland. Romania's increase in matter of exports was to 75% due to the increase of exports to the European Union. The decisive factor in the increase of total exports and of those towards the European Union was represented by Romania's comparative advantage in what the reduced cost of manpower, which attracted a part of the external subcontracts, being in an accelerated expansion on global scale during the last years. In what follows, there is the problem of finding a modality of stimulating exports which is believed that it must be of microeconomic nature, so that it should stimulate exporters in finding new markets and sales opportunities of their products under optimal conditions.

In the export evolution, it has been remarked that there has been a more accelerated growth in the export of products coming from medium and high technology industries, having a higher complexity and thus a higher added value, respectively, the serious diminishment of the export of products with a low level of processing. This tendency emphasizes the rise of adaptation degree of Romanian export products to the demands of sales markets.

The import dynamics on the main economic destinations shows the fact that the imports for industry supply, although being predominant in the total number of imports, have a falling tendency on the component of intermediate products, as well as imports on consumer goods, while the imports of capital goods tend to increase in what total imports are concerned.

These results are encouraging and we believe that they will lead to the increase of the openness degree of the Romanian economy.

2.2. The importance of the trade with EU member states

It is considered that, „in the years to come, the importance of the exports and imports will be on the rise in what the GDP is concerned, and Romania's economy will be similar to that of EU countries" (Isărescu, 2004, page 11 and the following ones). During the last three years, from the point of view of the importance of the trade with EU member states, in what Romania's total foreign trade is concerned, Romania directed 68% of exports to the EU and imported to 58% from the EU. In 2006, the export to EU countries represented 67,7% of the total exports value, the main target countries being Italy (17,9%), Germany (15,7%), France (7,5%), Hungary (4,9%), while the import from EU countries represented 62,2% of the total imports value, the main countries Romania imported from being Germany (15,2%), Italy (14,6%), France (6,5%), Austria (3,8%), Hungary (3,3%). The evolution of the importance of exports and imports to and from the European

Union is on the rise, a fact that can be realised from the data furnished by the National Bank of Romania (table 6).

Table 6: The importance of the trade with the EU in what the total foreign trade of Romania is concerned (%)

Years	2001	2002	2003	2004	2005	2006
Exports	67,8	67,2	67,7	67,8	67,6	67,7
Imports	57,4	58,4	57,7	57,9	62,2	62,6

Source: www.bnr.ro

Although recording a more accelerated growth with regard to exports, lately, the orientation is towards investment goods and high-technology products, diminishing the importance of imported consumer goods, this tendency being also noticed in the structure of exported products.

2.3 The sectoral structure of the GDP

Unfortunately, in the case of this criterion, in Romania, the importance of agriculture is too high in the sectoral structure of the GDP, similar to Bulgaria, although it recorded a decrease during the last two years. We know that in the EU, services development represent the highest priority, so that services be the ones to hold the decisive importance in GDP structure. In Romania, for the time being, this sector recorded 55% at most from the sectoral structure of the GDP, a fact which can be noticed in the following table:

Table 7: The sectoral structure of the GDP(%)

Years	2000	2001	2002	2003	2004	2005	2006
Industry	27,5	28,2	29,1	27,3	27	24,1	23,9
Agriculture	11,3	13,3	11,7	11,7	13	8,5	8,1
Building industry	4,5	4,9	5	6	6,1	6,3	7
Services	51,5	53,6	54,2	55	53,9	49,1	49,6

Source: BNR, INSSE

From the analyses conducted by the National Bank of Romania, it resulted that there is a weak development of services for firms, of public services, respectively of those in the field of tourism, respectively a development of those connected to trade transports and telecommunications. At this criterion, Romania has the lowest level of structural convergence, 50,8%, under the circumstances of the average in EU countries being around 75%.

This sectoral structure of the GDP is also confirmed by the sectoral structure of active population. The recorded tendency of labour force occupation in transition countries was that of reducing the population working in the sectors of industry and agriculture in favour of the population working in the services sector. In Romania, the following facts were noticed:

- The great, but slowly falling importance of the population occupied in agriculture, the average being somewhere around 40% of the population, compared to the average level of 3,95%, recorded in the European Union;

- The diminishing of the population occupied in the sector of industry, 25%, while the EU average is 18%, with a tendency rather towards agriculture than services;
- The slow increase of the importance of the population occupied in the services sector, 35% compared to an average of 70,2% in the European Union.

One can notice that the allotting of work resources is still being directed towards activity sectors with lower efficiency (agriculture and industry).

2.4 GDP level per capita

It is considered that this criterion is the most synthetic criterion of real convergence. The GDP level per capita increased from 1795 Euro in 2000 to 4508 Euro in 2006, yet being much under the GDP value of EU member states. On the level of the year 2005, compared to EU states – 15 GDP per capita, in terms of standard purchasing power, this was of 7700 Euro PPS representing 31,5% of the Eu average -15, compared to 22,7% in 2000 when it reached 5000 Euro PPS.

