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## AGRICULTURE AND EU ENLARGEMENT

**Susan Senior Nello\***

***Abstract.** Agriculture poses considerable tensions for enlargement of the European Union, because of its continuing importance both in the economies of the applicant countries of Central and Eastern Europe, and in the EU budget and *acquis communautaire*. The preparation of agriculture in the candidate countries to join the EU is rendered more complex by the fact that the Community's Common Agricultural Policy is a moving target. The aim of this paper is to provide a survey of recent developments relating to food and agriculture in the EU and Central and East European candidate countries in order to indicate the main challenges and difficulties posed by enlargement. It seems likely that agricultural policy in an enlarged EU will attach increased priority to objectives such as food safety, rural development and the environment. However, these new priorities may be expensive to realise, and may impose a growing burden on the national budgets of EU member states.*

### 1. INTRODUCTION

Many of the toughest questions posed by enlargement relate to agriculture.<sup>1</sup> This is due to the continuing importance of agriculture both in the economies of the applicant countries and in the EU budget. At the same time food and agricultural measures account for roughly half the *acquis communautaire*,<sup>2</sup> so the applicant countries have the daunting task of adapting to EU policies and standards. Land and labour costs tend to be lower in the CEECs (Central and East European countries), so farmers in the EU(15)

have expressed concern about the increased competitive pressures in an enlarged EU, though the impact seems likely to be less than initially feared.

The preparation of their agriculture to join the EU is rendered more complex for the candidate countries by the fact that the CAP is a moving target. Substantial changes in the CAP were introduced by the MacSharry Reform of 1992 and the 1999 Berlin Agreement. The CAP is subject to a mid-term review in 2002, and the issue of reform will be back on the table when the financial perspective for the years after 2006

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<sup>1</sup> The discussion here is limited to the ten applicant countries of Central and Eastern Europe (see Table 1 for a list of these countries), and excludes Cyprus, Malta and Turkey. For an account of Cypriot agriculture and enlargement see Senior Nello (2000).

<sup>2</sup> The *acquis communautaire* is the body of EU legislation, practices, principles, and objectives which has to be accepted by the member states. It has been accumulating over the years and now amounts to some 12,000 legislative acts.

comes up for discussion. The question is further complicated because the issues of CAP reform, enlargement and GATT/WTO obligations are all interlinked.

Given the importance of agriculture for enlargement, the aim here is to provide a brief survey of the issues. Section 2 provides data illustrating the weight of agriculture in the CEEC economies, the CAP budget and the *acquis*. Section 3 deals with agricultural transition in the CEECs, before discussing the prospects for agricultural production and consumption in an enlarged EU in Section 4. Section 5 illustrates how the CAP is a moving target, while the problem of extending direct payments to the CEECs is discussed in Section 6. Section 7 deals with the application of quotas, set-aside and rural development policies in the CEECs. Section 8 indicates the budgetary implications of enlargement. Section 9 illustrates how the issues of CAP reform, enlargement and WTO negotiations are interconnected, before drawing conclusions about the outlook for the CAP in an enlarged EU in the final Section.

## **2. THE IMPORTANCE OF AGRICULTURE IN THE CEEC ECONOMIES, THE COMMUNITY BUDGET AND THE ACQUIS COMMUNAUTAIRE.**

As shown in Table 1, in 1999 the share of agriculture in GDP was 5.1% for the CEEC(10) compared with 2% for the EU.<sup>3</sup> The average share of agriculture in employment was 26.1% for the CEEC(10) and as high as 35.2% in Romania and 25.6% in Poland, but only 5.7% in the EU(15) in 1999. In Lithuania and Romania the share of the work force in agriculture has increased since 1989, as farming may act as a buffer providing an element of food security and additional income during the transition process.<sup>4</sup>

Though over the years the share of agriculture in EU spending has been reduced, the CAP continues to absorb just under half of the Community budget. In 2002 46% of the budget was earmarked for agriculture with a further 36% for the Structural Funds).

With accession the applicant countries will be obliged to take on the *acquis communautaire* relating to food and agriculture, including veterinary and phytosanitary rules. By 2000 the candidate countries had requested 170 derogations and temporary exceptions from the *acquis* on non-agricultural questions, but 340 relating to agriculture.<sup>5</sup> Particular difficulties arose

<sup>3</sup> Unless otherwise stated, the statistics in this paper are taken from Eurostat. The national statistical offices of the applicant countries are generally bringing their statistics in line with Eurostat practices, but the process is not always complete.

<sup>4</sup> The share of the work force in agriculture in 1989 was only 27.5% in Romania, and 17.6% in Lithuania. In the early years of transition the share of agriculture in employment also rose in Poland and Bulgaria, but it has subsequently fallen.

<sup>5</sup> The statistics in this paragraph are taken from *Agra Europe*, March 2001.



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relating to meat and milk production, and it was estimated that roughly 50% meat production in Poland, and 40% in Hungary failed to meet EU standards. The two countries have asked for derogations of three to five years before the *acquis* is fully adopted in these areas. In some cases the cost of the investments required to bring the processing industry in line with the *acquis* is

prohibitive, so it seems likely that many firms in the CEECs will close. As transport costs for agricultural products tend to be relatively high, this is likely to have implications for farmers upstream. FDI (Foreign Direct Investment) can play a crucial role in assisting adjustment to EU standards.<sup>6</sup>

**Table 1: Basic data on agriculture in the Applicant Countries**

	Land area (mio ha) 2001	Gross value added in ag. euro billion 2000	Agriculture as % GDP 2000	Ag. employment (1000)2000	Ag. % total employment 2000	Food expenditures % income 1999
Bulgaria	5.5	1.6	14.5	342b	11.3b	54a
Czech Rep.	4.3	1.9	3.9	193	7.4	32
Slovakia	2.4	0.8	4.5	119	6.7	32
Hungary	5.9	1.8	4.1	227	4.8	42a
Poland	18.4	5.0	3.3	2698	18.8	30
Romania	14.8	4.6	12.6	4861b	42.8b	58
Slovenia	0.5	0.6	3.2	81	9.9	24
Estonia	1.0	0.3	6.3	32	7.4	36
Latvia	2.5	0.3	4.5	118	13.5	39
Lithuania	3.5	0.8	7.5	262	19.6	40
CEEC(10)	58.8	17.8	5.1	8933	21.4	37
Cyprus	0.1c	0.3b	4.2b	14b	9.2b	19
Malta	0.01	0.08	2.3	3	1.9b	
EU	130.0	167.5	2.0	7129	4.3	17

a= 1998, b=1999, c= 2000

Source: European Commission (2002b)

<sup>6</sup> See Senior Nello (forthcoming) for a discussion of FDI in the CEEC food industry.

### 3. TRANSITION IN AGRICULTURE

As shown in Table 2, production collapsed in the CEEC(10) at the beginning of transition, followed by a stabilisation of the level of production in most CEECs. Recovery was generally faster for grains, while milk and beef production has been declining in most CEECs. Various reasons can be given for the fall in output:

- The reduction in subsidies at the beginning of transition;
- The disruption or “creative destruction”<sup>7</sup> associated with the transition process;
- Macroeconomic uncertainty;
- The Russian crisis;
- Adverse weather conditions such as

drought in many of the CEECs in 1992 and also in 1993 in some countries, and flooding in the late 1990s;

- The worsening terms of trade for farmers with prices for inputs and other non-agricultural products rising faster than those for outputs in the early years of transition. Subsequently in most CEECs the terms of trade tended to level out.<sup>8</sup>

Agricultural productivity in the CEECs is lower than in the EU, but has been increasing since the mid-1990s (Swinnen, 2001).<sup>9</sup> Productivity tends to be higher in countries such as Hungary which have been able to attract high levels of FDI in food processing, but lower in countries like Romania, Bulgaria and Poland, where small-scale farmers seem less able or willing to undertake restructuring

**Table 2: Agricultural Output (US\$ million, base year 1990) 1990-1999**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Bulgaria	8,960	6,979	4,777	4,001	4,753	5,456	4,352	6,857	5,635	4,736
Czech Rep.	5,777	4,053	2,822	2,905	2,557	2,709	2,722	2,730	2,610	2,095
Estonia	2,360	2,292	1,561	1,117	1,000	675	663	620	589	n/a
Hungary	9,740	5,259	4,302	3,885	4,129	4,196	4,150	3,804	3,721	3,889
Latvia	5,573	5,185	2,653	1,351	1,102	1,165	1,028	1,015	779	n/a
Lithuania	8,835	5,796	2,733	2,092	1,348	1,594	2,293	2,503	2,315	n/a
Poland	16,100	12,053	12,273	12,737	12,399	13,241	13,811	14,750	13,521	10,718
Romania	17,019	12,792	11,863	12,999	13,990	13,990	14,026	12,916	9,886	9,145
Slovakia	3,023	1,990	1,730	1,857	2,190	1,799	1,767	1,763	1,693	1,698
Slovenia	908	884	823	789	823	834	852	841	853	n/a

**Source:** Cioni (forthcoming) who bases her estimates on Maddison (2000) and European Commission.

n/a: not available

<sup>7</sup> This term was coined by Kornai (2000).

<sup>8</sup> Davidova and Buckwell (2000).

<sup>9</sup> Productivity as measured by yields per hectare. As Davidova and Buckwell (2000) point out, though there are wide variations in the estimates for labour productivity published by different sources, it appears to be particularly low on semi-subsistence farms which are often characterised by hidden unemployment.

and improvements in farming methods.<sup>10</sup> Productivity is expected to rise when these countries join the EU, due to improved access to capital, technology and know-how (Swinnen, 2002).

After 1989 agricultural policies in the CEECs were characterised by an initial phase of liberalisation of prices and trade, and the elimination of subsidies. Consumer prices for food products rose rapidly, while real farm incomes fell, leading to a second phase of *ad hoc* price and trade intervention during the early 1990s to protect producers and consumers from the adverse effects of early reforms (Hartell and Swinnen, 2000). In a third phase from about 1995 as governments gained experience in intervention in agriculture longer term measures were introduced, and there was a more systematic tendency to adopt CAP-like measures.<sup>11</sup> Subsequently adjustments to policies were introduced, partly in response to domestic pressures and to meet international obligations, but also to mirror the changes in the CAP, though at times with a certain delay.<sup>12</sup> After 1994 there was a tendency to rely less on price support, and more on direct payments (producer subsidies) to farmers. A difference with EU policies has been in

the CEEC use of a wider range of measures, including input subsidies and subsidised credit, but these will have to be brought in line with EU regulations with enlargement (Davidova and Buckwell, 2000).

