ECONOMIC AND MONETARY UNION: EVOLUTIONS AND PERSPECTIVES

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Abstract: No matter the number of actual and future members, the final objective of the economic and monetary union is represented through a superior level of integration, but also by the superior economic performances. The integration cannot be automatic and cannot take place without a strategy that should take into account the precarious asymmetries and balances. The openness towards a worldwide economic space (…) does not provide the economic development, ipso facto. Integration cannot be substituted with a strategy of economic development. The process of integration aims at the acceleration of the economic development and the achievement of some superior indicators for global prosperity and security of the Member States. At the same time the economic integration through the compromises and the risks involves, forces the national states to improve the economic policies and to realize some important transformations in their structures.

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1. Introduction

In the view of the Treaty of Rome, the Economic and Monetary Union implies besides the unification of the general economic and social policies of the Member States *a total mutual and irreversible convertibility of the Member States currencies and then putting into circulation a single currency.* An important step was made for the coordination of the monetary cooperation, by putting into practice the proposals which the European institutions have formulated in the Memorandum, also known under the name of *The Barre Plan (1969)*, which was the starting point for the Monetary Union and its objective was to be accomplished in the eighth decade of the XXth century after the accomplishment of a progressive transfer of the main economic policies from a national level to a communitarian level.

As a successor of the monetary snake, EMS came into force on 13 March 1979, *having as a declared objective the formation of a monetary stability zone in the Western Europe.* The achievements of EMS in the field of the economic development and the accomplishment of the monetary policy created the necessary conditions for the debates regarding the formation of the Monetary Union with a single European currency [2].The summit of the European Economic Community which took place on 10 December 1991 in Maastricht (The Netherlands) decided the most important reform from the history of the 35 years of existence of the Common Market. In this summit, the heads of state and government of the Member States from the ECC have agreed upon the treaty project referring to the Economic and Monetary Union and the introduction of the single Euro currency, this *process was accomplished in 2002 by putting the new currency into circulation.*

In defining the common monetary strategy, *the Werner Plan (1971)* also catches the attention because it stipulated the achievement of an Economic and Monetary Union in ten years' time and two stages. The continuous deterioration of the economic and social situation of the EU countries, the monetary fluctuations from the exchange markets have diminished for a while the interest in creating a Monetary Union [3].

From the date of accession, *Romania is part of the Economic and Monetary Union*, but it did not adopt the Euro currency. According to the Romanian convergence programme for 2007, Romania will not enter the European Exchange Rate Mechanism, earlier than 2012 ERM-2 precursory to the adoption of the Euro. The deadline of the commitment for the adoption of the Euro currency is the year 2014. This time interval is necessary to allow Romania to apply these measures and reforms which should provide the capacity of the economy to support the Euro currency. In this context we consider this research theme to be important because in the process of accomplishing the real and nominal convergence for the accession to the Monetary Union, Romania, as each European state has to go through three stages: the first stage, is the accession to the EU and passing the law of the free movement, in the second stage some efforts have to be made in order to realize the convergence and the third in which the convergence is accomplished, so that the identification of the risky and favourable elements for Romania should be very positive[1].

2. Materials and methods

The research-investigation of domain will be realized on multiple plans, putting in one the local and national researches for providing an viable element of comparison. Main aspects taken into account are the following: - a critical study and analysis of the field at national and international level; thorough research of the influence factors in order to valuate the connection between the economic and financial processes at the European level and the structural and political changes Romania's convergence potential; theoretical concepts' and notions' clarification to be used three-dimensionally – economically, financial and social

3. Results and discussions

Explaining the fact that EMU represents "the climax of the process started through the formation of the Common Market", Romano Prodi also asserts that "EMU is also a challenge in a broader sense of the worldwide economy". On an international level the European economic and monetary future is the subject of many contradictions of ideas which stand out through the importance of those from the Convention on the Future of Europe and the Intergovernmental Convention 2003-2004. The preparation programs for the accession, although well conceived and accomplished, could not diminish the shock especially in the first part of the presence in the Union, because of the sudden growth of the competitive level, which made difficult the situation of the economic operators because they were not sufficiently prepared or informed regarding the new market conditions. There are different studies, at an international level [4] which discuss the advantages and disadvantages of being part of the Economic and Monetary Union starting from the ascending and descending trends, which are not regular and are associated with the incapacity to provide a single macroeconomic policy –the monetary policy – and the macroeconomic balance.

The European Union, which has enlarged to 27 members, increases the challenges and difficulties with which ECB is confronted with, in managing *the monetary policy.* In such a vast group, the possibility of what the specialists call asymmetric shocks will significantly grow [10]. Therefore some countries will register a boom and an inflationist pressure, while others will be confronted with deflationist forces. This possibility leads to the question, whether the enlargement of the Economic and Monetary Union leads to the accomplishment of an optimum monetary zone. In this context some authors sustain that there will some disturbing factors in the national economies [9], with a high risk of destabilization, the focus being on the necessity to create and use some national measures specific main components of the macroeconomic policy, their role being "to absorb the shocks" so that they should diminish as much as possible the effects of the disturbing factors.

