

## NEW AND FUTURE MEMBER STATES: ROMANIA'S ROLE IN THE EU-27\*

**Mugur Isărescu**

I am glad to be here with you, at the European Institute of Romania, a forum which I am related to both due to my first profession, the academic one, and to the fact that, to a certain extent, I have contributed to the setting up of this Institute in the spring of 2000, when I was Prime-Minister.

I welcome the initiative of the Institute to organize a debate about the role of Romania in the EU-27. I consider this debate topical and timely.

Of course, there is room for other opinions. After the votes of the French and Dutch against the Project of European Constitution, to which can be added the initiative of the Italian labour minister, who wants a referendum on the single currency, it was natural to have voices questioning the very reality of enlargement. Related to this, is it possible to have to answer to an even more serious question: can we still hope, under the new circumstances, to have a united Europe with 27 countries?

The question is not meaningless. Undoubtedly, the European Union is going through difficult times. There could emerge even stagnation periods. They would not be the first ones, or the last ones. A thorough analysis shows us that the political, social and economic interests that converge towards continuing the enlargement, towards strengthening the European Union, actually, are more powerful and better argued reasons than the ones which, sprung

from certain fears related more to the past than to the future, want more stagnation or even steps backwards.

The logic of history urges me to believe that the enlargement process, pondered over thoroughly, will no longer be stopped. Therefore, talking today about Romania's role in a EU with 27 countries cannot be an action against history's mainstream. On the contrary, I consider this action natural and necessary.

In a multipolar world, characterized by an increasing competition among the big blocks of countries, Europe is condemned to a continuation of the deepening of integration, unless it wants to turn itself into a museum of civilization, good only for future entertainment of American, Japanese, Chinese and, why not, Indian tourists.

In this context, it is useful to remind ourselves constantly of the trade-off the Union was based on from the very beginning: less sovereignty in exchange for more power and more competition, conferred by the membership of an influential political-economic block. Due to the fact that it has become increasingly obvious the fact that none of the European states, individually, is capable any longer to project its force and promote its interests in a satisfactory way for the globalized world, increasingly competitive, which we entered. It is useful to remember right now this originary trade-off, especially in the

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context defined by the French and Dutch negative vote.

On the other hand, it is obvious that the other aspect, the one of the Union's enlargement will take place under certain constraints and new complications, with obvious implications for the accession of our country, too. Besides the strict observation of the European treaties, which contribute to the long-term construction of the European project, Romania will have to assert its potential in front of the other partner countries, which constitutes an asset for the Union, not a liability, as many might think.

When I say asset, I refer, first of all, to a big market, the second largest in Central Europe.

Secondly, I think of the fact that our economy still has significant resources for increasing the productivity, made possible by the current combination of scarce capital and abundant labour force.

Thirdly, I consider an asset also the potential of inventivity and acceptance of change, that the Romanian people have proven throughout its history.

We have already concluded Romania's accession negotiations to the European Union. It was a difficult exam. We were convinced that we would succeed, with all the shortcomings and difficulties encountered. Actually, the officials of the European Union themselves expressed their confidence in the capacity of our country to finally comply with the conditions to join in 2007. The responsibility is on our shoulders now. If Romania keeps on complying with the key objectives it has set for itself, related to the nominal and real convergence, we will be able to say that we took a great step forward towards the European integration.

Under the circumstances in which Romania will gain greater credibility, will convince the European authorities of having adopted better measures, will prove reliability in fulfilling them as such and that, at the same time, will act concretely towards improving the business environment, our country will smoothen itself the way towards the European Union.

At the emotional level, undoubtedly, the recent debates within the European Union, especially the deepening of the fears related to enlargement, have complicated things with a less predictable element. The requirements will be greater, the conditions tougher and the reluctance more outspoken.

However, neither the toughening of the accession conditions nor the stronger pessimism in the enlarged Union, is news. We are already used to our European dream passing extremely difficult and tough exams. Immediately after Maastricht, we discovered that the rules of the European Union have been considerably tightened. The membership continued to entail a lot of privileges, but a lot of obligations were also included. Even countries with powerful economies, members of the European Union, face difficulties in integrating into the monetary and fiscal mechanism and see themselves threatened with not being able to fulfill the criteria regarding the public deficit. Therefore, we have to understand that the European Union does not lay in front of us a rose petal carpet. The road is bumpy, but we are left with no other option for sustainable development. Anyway, the accession process has become the very catalyst of Romania's modernizing process.