One of the difficulties in comparing the level of agricultural support of different countries is that a wide range of policies are available (direct subsidies, price support, subsidised credit, tax breaks and so on) and the combination of measures adopted varies between countries. The PSE (producer subsidy equivalent, whose name was changed to producer support estimate from 1999)<sup>13</sup> provides a means of collapsing all these different policies into a single measure of support. The PSE can be defined as the subsidy necessary to leave the revenue of farmers unchanged if all policies with an impact on the agricultural sector were abolished. Each year the OECD publishes PSE estimates for various countries. These are expressed either in money value (generally in dollars) or as a percentage of the value of agricultural production at the farm gate.

<sup>10</sup> Swinnen (2001).

<sup>11</sup> The CAP-like measures introduced in the applicant CEECs include: price support (the Visegrad 4, Lithuania, Bulgaria (until 1997), Romania (until 1998) and Slovenia), export subsidies (the Visegrad 4, Lithuania and Romania (from 1998)), direct payments (Bulgaria, Estonia, the Czech Republic, Hungary, Slovakia and Slovenia) production quotas (Poland, Slovakia, Hungary and the Czech Republic from 2001). For more detailed descriptions see Hartell and Swinnen (2000), Rabinowicz (2000), and OECD (1999).

<sup>12</sup> Hartell and Swinnen, 2000.

<sup>13</sup> Since 1999 with the change in name the OECD classification of certain policies has also altered slightly, but not sufficiently to cause a break in time series.

**Table 3: Percentage PSEs in the EU and CEEC(10)**

	1986-1990	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001*
Bulgaria	n/a	n/a	-39	-45	-4	-27	-25	-54	-10	2	6	2*	
Czech Rep.	57	54	52	31	28	20	12	13	9	21	25	16	17
Estonia	75	71	59	-97	-32	-10	0	7	5	19	15	10*	
Hungary	34	-18	11	16	20	24	14	9	7	13	23	20	12
Latvia	80	76	83	-101	-40	6	5	3	4	17	18	18*	
Lithuania	77	72	-262	-124	-37	-15	1	5	7	20	21	18*	
Poland	17	-18	1	18	15	18	18	23	22	23	19	7	
Romania	45	45	15	8	16	19	10	12	3	25	20	11*	
Slovakia	51	51	35	28	26	23	18	11	13	26	25	23	11
Slovenia	n/a	n/a	n/a	35	28	32	37	29	37	44	48	43*	
EU(15)	48#	47#	48#	47#	49#	49#	49	43	38	38	36	33	35

\*Estimate, # EU(12), n/a: not available

Source: EC Commission and OECD

**Table 4: Agricultural Trade between the EU and CEEC(10)  
(million ECU)**

	EU imports from CEECs	EU Exports to CEECs	EU trade balance
Average 1988-90	2119	1143	-976
1991	2515	1734	-781
1992	2406	2164	-242
1993	2184	2913	729
1994	2404	3172	768
1995*	2779	4301	1522
1996	2897	4663	1766
1997	3106	5043	1937
1998	3142	5389	2247
1999	3486	4549	1064
2000	3802	5307	1506

\*EU(15) from 1995

Source: Eurostat

**Table 5: The main partners in CEEC agricultural trade (1998)**

	exports					imports				
	EU	Other OECD*	CEEC	NIS	other	EU	Other OECD	CEEC	NIS	other
Bulgaria	27	12	10	34	17	37	14	10	2	37
Czech Rep.	31	4	38	17	10	50	8	20	0	22
Estonia	16	4	19	60	1	49	23	10	5	13
Hungary	44	N/a	13	18	N/a	42	N/a	8	1	N/a
Latvia	20	1	22	47	2	51	8	29	4	8
Lithuania	23	11	17	47	2	53	12	25	8	2
Poland	43	6	14	32	5	48	11	9	3	29
Romania	61	14	7	5	13	41	16	23	4	16
Slovakia	20	0	61	11	8	39	3	43	0	15
Slovenia	40	6	3	3	48	50	7	13	2	28

\*excluding the Czech Republic, Hungary and Poland  
n/a: not available  
**Source:** OECD

Table 3 provides PSE estimates for the CEEC(10) and EU. As can be seen from the Table, with the exception of Slovenia, the level of support to agriculture in the CEECs tends to be lower than in the EU, but has generally been increasing in recent years.<sup>14</sup>

Table 4 illustrates how with the exception of Bulgaria in some years and Hungary the EU agricultural trade deficit was transformed into a surplus from 1993. Difficulty in meeting EU standards, poor quality and less experience in marketing help to explain the problems experienced by the CEECs in exporting food and agricultural products to the EU, but these countries also accuse the EU of agricultural protectionism.<sup>15</sup> Table 5 indicates the main partners in CEEC agricultural trade.

<sup>14</sup> A negative PSE value implies that the farm sector was taxed in that year.

<sup>15</sup> See Senior Nello (forthcoming) for a discussion of this issue.

#### 4. AGRICULTURAL PRODUCTION AND CONSUMPTION IN AN ENLARGED EU

One of the early fears was that when the CEECs joined the EU the application of the CAP would lead to substantial price increases in the new member states, thereby stimulating agricultural production and adding to the problem of EU surpluses.<sup>16</sup> However, more recent studies generally suggest that with enlargement agricultural production will not expand significantly for various reasons:

- The narrowing of the price gap between the EU and CEECs, with prices for some agricultural products and in certain CEECs exceeding those of the EU.<sup>17</sup> This is due to reductions in EU prices following the 1992 and 1999 reforms (see Section 5 below), increases in CEEC prices, and the real appreciation of exchange rates in the CEECs.
- The slow pace of restructuring may limit the production capacity of the CEECs (Pouliquen, 2001).
- Difficulties in meeting the *acquis* may cause many CEEC processing firms to close, and this is likely to have implications upstream for agricultural output.

The simulations of the Commission Report of March 2002 also suggest that accession will bring about significant price and production increases only for a few products.<sup>18</sup> Though production of wheat is likely to rise, wheat prices are expected to remain competitive on world markets so eventual surpluses could be exported without export subsidies. According to the Commission study, surpluses are likely result for rye. Increased feed requirements are predicted to absorb higher maize production, while developments on the barley market are likely to depend on exchange rate movements. The production of beef is expected to increase, but on a manageable scale if no major change in consumer preferences occurs. Higher consumption of fresh milk and cheese are predicted, but the impact of accession on dairy production will depend on the allocation of production quotas, and developments in the structure of production in the CEECs. With accession CEEC consumption of pork is expected to rise, while a fall in production is predicted because of increased competitive pressures. In the CEECS feed use tends to be inefficient, and prices are generally higher, in particular for high quality pork, than in the EU(15). In contrast, poultry production is competitive in the CEECs and is expected to increase slightly to meet expanding demand.

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<sup>16</sup> See, for instance, Anderson and Tyres (1993).

<sup>17</sup> According to *Euro-East* no. 90 of July 2000, p.6, grain prices in Slovenia were 70-80% higher than in the EU, and Polish beef prices were well above EU averages. In 1997 wheat prices in Romania, Lithuania, Poland and Slovenia were higher than in the EU (*Agra Europe* 1/8/99).

<sup>18</sup> Depending on the reference areas and yields used, the introduction of direct payments in these countries is also likely to contribute to increased cereal production as more land would be devoted to crop production.

### 5. THE CAP AS A MOVING TARGET

One of the difficulties encountered by the candidate countries in preparing for EU membership is that in recent years the CAP has been changing. Major reforms were introduced in 1992 and 1999, the Commission presented proposals for a mid-term review in 2002, and further reform is likely to be necessary for the financial perspective after 2006.

Central to the MacSharry Reform of 1992 was a 29% cut in the intervention price for cereals. Farmers were to be compensated for the price cut by direct payments on a per hectare basis. The calculation of the level of compensation was based on average yields in the past in each region. For farmers claiming compensation for an area producing less than 92 tonnes of cereals, compensation was available unconditionally in what was called the "simplified scheme". Farmers claiming a higher level of compensation through the "general scheme" were required to set-aside or leave idle a certain percentage of their land. The percentage of land which had to be set-aside varied with market conditions, and, for example, was 15% in 1993/4.<sup>19</sup> The intervention price for beef was also cut by 15%, and premia per head of cattle were introduced to compensate farmers. The MacSharry reform also included "accompanying measures" with a series of financial incentives for early retirement, reforestation and protection of the environment.

According to Buckwell et al (1997), the direct

payments overcompensated cereal farmers for the price cuts by 16% between 1992 and 1996. This entailed excess payments of 2 billion ECU in 1993/4, 4.2 billion in 1994/5 and 5 billion in 1995/6.

The initial aim of basing direct payments on historical yields of cereal production was to "decouple" support to farmers from the quantity produced. As will be explained below, the concept of "decoupling" has important implications in the GATT/WTO context. A policy which is not decoupled, such as price support (where the transfer to the farmer depends directly on the quantity produced) is generally considered to cause more distortions in international trade. For instance, the EC's reliance on price support for so many years encouraged farmers to produce more, leading to surpluses. These surpluses could either be held in public storage (the famous grain mountains, wine lakes and so on) or sold on world markets with the help of export subsidies. However, as numerous empirical studies have illustrated, the increase in EC net exports of many agricultural products had the effect of lowering prices on world markets and increasing their instability.<sup>20</sup>

In the context of the MacSharry reform an example of totally decoupled support is a lump-sum payment to farmers (or a bond) which farmers would receive as compensation for the price cut regardless of whether they continued to produce or not. In contrast, the direct payments introduced by the reform were considered

<sup>19</sup> The percentages of compulsory set-aside were 12% for 1994, 10% for 1995, 17.5% for 1996 and 5% for 1997.

<sup>20</sup> See Tarditi, Marsh and Senior Nello (1995) for a review of some of these empirical studies.

only “partially decoupled” as to receive full compensation farmers had to continue producing.

With regard to agriculture, the March 1999 Berlin Agreement of the European Council entailed cuts in support prices of 15% for cereals and dairy products, with partial compensation for farmers of 50% and 65% respectively through direct aids. Prices for beef were to be cut by 20% with 85% compensation for through direct payments. The direct aids continued to be calculated on an acreage or headage basis, and in the case of cereals were still based on historical yields. Quotas (or physical limits) on the production of milk were to continue until at least 2006, and sugar quotas were also left in place.

By 2002 direct aids accounted for roughly 62% of the CAP budget, and were expected to rise to 68% in 2006. This amounts to transfers of 30 billion euro to farmers in the EU(15) each year, or 4000 euro per farm.

Rural Development Policy became the second pillar of the CAP (but still only accounted for 10% of CAP spending in 2002). New legislation was introduced in order to promote environmentally-friendly measures through the use of “good farming practices” and to encourage products for which there is a market, while discouraging production of those in surplus.

The reform also introduced the concept of cross compliance whereby countries have to indicate appropriate environmental measures which farmers have to take in order to receive their headage and acreage payments in full. A further innovation was modulation which entails

that member States can, if they wish, introduce measures to “modulate” i.e. reduce the acreage and headage payments a farm can receive on the basis of overall employment on the farm, overall prosperity of the holding, or total amount of aid paid to the holding. The funds saved in this way may be used to further rural development (including environmental) objectives.