Table 8: GDP / capita

	EUR (thousands)						
Years	2000	2001	2002	2003	2004	2005	2006
EU-15	23,1	23,8	24,5	25,1	25,8	26,5	27,6
RO	1,795	1,935	2,224	2,521	2,805	3,668	4,508
% in UE-15	7,8	8,4	9,1	10	10,9	13,8	16,3
	PPS (thousands)						
Years	2000	2001	2002	2003	2004	2005	2006
EU-15	22	22,8	24,7	24,1	24,7	25,4	26,5
RO	5	5,5	6,1	6,7	7,4	8	8,8
% in UE-15	22,7	24,1	26	27,8	30	31,5	33,2

Source: Eurostat, INSSE, BNR

The main growth factor of the GDP per capita was the increase of the internal demand in a an average yearly rhythm of 8,2%. The increase of demand by the end of the year 2004 was due especially to reductions of the income tax and on the profit of enterprises, as a result of the introduction of the unique quota of 16%.

In 2006, according to the EUROSTAT database, the GDP/capita, at the parity of the standard purchasing power compared to the EU average -25 was situated at 34%, lower than that of the Czech Republic (75%), Poland (51%), Hungary (63%), Slovenia (83%), but higher than that of Bulgaria (33%), whereas, compared to the EU – 15, it can be noticed from table 8 that is was at 33,2 %.

As a conclusion, we may say that the fulfilment of this real convergence criteria represents a real challenge for Romania. For the period between 2006 – 2010, a GDP increase per capita in an average rhythm of 6% per annum is foreseen, due to the increase of the volume of activities, especially in the building industry and in the services sector.

3. The post-joining strategy for the period 2007 - 2014

For the next horizon of time, 2007 – 2014, Romania's strategic objective is the convergence with EU member states. In this context, the National Development Plan 2007 – 2014 represents an instrument of accelerating the economic and social convergence process. Its purpose is the diminishing, as soon as possible, of the disparities between Romania's economic and social development and those of EU member states.

The general model of economic development is in a continuous change, by the promoting of economic sectors with high added value and the increase of the importance of sectors based on knowledge. We may say that the economy of the future is that based on knowledge, on the development of sectors involving high technology.

It has been noticed that the intervention of the state by sustaining certain uncompetitive economic sectors or by protectionist social measures do not contribute to the achievement and insurance of durability and that they are vulnerable in face of challenges generated by the globalisation process.

Romania intends to associate with EU member states which promote the implementation of concrete projects in the following sectors: energy, research, cooperation in the field of higher education, migration, intervention in the case of natural disasters, border police a.s.o.

Romania also intends to realise a clear, personalised country profile, which follows two principles: national cultural identity and the promotion of specific economic products which should be attractive for the European market. At the basis of defining the country profile will be the identification of Romania's competitive advantages and the building-up of a positive image founded on national specificities.

In the strategy it has adopted on the way of adopting the Single European Currency, Romania continues the reforms in the legal system, in that of public administration, continues to fight against corruption and especially tries to achieve a competitiveness increase on macroeconomic level by granting special importance to the tax and budget policies, respectively to agriculture and rural development, and on microeconomic level, by sustaining small and middle-sized enterprises, especially the innovative ones.

4. Conclusions

Given the fact that the discrepancies recorded by Romania in what the fulfilment of convergence criteria is concerned, be they real or nominal, are very serious, we consider that Romania must not force the joining of the Euro-zone. Even if nominal convergence criteria could be fulfilled within a shorter period of time, the sustainability of the nominal convergence is given by the achievement of real convergence. Adopting some monetary restrictions in order to force, within a short period of time, the achievement of nominal convergence may have a negative impact upon maintaining an accelerated pace of economic growth, which could generate a delay in fulfilling real convergence criteria. Hastening the process of adoption of the Single European Currency must be based upon the intensifying of the efforts to achieve the two types of convergence.

The switch to the Euro must be undertaken carefully, because the forced achievement of convergence criteria could generate substantial costs in real economy, and the impact of these will not be a favourable one for economic growth which is in fact being targeted by any state, member or not of the European Union.

Once Romania adopts the Euro, any destabilisation of the Romanian economy will have effect upon the stability of the currency used by all member states of the European Monetary Union. The achievement of the convergence of the Single European Currency depends on the constant, permanent progress of structural reforms, on fiscal consolidation, on adopting a healthy wage policy, finally of establishing some clear, precise and first and foremost realistic objectives, to sustain the accelerated development of the Romanian economy, even after the adoption of the Euro will have been achieved.

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