From the very end of 1999, Romania's invitation to start the accession negotiations has given a fresh impetus to the transformation and modernization of the

entire Romanian society, through the gradual, but unfailing takeover of Community's policies, policies that are accepted by consensus by all democratic forces in Romania.

Starting 1999 to this day, continuously, our development programs have been decisively focused on making the best out of the opportunity of European integration. This way, we have secured the purpose and the means, highly uncertain until that moment, in our reform efforts.

Obviously, it was not easy at all for our society and it is not easy now to defeat its reflexes, habits, conservatism. However, we can no longer delay the measures agreed on to change ourselves, to change the country, to change our way of living.

I was Prime Minister in early 2000, immediately after Romania's invitation to open the accession negotiations. I perceived, at that time, a continuous increase in the interest of the European Union for our country. The President of the European Commission, Romano Prodi and the Enlargement Commissioner, Günter Verheugen, came to Bucharest. We set then the first details to prepare the negotiations.

The first important exam the government I headed had to pass, was the elaboration of the medium term Development Strategy. As Prime Minister, I headed, with the academician Tudorel Postolache, the validation commission, which had the mission of making a unifying work. Actually, there was accomplished an excellent synthesis of several thousand pages of political parties', labour unions', employers', universities', research institutes' strategies. Then, we gathered around us 1500 experts of the Governments, of the parties, of the labour unions and

employers, of the Romanian Academy, most of them representing the civil society, in a wide debate which lasted for a few months, related to an open project: preparing the country for the European integration. This project finally received the blessing of the religions of Romania, which signed a declaration of support.

For many points of view or positions, it was impossible to find a common denominator. It was natural. Under these circumstances, the debates of the validation Commission have had an essential importance because they helped to express and clarify positions, shedding light onto the landscape of the entire Romanian society.

The strategy, as it was outlined, with the participation of social partners and political parties, have offered a long-term guarantee, without possibilities of comeback, of the placing of our country on the track of reforms and European integration, regardless of the electoral calendar. A guarantee that was strengthened, at that time, by the political declaration signed by the presidents of all the parties represented in the Parliament.

During those few months, at the beginning of 2000, when I worked for the elaboration of the Strategy, I understood how difficult it is, in our society to search and find consensus points, to negotiate with groups dominated by the most diverse interests. Especially in an electoral year, when short terms objectives prevail. And the Strategy involved medium and long-term objectives. Nevertheless, it was worth the effort. To those skeptics, the ones who saw the Development Strategy as nothing more than fulfilling a formality required by the European Union, with objectives that will never be accomplished, I will say today, after five years, having on my side the

harshes judge, which is time, that they were wrong. What I predicted then has come true: both inflation of less than 10% and the economic growth of over 5% and the fiscal and current account deficits fell within the limits required by the European Union.

The strategy we concluded, true orientation and guiding plan for many years, has constituted a common basis for a continuous line of the governance. Especially the objectives established then were enshrined in the agreements with the International Monetary Fund and the pre-accession programmes.

Actually, the strategy was drafted and launched during the Isărescu government, applied by the Năstase government and continued now by the Tăriceanu government. Its main idea, to which the major lines of developing the country in the upcoming years were circumscribed, was explicitly formulated: "Let's commit ourselves together!". Consequently, when the government I headed finished its tenure, the next government did not have to start from the scratch and elaborate a new strategy. Especially given the fact that the objectives we established back then together with all the political, social, economic, scientific forces were based on a financial and technical assistance compact programme, agreed upon with the European

Union, the World Bank and the International Monetary Fund.

Of course, both Năstase and Tăriceanu governments elaborated their own plans of action. But the Strategy of 2000 was and remained a Charter of Romania's accession into the EU.

I resorted to this example of the Medium-term Development Strategy for two reasons. First of all, because I consider it more and more obvious that what Romania needs now is a medium and long-term strategy in the field of taxes and public debt. Secondly, because there is the risk that, excited by past years' economic growth, we take things for granted. The economic requirements of the European Union are very high, and Romania has not always answered by performance. It is true, we have succeeded in reducing the public deficit, restraining the weight of the state sector in industry. These are accomplishments that add to continuous economic growth and cut of inflation. Nevertheless, we still have to pass even more difficult exams: increasing productivity and efficiency, reducing corruption and bureaucracy, contractual discipline, wage policy, improving the unitary labour costs etc. - in a nutshell a truly functional market economy in Romania.

*(translated into English by Ioana Mureșan, EIR)*