The Berlin Agreement reflects the increasing emphasis placed on the “multifunctionality” of agriculture. Rather than being considered mere producers, there is growing recognition of the role of farmers in protecting the environment, animal welfare, promoting rural development and meeting the new insistence of consumers on adequate guarantees concerning the health implications, safety, quality and variety of food. Stress is also being placed on the “European model” of agriculture which also takes into account the historical, social and environmental role of agriculture.

Price support had always favoured the largest farmers, and between 1973 and 1990 80% of support went to the 20% richest farmers.<sup>21</sup> One of the stated objectives of the 1992 and 1999 reforms was to correct the inequity in the distribution of CAP transfers. However, “compensation” is highest for those who produced most and who were expected to lose most from the price reductions. The system of direct payments therefore protracts the inequity of the system.

<sup>21</sup> This frequently quoted statistic was first published in Commission Document COM(91)100 of 1991.



A proposal to introduce degressivity i.e. the phasing out of direct payments was rejected at the time of the Berlin agreement, but was revived as part of the Commission proposal for the 2002 mid-term review. According to the Commission proposal, direct payments should gradually be reduced by 20% over six or seven years, using the funds so released for additional spending on rural development objectives. This proposal was supported by the Netherlands, Sweden and Denmark, but was opposed by France and Italy.<sup>22</sup>

The July 2002 Commission proposals for the mid-term review also entailed decoupling direct payments from production, and increasing the use of cross compliance and modulation. It was proposed to cap subsidies to individual farms at 300,000 euro, though this measure could be eased for farms such as those in East Germany employing a large number of workers. Both the UK and Germany feared that this ceiling could penalise their larger farmers.

More generally, countries such as France, Ireland and Spain criticised the Commission proposals as being less a “review” and more a revolution, arguing that the 1999 Berlin Agreement was supposed to have fixed the main features of the CAP until 2006. France argued that guidelines for reform should be drawn up in 2004, so that reforms could take place in 2006. In September 2002 farm ministers from seven EU

countries wrote a letter to the Financial Times defending the CAP against various “false accusations” about its negative effects.<sup>23</sup> Against such a background, the Commission proposals seem likely to have a rough ride.

## 6. APPLYING DIRECT PAYMENTS IN THE APPLICANT COUNTRIES

There has been considerable debate about how far (or whether) direct income payments should be extended to farmers in countries joining the EU. These payments were considered part of the *acquis*, and were extended to the three EFTA countries, Austria, Finland and Sweden, when they joined the EU in 1995.

At least initially such payments were introduced as compensation for the reductions in price support introduced by the 1992 MacSharry reform and the Berlin Agreement. At first the EC Commission maintained that as prices for most CEEC agricultural products were below EU levels, farmers in the new member states would benefit from higher prices when they joined the EU, so compensation in the form of direct payments was superfluous.<sup>24</sup> This view was reflected in the Berlin Agreement which made no financial provision for extending direct payments to the new member states even though the Commission argued subsequently that this did not necessarily

<sup>22</sup> As reported on the Commission website, <http://europa.eu.int/comm>.

<sup>23</sup> *Financial Times* of 23/9/2002. The farm ministers were from Luxembourg, Spain, Portugal, France, Wallonia (Belgium), Austria and Ireland.

<sup>24</sup> See, for example, the 1995 **Agricultural Strategy Paper** (EC Commission, 1995), and **Agenda 2000** (EC Commission, 1997). According to the EC Commission (1995), depending on the product CEEC prices were between 40-80% of EU levels.

exclude the CEECs from receiving such payments.<sup>25</sup>

However, the initial stance of the Commission was somewhat undermined by rapid narrowing of the gap between prices for agricultural products in the EU and CEECs, and by the fact that it was questionable how far direct aids in effect represent compensatory payments. For this reason the term “compensatory payment” was replaced with “direct aid” in the Berlin Agreement. If the direct aids are compensation for a once-and-for-all price cut, presumably they should be temporary and eventually eliminated. The compensation argument was also weakened by the lack of correspondance between injury and compensation: the MacSharry reform overcompensated, and the Berlin Agreement undercompensated the price cuts.

The concept of cross compliance introduced with the Berlin Agreement is linked to the more general debate about whether direct payments should be rendered conditional on realising environmental and other rural development objectives. However, if this occurs the case for not extending direct payments to the applicant countries is further weakened.

In the January 2000 Issues Paper the Commission proposed a gradual phasing in of direct payments to farmers in the new member states.<sup>26</sup> These countries would receive direct

payments equivalent to 25% of the present system in 2004, 30% in 2005 and 35% in 2006, and would only receive full direct payments in 2013. The Commission also suggested allowing additional national aids in the new member states up to the total level of support applied before accession.

In order to meet problems of administrative costs and fraud, the new member states could opt for simplified system of direct payments for 3 years, renewable for up to two more years.<sup>27</sup> This would entail area payments per hectare on the whole of the agricultural area of the applicant countries. There would be no obligation for farmers to produce in order to receive these payments, and so the direct aids would be “decoupled” from the level of production.<sup>28</sup>

In March 2002 the Commission published an extensive study of the impact of enlargement on agricultural markets and incomes,<sup>29</sup> confirming the view that immediate payment of 100% direct payments on accession of the CEECs would lead to social distortions and inequalities. According to the Commission, tensions between the farm and non-farm sectors would result. The direct payments would also benefit non-rural landowners created by the privatisation process which included restitution in most CEECs. The Commission argued that full application of direct payments would slow or stop the restructuring

<sup>25</sup> EC Commission (2002a).

<sup>26</sup> EC Commission (2002a)

<sup>27</sup> The need for a simplified system arose because the EU applies 30 types of direct payment, and 6 for beef alone. The various types of direct payments are listed in an Annex to Council Regulation No.1259/1999.

<sup>28</sup> As explained below, this has important implications for GATT/WTO commitments.

<sup>29</sup> EC Commission (2002b)

process by discouraging farmers from leaving the sector, and permitting semi-subsistence agriculture to continue. The EU experience has shown that direct payments are usually reflected in higher land prices, and these would also hinder restructuring of farms in the applicant countries.

However, the non-application of direct payments would also lead to distortions and income disparities in an enlarged EU. Moreover, insofar as the direct payments in the EU(15) increased land prices, the value gap between East and West would widen, giving a cost advantage to CEEC farmers, and encouraging speculation when the land market was liberalised.

The proposed difference in treatment between "rich" Western farmers, and their poorer counterparts in the CEECs has been fiercely criticised in the applicant countries. Polish farm associations have been urging their members to vote "no" in the referendum on EU accession unless comparable treatment with farmers in the EU(15) was guaranteed. In contrast, the present net contributors to the EU budget (Germany, Britain, Sweden, the Netherlands and Austria) oppose the extension of direct payments to the new member states for 2004-2006 because it was not foreseen in the Agenda 2000 financial framework.

## 7. APPLYING OTHER CAP MEASURES IN THE NEW MEMBER STATES

Difficulties are also likely to arise in applying supply-control measures such as quotas and set-aside to the new member states. The administrative costs of such measures are high and there are considerable opportunities for fraud in the absence of effective controls.

In the case of production quotas, it is necessary to ensure that the base quantities are appropriate. The EC Commission has proposed taking 1995-1999 as the reference period, as adjustment was underway, and statistics tended to be more reliable. However, this has been contested by some of the CEECs as not being representative. For instance, milk production fell during these years due to the process of restructuring, so various CEECs have argued in favour of a quota based on production in the 1980s, or some estimate of "productive potential". This has so far been rejected by the Commission as not being consistent with the objective of limiting excess supply.<sup>30</sup>

Doubts have also been expressed about the effectiveness of compulsory set-aside as a supply-control measure in the CEECs.<sup>31</sup> Following privatization many CEEC holdings are small and fragmented, and are often owned by non-farming landowners. If the EU system were applied in the applicant countries, small farmers could avoid the obligation to take land out of production (by

<sup>30</sup> See the speech by the Commissioner for Agriculture, Franz Fischler at the PHARE COPA/COGECA/CEJA project of July 2000, <http://europa.eu.int/rapid/start/c>.

<sup>31</sup> Buckwell et al. (1997)

requesting compensation for land producing less than 92 tonnes of cereals). The Commission proposal that the applicant countries could opt for a simplified system of direct payments was an attempt to resolve such difficulties.<sup>32</sup>

A further sensitive issue is whether the CEECs will be allowed a derogation on land ownership. Land prices are much lower in the CEECs, and though the Commission suggested a general derogation of 7 years (12 years for Poland), the initial delay requested by some of the countries (18 years in the case of Poland) was much longer.

It is frequently argued that the use of structural actions in the CEECs would be more appropriate than the extension of direct payments. As part of the pre-accession strategy to prepare for EU membership the CEEC applicant countries are already participating in ISPA (the Pre-Accession Structural Instrument) and SAPARD (Special Accession Programme for Agriculture and Rural Development).

The SAPARD measures applied by the candidate countries include investments in agricultural holdings, processing and marketing, rural infrastructure and diversification, though the picture varies according to candidate country (EC Commission 2002a).

When the CEECs join the EU three types of programme are envisaged to assist rural development:<sup>33</sup>

- Measures under Objective 1 of the Structural Funds,<sup>34</sup>

- The four accompanying measures (early retirement, Less Favoured Areas/Areas with Environmental Restrictions, agri-environment measures and afforestation)

- Certain special additional measures to assist rural transition. These measures include: assisting semi-subsistence farms, improving quality and standards, setting up producer groups, establishing land registrars, and encouraging good farming practices.

All these measures would be partially financed by the FEOGA (European Fund for Agricultural Guarantee and Guidance), and the Commission has proposed that the Community co-financing rate should be up to 80%.

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<sup>32</sup> EC Commission (2002a).

<sup>33</sup> EC Commission (2002a).

<sup>34</sup> The criteria for a region to be eligible under Objective 1 is that its GDP per capita is less than 75% of the EU average.

### 8. BUDGETARY IMPLICATIONS

In the January 2002 Issues Paper<sup>35</sup> the Commission set out its proposals for the budgetary allocation for EU enlargement over the 2004-2006 period (see Table 6). These were based on the assumption that 10 countries would join in 2004 (Bulgaria and Romania were expected to join later) and that direct payments would be phased in gradually, in line with the Commission's proposals.