On an international level, the role of the Economic and Monetary Union and the effects of introducing the single European market are monitored by the Central European Bank through the annual reports – as for example *Review of the International Role of the EURO-* but also through many studies and presentations of the economists of this institution. This body focuses the direction of the general economic effects generated by the Economic and Monetary Union through the coordination at the level of the monetary policy and through the policy of maintaining the stability of the price index, as a central objective. Among the objectives, there are also: the stability of the prices, continuing the process of integrating the financial markets, the efficiency and the stability of the decisive process, the consistency of the economic policies, the growth of the productivity and the structural reforms.

The economic integration is an original organization formula of the external relations which has as a main objective the improvement of the efficiency and the dynamism of the economies of the Member States [8].

A highly debated aspect both in the reference literature and in the international economic practice is the one related to the *international role of the Euro*. This aspect is debated theoretically from the perspective of many categories of factors which are essential for the international literature because of the foreign currency value of a currency. From the analysis of these factors, as well as from the international use of the EURO, it results that the EURO has become an international currency right from the moment when it was introduced. [5]. Layna Mosley notices the appearance of a new category of risks: while the Euro zone becomes more and more a common market, the benefits from the investments in many countries from the Euro zone are decreasing. (In other words there is no sense any more in investing in many countries from this zone). That is why, in order to counterbalance the risk, the professional investors tend to seek for investment opportunities outside Europe. Creating the EMU has also generated some changes which could affect the relationships between the governments and the financial markets, among these being also the decline of the investments of the residents, the elimination of the monetary risk from Europe and the preponderance of the credit risk [6].

Some important elements from the analysis of the effects of EMU are already emerging, for example that:

euro area trade integration has augmented without trade diversion (i.e., no "fortress Europe");

EMU has significantly accelerated the process of European financial integration;

if we look at pre-EMU and EMU data, euro area countries, as a group, have undertaken more structural reforms than they are normally given credit for. At the same time such reforms take time to display their positive effects, and a lot has still to be done;

however, since the start of EMU larger euro area countries have thus far been slower than others in securing structural reforms: this is restricting their adjustment mechanisms, hindering their ability to cope with economic developments, and is also reducing the net benefits from EMU for all – more interlinked – euro area countries.

larger euro area countries have benefited proportionately more from some elements of financial integration but have been slower in conducting the needed structural reforms;

business cycle synchronisation among euro area countries remains high and there is no evidence that euro area countries are becoming more specialised and less synchronised. Inflation differentials are also limited, but show more persistence;

signs of increased divergence in growth rates that have emerged so far are limited, and the dispersion of real GDP growth rates in the euro area has remained very close to its historical average; and

risk sharing has augmented as well: this signals both a higher degree of overall financial integration but also attests the deepening of overall economic integration [5].

It is important to underline the fact that although the newly integrated countries do not have to accede to the EMU goals, they are not forced to fulfil the Maastricht criteria when they accede. The Maastricht criteria do not have to be considered as short-term objectives, but rather as medium or long-term objectives. What is more important is to provide the optimum mix of macroeconomic policies and to take the decisions respecting the large preparation frame for the EU accession, fact which implies progress in the macroeconomic restructuring and the taking-over of the acquis [5].

The history of the European integration shows that there are not special types for the membership to EMU with specific macroeconomic objectives and instruments. That is why it is inevitable that the current organization and procedure should be defined in the same way as in the Maastricht Treaty, while the content has to be explained [4]. But the integral membership of the new Member States to the EMU is less possible to happen for a certain period of time. The Maastricht criteria related to the exchange rates require that a country should be on the normal level of the exchange rate mechanism for two years, without any tensions or depreciations [5].

4. Conclusions

For our country the problem of eliminating the possible risks has to be dealt from two points of view: the first is related to the necessary evolution of the national economy in the direction of fulfilling the criteria of participation in the EMU; the second one is related to the imperative that Romania should not become, because of its internal problems, a disturbing factor at the level of the Economic and Monetary Union. The problems identified at the level of the European Union are related to the fact that a good part from the acquis communitaire is not focused on the interests of the less developed countries; the Monetary Union functions und the imperative of the efforts for stability and convergence and under the difficulty of applying a monetary policy in the specific frame of macroeconomic policies. We are presently in the stage of integration in the European Union, after nine years of functioning of the Monetary Union. In spite of all these, EMU is not finalized yet, and its implications will continue to act many years from now, as this stage is growing up.

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