What emerges from Table 6 is that the annual budgetary allocation for enlarging to the CEEC(8) proposed by the Commission in 2002 is below the Berlin allocation for the CEEC (5). Under the 2002

proposal the total appropriations for payments (all in 1999 prices) for agriculture amounted to 8255 million euro for 2004-2006, while those of the Berlin Agreement were 12410 for 2002-2006. The total allocation for accession was 45400 million in the 1999 financial perspective, and 28019 million in the 2002 proposal.<sup>36</sup>

**Table 6: Financial framework for EU enlargement**  
(million euro, 1999 prices)

	2004	2005	2006
Commitment appropriations			
Agriculture	2048	3596	3933
Of which: <i>total direct payments</i>	-	1173	1418
<i>Market expenditure</i>	516	749	734
<i>Rural development</i>	1532	1674	1781
Structural actions	7067	8150	10350
Internal policies	1176	1096	1071
Administration	503	558	612
Total commitment appropriations	10794	13400	15966
Berlin 1999 scenario: total commitment appropriations	11610	14200	16780
Total payment appropriations	5686	10493	11840
Berlin 1999 scenario: total payment appropriations	8890	11440	14220

Source: EC Commission

<sup>35</sup> EC Commission (2002a).

<sup>36</sup> Appropriations for payments.

## 9. THE LINKS BETWEEN ENLARGEMENT, CAP REFORM AND GATT/WTO OBLIGATIONS

Before the 1986-94 Uruguay Round agriculture had never been included in GATT/WTO negotiations in more than a marginal way.<sup>37</sup> The main aspects of the Uruguay Round Agreement on Agriculture, signed at Marrakesh in 1994 are set out in Box 1.

After the initial fiasco at Seattle, a new WTO round was effectively launched at Doha in November 2001. A major concern is whether an

enlarged EU will be able to meet its Uruguay Round commitments, and possible additional obligations emerging from the Doha Round.

The Doha mandate of November 2001 called for:

*“comprehensive negotiations aimed at substantial improvements in market access; reductions, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support.”*<sup>38</sup>

Though it still has to be decided how EU and CEEC commitments will be merged after accession,<sup>39</sup> with regard to tariffs, the EU and

### Box 1: The Uruguay Round Agricultural Agreement (URAA)

The Uruguay Round Agricultural Agreement (URAA) introduced a series of commitments with regard to agricultural policies (with slower liberalisation envisaged for developing countries) to be implemented over a six-year period (1995-2000):

- **The domestic support provisions**

Domestic agricultural support was to be reduced by 20% from a base period of 1986-1988 in terms of an Aggregate Measure of Support (AMS).

- **The export competition provisions**

Export subsidies were to be reduced by 21% in terms of volume, and 36% in terms of expenditure from a base period of 1986-1990.

No new export subsidies were to be introduced.

- **The market access commitments**

Non-tariff barriers were to be converted into tariffs (tariffication) from July 1995 and the resulting tariffs were to be reduced by 36% compared to a base period of 1986-1988. All the resulting tariffs were to be cut by a minimum of 15%.

Minimum market access was to rise from 3% of domestic consumption to 5% in 1999.

- The **peace clause** protects policies (such as decoupled domestic subsidies or export subsidies) conforming with the URAA from certain kinds of challenge under the WTO until 2003.

<sup>37</sup> The US was largely responsible for the exclusion of agriculture for the most part from earlier GATT Rounds, and for insisting on its inclusion in the Uruguay Round.

<sup>38</sup> WTO(2002).

<sup>39</sup> See Buckwell and Tängeremann (2000), Burrell (2000) or Swinnen (2002) for a discussion of this issue.

CEECs will have to convince other WTO members that enlargement does not lead to an increase in the overall level of agricultural protection. Poland has a relatively high level of protection, while some of the other CEEC applicant countries (and notably Estonia) have lower levels than the EU (OECD, 2000). With enlargement it will probably be necessary to obtain WTO permission for some kind of compensation for third countries (such as Russia) facing higher agricultural trade barriers as a result of application of the CAP in the new EU member states.

The EU and some CEECs have already encountered difficulties in meeting their GATT commitments on export subsidies for certain products.<sup>40</sup> This is the case for dairy products for the EU, Slovakia and the Czech Republic, for sugar for Slovakia and Poland, and for a number of products for Hungary (Tangermann (2000), Buckwell and Tangermann, 2000). An earlier fear was that enlargement would lead to increased production for a number of goods, requiring additional export subsidies for the disposal of surpluses, but as explained above in Section 4, the impact of enlargement on the level of EU production is expected to be less than initially predicted.

The future development of the CAP is likely to hang on its commitment to reducing domestic support. The obligation to reduce the aggregate level of domestic support excludes certain categories of policy and, in particular, those falling into the green and blue boxes.

Green box measures can be freely adopted and are not negotiated at the international level. They are said to be “decoupled” from production, as they have a minimal effect on production and trade, and include training, research, environmental measures, payments for natural calamities and so on. The Community initially hoped that the 1992 MacSharry direct payments would fall into this category, but this was not accepted by the US. Instead the EC and US agreed on the blue box, which was specifically designed to cover the US deficiency payments and MacSharry compensatory payments. Blue box measures include support under “production-limiting schemes” on the basis of acreage or animal numbers. These are excluded from the obligation to reduce domestic support, but after 2003 when the peace clause no longer applies, their exemption could be subject to challenge.

At Seattle the Clinton administration called for the abolition of the blue box. It was argued that with the 1996 US FAIR Farm Act (which averaged agricultural assistance over a seven-year period), the US no longer required the blue box. However, this position was somewhat undermined by the additional emergency aid to US farmers in most of the following years and the 2002 Farm Bill which increased support to US farmers by an estimated 70% over 10 years.<sup>41</sup>

<sup>40</sup> According to the WTO Secretariat the EU exceeded its basic export subsidy commitment for nine out of twenty product groups in 1999/2000 (Swinnen, 2002).

<sup>41</sup> [www.europa.eu.int/comm/agriculture/external/wto/usfarm\\_bill](http://www.europa.eu.int/comm/agriculture/external/wto/usfarm_bill). **The US Farm Bill – Questions and Answers.**

In June 2000 the US proposed a simplification in the way all forms of domestic support are disciplined through the WTO framework.<sup>42</sup> This would entail a distinction between “exempt” and “non-exempt” forms of support. Exempt programmes would be those aimed at promoting sustainable agriculture and rural communities in a way which minimizes distortions. All non-exempt support would have to be reduced in annual installments.

The EU was only able to meet its Uruguay Round commitment to reduce domestic support because its direct payments were classified in the blue box.<sup>43</sup> If the blue box were abolished, an enlarged EU could run into difficulty in meeting this commitment. As Buckwell and Tøngermann (2000) argue, the CEECs have some slack in their domestic support commitments, but probably not enough for full application of EU direct payments in their present form in the absence of the blue-box exemption.

The Commission proposal to introduce direct payments gradually and in a simplified form in the new member state can be interpreted as an attempt to find a way round this dilemma. Under the simplified system the direct payments would be “de-coupled” from production and would be received even by farmers in the new member states who stopped production. The aim is clearly to exclude such payments from the commitment to reduce aggregate domestic support.

## 10. THE OUTLOOK FOR FOOD AND AGRICULTURE IN AN ENLARGED EU

Since the mid-1980s the CAP has changed fundamentally. One of the first indications of this change was the 1985 Green Paper published by the EC Commission.<sup>44</sup> This document called for an end to the almost exclusive reliance on price support, and listed among the priorities of the CAP: the reduction of surpluses, the promotion of the quality and variety of agricultural production, rural development, and environmental objectives.

After a rather limited attempt to move the CAP in this direction with a package of reforms in 1988, radical changes followed with the 1992 MacSharry Reform, and the 1999 Berlin Agreement. As a result of these measures, by 2002 market support had shrunk to only 28% of CAP spending, rural development had become the second pillar of the CAP, and the “multifunctionality” of farmers was recognised as a central tenet of EU policy.

Four developments influenced (and continue to influence) the pace and shape of CAP reform: the weight of agricultural spending in the Community budget, enlargement, GATT/WTO commitments, and the concern of the public for safer food and more environmentally favourable agriculture.

In order to finance emerging EU policy areas (and notably the Internal Market and Single Currency Projects, which were accompanied by

<sup>42</sup> **Note on domestic support reform negotiation on agriculture.** Submission from the US of 23 June 2000. [www.wto.org](http://www.wto.org).

<sup>43</sup> See Buckwell and Tøngermann (2000) for a more complete discussion of this issue.

<sup>44</sup> (COM(85)333) of December 1985.



increased spending on structural actions), the CAP share of the EC budget had to be re-dimensioned, at least in relative terms. A new financial framework will have to be decided for the years after 2006, and this seems likely to provide a catalyst for further CAP reform. The net contributors to the Community budget (and Germany in particular) are reluctant to increase the budget ceiling, and if direct payments continue, they will eventually have to be extended in full to the new member states.

A solution to this dilemma would be to move further in the direction of co-financing of agricultural policy by the Member States, as the largest net contributor the EU budget (Germany) proposes. In 2002 the Commission also proposed degressivity (i.e. partial phasing out of direct payments, and use of the funds released for rural development), but this is likely to be opposed by member states such as France and Italy.

A second factor influencing CAP reform was enlargement. Though the results of empirical studies vary considerably, all the early estimates of how much it would cost to extend the unreformed system of CAP price support to the new member states were substantial.<sup>45</sup> The solution proposed by Nallet and Von Stolk (1994) was to have different levels of administrative prices in East and West Europe. Aside from the dubious political feasibility of such a proposal, it clearly contravened the principles of the Single Market. The switch to direct payments (and the belief that their full application in the new

member states could be delayed) was clearly influenced by enlargement.

The third factor influencing reform is the GATT/WTO framework. The 1992 MacSharry Reform has to be read against the background of fear of collapse of the Uruguay Round because of disputes on agriculture. The US was pushing for larger cuts in domestic support and export subsidies, and easier market access than the EU was prepared to grant. When a compromise had to be reached, the EU solution was to transform price support into direct payments, thereby reducing the need for export subsidies. The initial EU aim was also to include direct payments in the green box, thereby exonerating them from the commitment to reduce domestic support, but ultimately the EU had to accept inclusion of the direct aids in the blue box.

If the blue box were to disappear, the EU would have difficulties in meeting its commitment to reduce domestic support, and this would be even more the case if the present system of direct payments were extended to the new member states. The solution of the EC Commission is to offer the applicant countries the option of a simplified version of direct payments, which are clearly aimed at exclusion from the commitment to cut domestic support.

The fourth factor behind reform is the growing public insistence on increased priority for rural development, environmental objectives and guaranteeing the safety and quality of food. The Commission's proposals for the 2002

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<sup>45</sup> See Tarditi, Marsh and Senior Nello (1995) for a review of some of these studies.

midterm review to some extent meets these requests by suggesting that the direct payments be rendered more conditional on furthering these objectives. This “greening” of the direct payments is likely to increase the chances of their inclusion in the green box, rendering it easier for an enlarged EU to meet its GATT commitments.

In a Eurobarometer survey carried out in May-June 2002 on opinions towards the CAP, 90% were in favour of healthier and safer food products, 89% were in favour of environmental measures, and 77% in favour of adequate incomes for farmers. However, when asked if they thought the CAP performed those tasks well the satisfaction levels were 37%, 41% and 29% respectively.<sup>46</sup>

It is unrealistic to expect that a CAP based more on these new priorities will cost less. Health and quality controls involve high administrative costs, in particular, when associated with measures such as effective labelling, animal passports and the traceability of all stages of the production and distribution processes. Budgetary constraints are likely to become even tighter in an enlarged EU. The increased emphasis on rural development and environmental measures implies a shift towards measures which already tend to be partially co-financed by national governments. It certainly was not what CEEC governments initially expected from participation in the CAP, but a partial re-nationalisation of the CAP seems difficult to avoid.

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<sup>46</sup> For the results of the survey see [www.europa.eu.int/comm/agriculture](http://www.europa.eu.int/comm/agriculture).

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## **SMALL AND MEDIUM ENTERPRISES, REGIONAL DEVELOPMENT AND NETWORKING: THE EMERGING FRAMEWORK IN ROMANIA<sup>1</sup>**

**Daniela Luminița Constantin\***

***Abstract.** Networking is a key word in the recent debates on SMEs and regional policies, pointing out the need and advantages of integrating these businesses in a coherent framework, which creates links, relations, exchanges between them and other actors within the region (banks, universities, research institutes, training centres, consulting firms, chambers of commerce, associations of producers, local public administration). This paper aims to explore the main features and significance of the SME sector development for addressing the regional question in Romania during the transition period and to identify the emerging evidence and perspectives of SME territorial networking phenomenon in the specific context induced by the European integration processes. Up to present the idea of creating and supporting regional networks has not been offered the adequate importance in Romania – being only partially, indirectly envisaged, so that this paper proposes some reflections that could be considered by the Romanian regional policy in the forthcoming years, as resulted from the analysis of the international experience and literature devoted to this subject.*

### **1. Introduction**

The regional dimension of the transformation processes undertaken in East European countries is a new field of research and one of the sources of ‘new combinations’ in regional science (Geehuizen and Nijkamp, 1995). The elements of the structural reform, namely the institutional and legislative framework for the market economy, the reform of enterprise structures, the physical structure for a competitive economy, human capital and attitudes entail specific

concerns at regional level in terms of restructuring regional economies, regional policy instruments in an acute shortage of financial means context, regional institutional framework and the question of decentralisation, the impact of European integration, the new role of local communities, etc.

As many researchers have noticed, the experience of former socialist countries shows that transition deepens regional disparities because the factors that used to control the economy are replaced by market forces that are

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gradually freed up. The speed of reform is finally responsible for slower or faster increase in regional disparities. In the case of Romania the pace of reform was rather slow in the first six-seven years (Green Paper, 1997). But the basic question is whether a period of growing interregional disparities a process of *spatial economic convergence* will start in longer run. This means that the regional question is not simply a static allocation problem, but also one referring to dynamic long-range qualitative conversion phenomenon. As long as a convergence trajectory will not be automatically followed, an active regional policy is necessary. This policy must be integrated in a complex outlook, which combines the need for local identity, self-reliance and development with the challenges and opportunities of globalisation processes seen at both national and international level, with the aim of the future integration in the EU structures in view (Constantin, 1999).

A major issue in this general framework is applying regional policy in a decentralised context that focuses on regional (local) efforts to foster socio-economic development: in other words, on endogenous development. The main idea in this view is that *regional development is above all a local matter*: “The success of a region will in the end depend upon its autonomous capacity to take matters in hand, to organise various actors around common goals, to adapt and to successfully adjust to outside pressures. Ultimately, the sources of development lie in the region itself, in its people, its institutions, its sense of community, and, perhaps,

most important of all, in the spirit of innovation and entrepreneurship of its population” (Polèse, 1998, p.13-14).

Directly related to this approach, the question of small and medium enterprises (SMEs) is a basic one. As demonstrated by the experience of Western countries, for more than twenty years *SMEs represent an important source of local and regional dynamism*. The economic recession and the accompanying changes in production organisation revealed the vulnerability and deficiencies of the large companies, proving that they are no longer the only engines of development (Maillat, 1990). The economic reform occurring in Central and East European countries also emphasizes the role of SMEs: this sector is considered to have a *key role* in restructuring the old centralized economies and maintaining the economic dynamism. SMEs should be able to create a significant number of new jobs, to improve industrial relations and to provide a superior working environment for employees, to create a diversified and flexible industrial base by creating a pool of entrepreneurs willing and able to take risks, to stimulate competition for small and large firms alike, leading to an energetic enterprise culture, to stimulate innovation (Armstrong and Taylor, 1993).

From regional viewpoint the main question is whether SMEs have a similar effect in each region. The answer is negative: “The presence of SMEs in a region does not necessarily mean development or revitalization. The arrival of SMEs in a region may be the result of the corporate strategy of large companies (for example, vertical

dis-integration). Because SMEs depend on outside entities, in this case they do not help to generate 'autonomous' local dynamism. Nor is the existence or emergence of independent or local SMEs in a region necessarily the sign of a specific regional dynamic. True, these SMEs provide jobs, but they do not provide the region with the chance to control its development. Indeed, if local dynamism based on SMEs is to manifest itself, one condition has to be met: SMEs have to belong to a territorialised network" (Maillat, 1990, p.347).

If the cluster typology based on relations between firms within the cluster is considered, territorial networks represent a step forward compared with pure agglomeration and industrial complex. Whereas these two types are localization-oriented, *territorial networks are organizationally oriented*, leading to creation of a local business environment of confidence, risk-taking and co-operation (McCann, 2001, Cappellin and Steiner, 2002).

The most comprehensive *definition* refers to territorial (regional) networks as "cooperation between (small and medium-sized) businesses, government agencies, educational and research institutions, intermediary institutions and other groups. Inter-firm networks and networks of public and other institutions are, therefore, integral components of the whole system of "regional networks", which is the structure of relations between all private and public sector and other participants" (Sprenger, 2001, p. 12). A series of economic, social and ecological benefits are expected by the actors involved in network cooperation and the region itself such as:

increasing the use of synergetic effects through cooperative planning, reducing the time of reaction to regional structural problems, development of new services and products, higher support to regional initiatives, creativity and cultural identity, improving the integration of the environmental dimension into regional development by ex-ante assessment, indicators, choice of projects, etc. (WWF Deutschland, 2001 in Sprenger, 2001).

A very successful model of integrating SMEs in territorial networks is that of local production systems of NEC type (NEC is the acronym of North-East and Central Italy where the model has flourished most). It implies a dense network of interdependences between enterprises (usually but not always specialized in a particular sector) as well as links, relations, exchanges between them and other agents acting in the region (like banks, higher education institutions, research institutions, training centres, consulting firms, sectoral associations of producers, chambers of commerce, local public administration, etc.). At the same time the recent evolutions, reflecting the growing regional awareness and the growing efforts to shape regionally based alliances, networks and neighbourhood cooperation (Funk and Kowalski, 1993), in relation with changes in the competitive scenario of the international economy lay the foundations for further development of SMEs within interregional and international networks.

Starting from these overall considerations this paper aims to explore the main features and the significance of the SME sector development for addressing the regional question in Romania

during the transition period and to identify the emerging evidence and the perspectives of SME territorial networking phenomenon. It also aims at analyzing the usefulness and the relevance of this concept and those directly related to it (local entrepreneurship, local milieu) for regional policy purposes, in the new context created by the European integration processes.

## 2. The actual state of SME sector in Romania

The role and results of SME sector development since 1990 should be evaluated and understood in the *general context* of the Romanian transition, with its specific features. The political turmoil in the first ten years after December 1989 made a real advance of reform very difficult, Romania being severely criticized by the EU and international financial institutions for the drawbacks in restructuring and privatization<sup>2</sup>, the incapacity to eliminate losses within the economy, the lack of real changes in public administration. Three sub-periods can be identified within this decade, namely: 1990-1992 (the beginning of transition), when the GDP recorded a serious drop; 1993-1996, when a macrostabilisation programme was applied, with positive consequences upon economic growth, unemployment and inflation rate; 1997-2000, when the economic decline (until 1999) represented the first result of the massive restructuring and privatization process (too much delayed in Romania) undertaken in this period,

being followed by a slow recovery starting with 2000.

Within this general context the evolution of the Romanian sector of SMEs expresses a *variety of conditions and causes*, the following being the most relevant (CRIMM, 1998): the absence of such a sector before 1990; the legal framework for setting up this kind of enterprises; the incentives provided at the beginning of the process; the speed of restructuring and privatization of the state firms.

Thus, unlike other former socialist countries where some private activities could develop within the centralized economy, the private initiative development in Romania started in fact in March 1990, when the first act in this direction was issued.

In general terms the support offered to SMEs up to present has focused on several directions such as: the stimulation of setting up new firms; the development of the existing ones; providing consultancy services, etc., all these directions considering both financial and non-financial assistance. Without being exhaustive, making mention of some *supportive measures* over the last decade can be relevant for the scope of these efforts:

- provision of loans with subsidized interests (from the unemployment fund) to SMEs hiring unemployed workers;
- a programme of subsidized credits carried out through the former Romanian Agency for Development;

<sup>2</sup> Recently an article in *Wall Street Journal Europe* (2002) entitled “**Romania worries IMF**” considers that “state-owned sector is still cumbersome and government recorded slow progress in dismantling it”.



## SMALL AND MEDIUM ENTERPRISES, REGIONAL DEVELOPMENT AND NETWORKING....

- guarantees for private entrepreneurs;
  - projects financed by the Romanian Fund for Social Development;
  - investment grants offered by Phare via the Economic and Social Cohesion component;
  - subsidies provided by the EU within the RICOP programme for industrial restructuring and professional reconversion and grants via FIDEL programme (Local Initiatives for Economic Development Fund);
  - loans on commercial basis initiated by international financial institutions (World Bank for exports and investments in food industry, EBRD also for exports);
  - the Romanian-American Fund for supporting private initiative, with capital investments as the main destination;
  - business incubators;
  - consulting centres which have been created using both internal and foreign funds and assistance (From UNDP, Phare, USAID, Know-How Fund of the British government, German, French, Dutch governments, etc.);
  - encouraging the cross-national links between SMEs, universities, research institutes with the support of the Framework Programme Five of the EU, etc.
- The importance of this sector for revitalizing the Romanian economy is also highlighted by setting up, at the end of the year 2000, of the Ministry for SMEs. It has already elaborated a series of financing programmes for SME sector (with the state budget as the main source), according to the national and regional objectives of the National Development Plan for 2002-2005. These programmes refer to (Florescu, 2002):
- support to investment process in the newly established SMEs as well as in the existing ones;
  - creation of the National Fund for SME Credit Guarantee;
  - supporting SMEs' access to training and consulting services;
  - spreading knowledge about successful business experiences in SME sector;
  - creation of the national network of consulting centers;
  - support to SME export activities;
  - setting up and developing new business incubators.
- As a result of all concrete measures and actions the SME sector has recorded a significant dynamism. In the year 2000 the total number of SMEs (fewer than 250 employees in Romania) was 781327, representing 99.6% of total active enterprises and accounting for approx. 46.9% of total employment and 55.9% of turnover (NAED, 2000). Considering the capital ownership type 97.4% of total SMEs are private, 0.3% are state-owned and 2.3% are mixed firms. In general terms, the private sector contributes 65.5% to GDP, 65.7% to exports and 70% to imports (NIS, 2002). As regards the SME distribution by size, 92.9% are micro-firms (up to 9 employees), 5.8% are small (10-49 employees) and 1.3% are medium firms (50-249 employees). Small and medium firms hold approx. 60% of total SME turnover.
- The structure of private sector by activity also reveals some interesting aspects:
- one of ten firms mainly perform an industrial activity;
  - every eight commercial firms correspond to

one in industry and every 34 to one in construction sector;

- 88% of micro-firms belong to commerce and service sector; while 59.5% of medium firms belong to industry and constructions; the share of industrial medium firms is increasing;

- within industrial SMEs those belonging to food, light and wood industry prevail (more than 57% of total industrial SME number); still, chemistry and machine-building have recorded a significant growth in recent years.

Related to these facts it is useful to explore the opinion of SMEs with regard to the *obstacles* they have had to face for their development. They mainly refer to (CRIMM, 1998, NAED, 2000):

- the uncertainty of the political framework;
- the incomplete, immature and continuously changing legal and institutional framework;
- the adverse macroeconomic framework: high rate of inflation, price instability, low level of demand;
- financial aspects: high tax level, difficulties with access to financial sources (high interest rates to bank credits);
- infrastructure aspects (including lack of premises), relationships with governmental organizations and access to new technologies;
- human capital quality-related problems;
- insufficiency of agreements with foreign entrepreneurs and business firms, etc.

The international experience shows that, in order to improve the existing situation, governments establish objectives and plans applicable to the whole business sector, regardless the firm size. Sometimes policies and

programmes specific to SMEs can be added to these general measures. The overall objectives take priority, have a common content in majority of cases and are essential to SME development as well. They focus on:

- ensuring a stable fiscal and monetary framework, including reasonable levels of interest rate, with inflation under control;
- the development of a financial market system able to stimulate saving process and to offer mechanisms for transforming savings into investment;
- applying adequate policies for competition protection;
- human capital development;
- ensuring a favorable climate for new firm formation and the development of the existing ones;
- encouraging co-operation and partnership between firms;
- applying clear rules with regard to ownership and contract discipline.

In addition to the overall economic policy the Romanian government has adopted by the beginning of 2001 special measures in order to stimulate the SME sector such as: exemption from paying custom tariffs for equipment and know-how, from paying profit tax provided that profit is reinvested, lessening bureaucratic chain and so on. Though, besides opinions for and against, doubts have been formulated with regard to proper running of these measures.

In conclusion the most important action for supporting SME sector consists in encouraging business environment and overall economic development, accompanied, when

necessary, by measures able to respond to objective requirements specific to SMEs.

### **3. Territorial distribution of SMEs and their role in territorial development and networking**

For grasping the facts revealed by this distribution it is first necessary to mention that Romania's administrative-territorial structure comprises one regional level – the counties, named “judete”, corresponding to NUTS3 level of the EUROSAT (there are 41 counties plus Bucharest municipality) and one local level (cities, towns, communes). Also, according to the Regional Development Act 151/1998 eight development regions, corresponding to NUTS2 level have been established on a voluntary basis (without being administrative units) in order to ensure the regional development policy elaboration and implementation framework. Each region comprises between 4 and 7 counties (excepting Bucharest-Ilfov region).

The territorial distribution of SMEs generally reflects the discrepancies in terms of county size and economic development level but also reveals facts describing the specific conditions of SME sector development (CRIMM, 1998, NAED, 2000)<sup>3</sup>.

Thus, more than 20% of SMEs are concentrated in Bucharest. The same city holds an even higher share in constructions and services (26.2%, respectively 26.3%) but its share is under 20% in commerce and only 16.1% in

industry.

The number of SMEs is directly correlated with the county size (in terms of population) and the level of economic development. Eight counties which have – each of them – more than 3% of total number of SMEs hold together 28.4% of this number (Bihor, Brasov, Cluj, Constanta, Dolj, Iasi, Prahova, Timis). Most of them are big and well developed counties. The same eight counties have 21.1% of industrial SMEs, 33% of construction SMEs and 29% of service ones. At the opposite pole eight less developed counties (Ialomita, Mehedinti, Tulcea, Salaj, Teleorman, Vaslui, Calarasi, Giurgiu) account for less than 5% of industrial SMEs, which represent less than 1% in each of these counties. This fact demonstrates a high polarization of SME sector in industry and construction. The distribution by county of commercial SMEs is more homogenous, the share varying between 0.7% (Salaj) and 4.1% (Cluj).

The sectoral distribution of SMEs at county level brings about new facts. For example, in Bucharest the commercial and service SMEs prevail (61.2%, respectively 22%). The share of industrial SMEs is only 6.8%, compared to 9% at national level. In respect to SME sectoral structure at county level is important to point out that the share of industrial SMEs within the sectoral distribution of SMEs at county level is conditioned neither by the county size nor by their economic development level. Data suggest that the industrial SME share is rather influenced by the available resources of each county. This confirms the orientation towards those SMEs able

<sup>3</sup> This paper concentrates on comparisons at county level, the regions being more homogenous in terms of main economic and social indicators.

to turn to good account the natural advantages of local economies, in accordance with endogenous development principles. Thus, some counties which are not among the most developed ones have a higher share of industrial SMEs compared to the national average due to wood industry (Covasna, Harghita, Maramures), light industry (Arad, Neamt, Satu Mare), food industry (Alba, Bistrita-Nasaud, Sibiu) which have found there favourable conditions for their development.

Considering the circumstances specific to the transition period the commercial SMEs are predominant in all counties. A tendency of negative correlation can be noticed between the share of commercial SMEs and SMEs in service sector.

These structures can suffer significant changes only in so far as the private sector of SMEs is consolidated within a sustained restructuring process.

The developments expected can also determine a real, significant SME networking at territorial level. So far, even though studies especially devoted to this phenomenon have not been undertaken, a series of clues about the actual state of SME territorial networking in Romania can be drawn from various *indirect sources*. The most suggestive are two surveys organised by the Romanian Centre for SMEs for specific purposes: one of them is a special study regarding the barriers to SME sector development, the other one concentrates on barriers to SME sector's exports (CRIMM, 1998). Updated – even though fragmented, partial – evidence is pointed out as well by the monthly

Entrepreneurial Barometer run by the National Council of Romanian SMEs and *Revista I.M.M.* (SME Journal). It is also worth to be mentioned the information provided by the research study undertaken within the International Centre for Entrepreneurial Studies in Bucharest in 1998, which identifies a couple of emerging industrial clusters in Romania and proposes policies to support their development such as growth poles and triangle pattern of development (Manea, 1999).

The analysis of the information provided by these sources has revealed that the SME territorial networking phenomenon has already appeared in Romania, although it is still in an *incipient stage*.

The geographical distribution of supply and delivery markets and other additional facts suggest the creation of the overall framework for networking not only at regional (county) level, but also at interregional and international level. Within these networks SMEs interact mainly with other firms of the same sector and size but, in various cases, with big state firms as well. Empirical observations demonstrate that SMEs have focused on those products/services able to create a competitive advantage but so far there is not enough information to measure the scope, the extension of the process of parallel outsourcing of functions that could be better performed by specialized suppliers within indirect vertical integration through the creation of networks of local subcontractors, nor the creation of spin-offs and new firms in related sectors. These still remain subjects for further studies in this field.

Although industry represents a major factor able to mobilize local economies, constructions, commerce and services play an active role as well, according to the special features of transition and new developments in local production systems. For example production services such as wholesale trade, logistic activities, banking and insurance, etc. have been more and more integrated in territorial networks.

Encouraging signs of networking have also appeared between firms and universities, modern consulting services, training centres, sectoral associations of producers, local public administration, chambers of commerce, following endogenous development models. Counties with longstanding industrial traditions, where higher education institutions are also located are particularly active in innovation process and promotion of new entrepreneurial skills. Unfortunately innovation support has lower priority in public policy. Not only in Romania, but in all former socialist countries “there is a strong danger that the old R&D infrastructure, much of which could still provide a basis on which to build, is being weakened by funding cuts which took place after the transformation to a market system began” (Funck and Kowalski, 1997, p.413). That is why universities are more involved in promoting R&D at local level than the old research establishments belonging to the national academy of science or ministries.

On the other hand privatization of state enterprises and the establishment of a quite large

number of SMEs is gradually transforming the economic behaviour of economic actors. These private firms are well financed and compete against each other, being motivated to create new products, introduce new technologies, produce more cheaply, sell more efficiently.

As the analysis has demonstrated the participation of foreign capital in Romanian SMEs<sup>4</sup> also influences the innovation mechanisms and innovative behaviour. Foreign partners do not contribute only to the diffusion of new technologies but also bring about new ways of behaviour, new business routines, new mentalities, which are essential for the success of transition to the market economy.

From networking perspective SMEs can perform a role in an international framework when they are closely integrated with other firms in foreign countries. One of the characteristic phenomena from this viewpoint in Eastern Europe, including Romania, is subcontracting agreements between foreign SMEs and domestic ones within a process of outsourcing some parts of production by the former.

Another interesting phenomenon presented in studies devoted to the internalization process of SMEs is the increased activity in the same foreign countries of many small entrepreneurs originating from the same region (Cappellin, 1998). A relevant example is the activity of the Italian Veneto region’s entrepreneurs in Romania. They are mostly interested in South-West and Western regions of Romania due to the

<sup>4</sup> In general terms the regional distribution of new firms with private foreign capital is characterised by a high concentration in city of Bucharest, West and North-West regions as well as south-east counties bordering the Black Sea, revealing the importance of the economies of scale and, respectively, of proximity to international connections (Traistaru, 2001).

advantages in terms of infrastructure (especially transportation infrastructure: airports with direct flights to/from Italy, good rail and road networks) and traditional relationships in some industries (textile, leather, wood, furniture).

There are also numerous projects of SME development included in the transborder co-operation programmes (e.g. those financed by Phare). Various examples of microintegration can be found not only in traditional industries like leather, clothing, metalworking, furniture, chemistry, car industry, electric appliances but also in advanced ones such as computer peripherals, software, electronic goods. The better the economic situation in a country, the more numerous the firms of the latter category (Török, 2001).

In general terms the measures aimed at encouraging a healthy business environment and overall economic development can contribute to supporting the expansion of SME sector, with all entailed advantages for the local and regional dynamism. Of course, specific measures are also required and should be integrated in active regional policies promoting SME development and networking within the endogenous development model.

#### **4. SMEs and regional policy**

Integrated in the process of reform required by the transition to the market economy, Romanian regional policy suffers a series of influences induced by the difficulties of this period, the clear tendency to decentralization, the increasing territorial competition. Under

these circumstances one of the major options focuses on turning to good account the natural advantages of local economies, in accordance with endogenous development objectives. The modern outlook of this model is centred on local production systems which are not seen just as a territorial concentration of specific firms working in the same sector or in closely related sectors but also as a specific form of organization of the close relationships among all local actors. It seems that the NEC type of local production systems, based on intense SME networking can serve as a model for the regional policies aimed at supporting SME development in the countries in transition, Romania inclusively.

In general terms the importance of SME sector to regional policy derives from their ability to innovate, their contribution to the performance of less developed regions and their role in the revitalization of certain industrial regions. In the case of countries in transition this sector has a specific relevance and a series of particular advantages such as (Dragusin, 1998):

- as a source of intensifying competitiveness, SMEs act as an engine of structural changes and economic revitalization, following decentralization;
- SMEs can absorb a part of the unemployment resulted from a radical restructuring of industrial giants;
- SME sector can facilitate the transfer of economic resources from declining sectors to the prosperous ones;
- SME development can substantially contribute to the increase in the number of entrepreneurs and, thus, to creating a new social

category, very important to setting the social basis of transition;

- SMEs diminish the regional consequences of privatization and/or restructuring for regional development;

- SME activity can contribute to reestablishing the macroeconomic equilibrium and moving towards a relative stability state, with a certain price of transition.

These potential advantages have determined a special concern with SME development in Romania's National Development plan and corresponding sectorally and regionally oriented programmes. Without neglecting the importance of large firms for restructuring the production systems, the SME sector has been particularly focused by programmes aiming at reconstructing the regional economies in accordance with the specific problems of various areas (e.g. disadvantaged areas, growth potential areas, border areas, etc.).

Though, as already presented, the basic requirement for making SMEs a true factor of local dynamism is *the integration in territorialised networks*. Up to present this objective has not been offered the adequate importance (as a major objective, not only partially, indirectly envisaged) so that this paper proposes some reflections that could be considered by the Romanian regional policy in the forthcoming years, as resulted from the analysis of the international experience and literature devoted to territorial networks.

To meet the condition of creating and enhancing territorial networks regional policy has several *complementary solutions* that have to be

applied considering the stage of development of SME sector and the perspectives after the completion of transition.

First, an *appropriate, comprehensive institutional and legal framework* must be established, as pre-condition for the success of any policy measure. The reform of public administration should have in view the replacement of the so-called 'prescriptive approach', based on dirigisme or top-down planning and characteristic to the centrally-planned economy, by a *'transactional approach'* where both national and local government define general norms ("rules of the game") and "aims to remove the obstacles to a greater and more flexible integration among various economic actors through the provision of 'public goods', such as information, infrastructure, services, and strategic initiatives based on public-private cooperation" (Cappellin, 1998). Within this framework the policies of territorial organisation can be combined with the traditional instruments of local development policies, such as financial incentives and provision of specialized producer services. Such a framework can contribute to a gradual transition from the traditional model of industrialization, supporting production systems based on economies of scale, to the *networking model*, based on *partnership*, locally bounded *spill-overs*, *flexibility* and *knowledge* and able to create and nurture the so-called "*sense of belonging*" (Cappellin and Steiner, 2002).

Taking into account the situation existent before 1990, a special emphasis should be put on enhancing the idea of *entrepreneurship*, SMEs being able to bring about an important

contribution. It is often stated that a region can regain its dynamism if it regains its entrepreneurs (Coffey and Polèse, 1985). Of course, in the case of Romania the problem is not to regain, but to create a generation of true entrepreneurs, characterised by qualities of responsibility, spontaneity, imagination, capacity to predict and to adapt to change by detecting new opportunities, development strategies, identifying new resources, and relational know-how with people and the environment.

In order to stimulate the spirit of enterprise regional policies have to consider the particularities of each region from structural (nature of industries, size of firms), socio-cultural (occupational profile of the local population), economic (local availability of factors of production, such as premises or capital, and demand for new firm product from particular geographical markets) viewpoint (Maillat, 1990).

Another aspect that has not been paid the attention deserved is strengthening SME *research and innovation*. It has been argued (Funck and Kowalski, 1997) that even with limited financial resources – that is a very tough constraint to the countries in transition – the formulation and implementation of this policy is possible and necessary. The elements of such policies should encompass: promotion of development of small technology-oriented companies; assistance in the restructuring of applied research institutes; promotion of interaction between SMEs and technology organisations; provision of training in activities related to the innovation process;

creation of national and regional transfer channels and policy, able to support the networks based on co-operation and learning as infrastructure for innovation (Cappellin and Steiner, 2002).

The integration of SME activity in a complex networking – at regional, interregional, international level – requires intense efforts for implementing large-scale *infrastructure* projects. So far infrastructure is in the worst situation in Romania and this is considered a serious bottleneck in economic development<sup>5</sup>.

Without being exhaustive the exposure of some priorities of regional/local policies centred on SME sector development stresses an important idea: the local dynamism does not result from the action of separate firms but from their *overall* behaviour. This phenomenon is illustrated by the notion of *milieu* or local environment–based approach that is concerned with understanding the firm in its local and regional context. As described by Aydalot and Keeble (1988, quoted by Maillat, 1990, p.345), “the firm, and the innovating firm, are not viewed as pre-existing in or separate from the local environment, but as being a product of it. Local milieus are regarded the nurseries, the incubators of innovation and innovative firms... The historical evolution and characteristics of particular areas, their economic and social organization, their collective behaviour, the degree of consensus or conflict which characterizes local society and economy, these are major components of innovative behaviour...

<sup>5</sup> A KPMG survey reveals that the main barriers perceived by foreign investors in Romania are stifling bureaucracy (71%), poor infrastructure (60%) and corruption (55%).



This approach implies that innovative behaviour is as much dependent on variables defined at the local and regional level as on national scale influences. Access to technological know-how, the availability of local industrial linkages and inputs, the impact of close market proximity, the existence of a pool of qualified labour – these are the innovation factors which will determine areas of greater or lesser innovative activity within the national space”.

The milieu is composed of material and non-material elements, connected with hard/soft location factors acting within a given territory (Kowalski and Rottengather, 1998). The material elements are organised around the territorial production system, the local labour market and the territorial scientific system, closely interrelated. The non-material elements refer especially to the technical culture, but other aspects like the creative climate, the identification of local citizens with their location – city or region – based on historical and cultural motivation and future aspirations (Funck and Kowalski, 1996) should also be considered<sup>6</sup>.

In conclusion, the policy measures meant to improve the frame conditions for SMEs and overall regional development should constitute a *coherent 'package'* including economic, legal, infrastructure, cultural and socio-political elements. “The aim of the package must be the definition of a *'regional profile'*, stressing and taking advantage of specific feature of each local

area” (Funck and Kowalski, 1997). This conclusion brings about a new perspective on *regional competition* as well, especially for Central and East European countries, confronted with the EU accession requirements. As pointed out by international experience, in an increasing regional competition there will be always winners and losers, but “it is important to recognize the difference between *absolute* and *relative* winners (and losers)” (Nijkamp, 1997, p.3). This is what gives the main sense to bringing the SMEs and territorial networking question as a noteworthy issue in the debates about current regional policies in the countries in transition: regional development process in these countries follows the same rules as in the developed ones. Though, certain preconditions and institutional settings are required for ensuring a promising regional development and competitiveness. Clusters and networks are one of these prerequisites: they do not represent only technical linkages between firms and development bodies within a region or institutions able to internalize external effects, but also require a certain institutional environment to function properly. Consequently, regional policy for new market economies and transition countries still requires “starting a *learning process* for the establishment of local clusters and networks” (Steiner, 2002, p. 220).

<sup>6</sup> Such a background can create the basis for expanding a new, recent approach to business networks – *netwinning* - which brings together concepts related to territory, networks and businesses and the links between them. It has been developed within a project funded by the EC's Directorate-General for Regional Policy under Recite II programme, aiming at examining how partnerships between companies in the same geographic zone could be developed to enhance innovation and competitiveness (*Innovation and Technology Transfer* 2002).

## 5. Conclusions

SME sector represents an important source of local and regional dynamism. Even though the big firms remain a key factor of restructuring the productive system, from regional viewpoint the SME activity appears as a strategic one for each region's economic reconstruction, provided SMEs be included in a well-structured environment, in a coherent territorial network, involving links, relations, exchanges between them and other economic agents (like banks, higher education institutes, training centers, consulting firms, chambers of commerce, local public administration).

In order to turn to good account the development potential of the Romanian SMEs, a stronger support should be offered to this sector within the overall economic policy, concentrating on three aggregate objectives: the removal of any administrative, financial, legal, etc. barriers that still hinder the SME starting-up and development; the provision of assistance and information to SMEs; encouraging cooperation and partnership between firms.

The analysis undertaken in this paper has revealed that some of the overall co-ordinates for networking not only at regional level but also at interregional and international level have been created but so far there is not enough information to measure the scope of this phenomenon. The extension of the process of parallel outsourcing of functions that could be better performed by specialized suppliers within indirect vertical integration through the creation of networks of local subcontractors, the creation

of spin-offs and new firms in related sectors, the relations between firms and other actors acting within regions, etc. still remain subjects for further studies in this field. At the same time regional policy should focus explicitly on the objective of supporting networks creation, within a well-organized learning process.

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## LA ZONE EURO ET LA MONNAIE UNIQUE FACE A L'ELARGISSEMENT DE L'UNION EUROPEENNE

**Michel Lelart\***

***Abstract.** Ten countries from Central and Eastern Europe, as well as Cyprus and Malta, have applied for membership to the European Union. This fifth enlargement, which is the first one since the creation of the euro zone, is expected to have some impact on the institutional framework of the single currency area. This article examines, by stages, the consequences of the enlargement process on the use of the euro as an international currency, on the organisation of the ECB, and on the economic policies in the EU, including monetary and foreign exchange policies. The defined stages start with the current candidate countries (the outs), to the period when they become Member States of the EU (the pre-ins), and finally to the stage when they ultimately join the euro zone (the ins). With this current EU enlargement process, the consequences are nothing less than the beginning of a new era for the euro.*

La Communauté européenne est passée de six membres en 1957 à quinze membres aujourd'hui. Les quatre élargissements qui se sont succédé pendant cette période n'ont pas posé de problème majeur. Le premier en 1973 a concerné la Grande-Bretagne, l'Irlande et le Danemark, mais ces trois monnaies avaient intégré le serpent dès sa mise en place l'année précédente... elles l'avaient ensuite quitté. Le deuxième amendement en 1981 a concerné la Grèce, le troisième en 1985 l'Espagne et le Portugal, mais le Système Monétaire Européen qui est alors en place est très souple puisqu'il permet à un pays d'adopter des marges plus larges de 6%, voire même d'attendre pour en adopter, et un pays peut toujours dévaluer sa monnaie. De plus, les

nouvelles monnaies pourront être introduites dans le panier de l'Ecu à l'occasion d'une prochaine révision, prévue tous les cinq ans. Le quatrième élargissement qui concerne l'Autriche, la Finlande et la Suède intervient dix ans plus tard, en 1995. Le processus qui aboutira à la monnaie unique est alors en marche, mais l'euro est encore loin, le SME est toujours en place, les marges ont même été portées à 15%. Quant au panier, il est gelé depuis le 1er janvier 1994. Il n'y aura donc plus de révision et les nouvelles monnaies ne seront pas introduites dans le panier.

Il en est tout autrement avec le cinquième élargissement qui s'annonce et qui concerne dix pays d'Europe centrale et orientale (les PECO),

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qui comprennent les trois pays baltes et auxquels s'ajoutent Chypre et Malte. C'est par conséquent une douzaine de pays qui vont entrer dans l'Union Européenne, ce qui portera le nombre de ses membres de quinze à vingt-sept. Mais surtout ces pays qui faisaient partie du bloc communiste et dont trois d'entre eux étaient même des républiques socialistes soviétiques, ont entamé une transition commencée il y a plus de dix ans mais qui est loin d'être terminée. Et ils ne sont pas seulement très éloignés des pays actuellement membres de l'Union, ils sont également très différents les uns des autres par leur poids économique et démographique, par leur spécialisation héritée de l'ère communiste, par les progrès qu'ils ont faits avec plus ou moins de succès sur la voie de la transition... et par le niveau de vie de leur population (cf. annexe 2). Ce nouvel élargissement se présente donc, sur le plan économique, comme un tout autre défi.

Il l'est surtout parce que, cette fois, l'euro est là, dans les comptes depuis le 1er janvier 1999, dans les poches depuis le 1er janvier 2002. Et s'il n'est la monnaie légale que pour douze pays sur les quinze - pour l'instant - il n'est pas sans conséquences sur le processus d'adhésion. Il peut en effet la rendre plus facile, dans la mesure où l'Union monétaire européenne prend désormais tout son sens puisqu'elle n'est plus seulement un projet, elle veut dire, et concrètement, une seule monnaie. Cette monnaie commence même à circuler, modestement, dans les pays candidats qui ont presque tous une frontière commune avec l'Union et dont les monnaies sont presque toutes plus ou moins directement rattachées à l'euro. La

monnaie unique renforce l'attrait des populations qu'elle rend plus disposées à faire les efforts qui s'imposent pour rejoindre l'Union. Ainsi l'arrivée de l'euro a des conséquences favorables sur l'adhésion des PECOs.

Mais l'inverse est-il vrai ? L'élargissement dont il est actuellement question - le cinquième - aura-t-il un impact positif sur la monnaie unique ? Il n'est plus question, cette fois, d'un impact sur la mise en place de l'euro, puisque c'est chose faite, mais d'un impact sur le fonctionnement de la Zone euro, sur sa gestion, et par le fait même sur sa valeur future. Si l'on peut imaginer un impact positif à long terme, quand l'euro sera devenu la monnaie unique d'une Europe élargie, il est à craindre qu'à plus courte échéance l'élargissement risque de poser de vrais problèmes à la Zone euro.

Le Traité de Maastricht a prévu trois phases dans le passage à la monnaie unique, et il a précisé les conditions auxquelles les pays membres de l'Union pourraient passer à la troisième, adhérer à l'Union monétaire et adopter l'euro. Ce sont les fameux critères de convergences relatifs à l'inflation, au taux d'intérêt, au déficit public, à la dette publique et au taux de change. Mais alors que normalement tous les pays membres doivent un jour ou l'autre, quand ils respecteront ces critères, adopter l'euro, le Traité de Maastricht a autorisé expressément deux pays à ne jamais passer à la troisième étape. Ce sont le Royaume-Uni et le Danemark qui ont négocié chacun un protocole (n°11 et 12) annexé au Traité et qui, avec la Suède qui, pour l'instant ne remplit pas les critères, sont des « pré-ins ». Ces dispositions sont applicables

aux nouveaux pays candidats, mais avec deux variantes qui ont été introduites au Sommet de Copenhague en décembre 1993.

- *La première* tient à ce que les PECO doivent satisfaire à certaines conditions pour adhérer à l'Union, avant qu'il ne soit question pour eux d'adopter l'euro. Ce sont les critères dits de Copenhague, qui imposent d'avoir au préalable restauré des institutions garantissant la démocratie, rétabli une économie de marché viable, capable de faire face à la pression concurrentielle et aux forces du marché, enfin adopté intégralement l'acquis communautaire.

- *La seconde* tient à ce que cet acquis communautaire comprend l'acceptation des objectifs de l'Union économique et monétaire.<sup>1</sup> Cela signifie que tous les pays doivent faire en sorte de rejoindre un jour la Zone euro et d'adopter la monnaie commune, dès qu'ils rempliront les critères. Aucune échéance n'est fixée, mais il n'y a plus de dérogation possible comme pour le Royaume-Uni et le Danemark. Il n'y aura donc plus d'autres pays « dérogeants ».

Le prochain élargissement qui devrait concerner dix pays, puisque la Roumanie et la Bulgarie adhéreront plus tard, se déroulera donc en trois temps<sup>2</sup> (cf. annexe 1) :

- Pendant *la pré-accession phase* qui correspond à la première phase prévue par le

Traité, les Etats qui ne sont encore que candidats se préparent à la fois à remplir les critères de Copenhague et à respecter les dispositions du Traité prévoyant la levée des restrictions aux mouvements de capitaux ; l'interdiction faite à la banque centrale de prêter au secteur public et l'interdiction faite aux institutions financières d'accorder un financement privilégié à ce secteur (art. 116).

- Pendant *l'accession phase*, qui correspond à la deuxième phase prévue par le Traité, les Etats qui ont été admis à entrer dans l'Union et qui s'apparentent alors aux *pré-ins* se préparent à remplir les critères de convergence. Ils doivent aussi entamer le processus conduisant à l'indépendance de leur banque centrale (art. 116) et respecter les interdictions relatives au financement du secteur public (art. 101 et 102) ; ils doivent considérer leurs politiques économiques comme une question d'intérêt commun et les coordonner au sein du Conseil (art. 99) ; ils doivent s'efforcer d'éviter les déficits publics excessifs (art. 116) ; ils doivent enfin traiter leur politique de change comme un problème d'intérêt commun (art. 124).

- Pendant *la final euro phase*, qui correspond à la troisième phase prévue par le Traité, les pays qui ont été admis à entrer dans la Zone euro sont devenus membres à part entière. Ils continuent à coordonner leurs politiques économiques, et ils doivent éviter les déficits

<sup>1</sup> Cette disposition a été introduite dans le traité d'Amsterdam, et elle concerne tous les pays candidats potentiels, et pas seulement les PECO.

<sup>2</sup> Cf. le Rapport de la Commission, **Enlarging the European Union – Accession Partnerships**, Bruxelles, 1998.

publics excessifs (art. 104) et non plus seulement s'efforcer de les éviter...; ils participent pleinement au Système Européen de Banques centrales responsable de la politique monétaire qui devient unique et ils abandonnent toute politique de change puisque leur monnaie est remplacée par l'euro.

C'est en considérant successivement ces trois périodes, auxquelles correspondent trois situations différentes pour les pays concernés, avec chaque fois des obligations à respecter et des engagements à prendre, que nous allons examiner quel impact pourrait avoir l'élargissement sur la monnaie unique et le fonctionnement de la Zone euro, et quel défi il représente pour la Communauté.

### **1. L'impact de l'élargissement dès avant l'accession**

On voit mal en quoi l'élargissement qui s'annonce pourrait avoir dès aujourd'hui des répercussions sur l'euro. Le coût qu'il représente pour la Communauté et qui reste marginal est un problème de répartition budgétaire. La plupart des obligations faites aux pays qui souhaitent adhérer à l'Union ne concernent pas la monnaie (la démocratie, l'économie de marché, l'essentiel de l'acquis communautaire...). Quelques-uns la concernent mais qui n'ont aucune conséquence sur l'Union elle-même (par exemple le financement du secteur public). Il en est

différemment de l'obligation de libérer les flux de capitaux, comme des dispositions de l'acquis communautaire relatives aux secteurs bancaire et financier. Mais c'est plus encore l'usage de l'euro au-delà des frontières de l'Union qui peut avoir, dès maintenant, des conséquences sur cette nouvelle monnaie.

#### *a) Usage de l'euro*

L'euro qui a remplacé douze monnaies nationales, notamment le deutsche-mark, n'est pas seulement la monnaie nationale de douze pays européens, il est devenu une monnaie internationale. Il est d'abord utilisé dans les règlements effectués par les Douze avec des pays tiers, mais aussi par des pays tiers entre eux. Les PECO jouent à cet égard un rôle important, et facile à comprendre puisqu'ils font avec l'Union une part grandissante de leur commerce extérieur et qu'ils en reçoivent la plupart des investissements qui leur viennent de l'étranger. Et on peut facilement imaginer qu'une entreprise polonaise règle en euros des importations de Biélorussie ou qu'une entreprise bulgare finance en euros ses investissements en Turquie. L'euro est aussi utilisé, et par conséquent détenu comme une monnaie refuge, comme l'est le dollar et comme l'était le mark,<sup>3</sup> à la fois dans les PECO... et à leur périphérie. Enfin l'euro fait partie des réserves en devises détenues par les banques centrales... notamment par celles des pays qui

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<sup>3</sup>. Avant l'euro, on considérait que 30 à 40% des billets émis par la Bundesbank circulaient hors d'Allemagne, en particulier en Europe centrale... et en Turquie. *Deutsche Bundesbank, Monthly Report*, mars 2002, page 29 (Aux Etats-Unis, le pourcentage est de 60%).



rattachent leur monnaie, d'une façon ou d'une autre, à l'euro.<sup>4</sup> Dans la perspective de l'adhésion, cette relation ne cesse de se renforcer. Depuis le début de 2002, la Bulgarie, l'Estonie et la Lituanie ont une caisse d'émission qui assure la convertibilité de la monnaie nationale en euro, à un cours inscrit dans la loi sur la Banque centrale ; en Lettonie, la monnaie a une parité fixe par rapport au DTS qui comprend 29% d'euros ; la Hongrie fait flotter sa monnaie dans une marge de 15% par rapport à l'euro ; la Slovénie, la Slovaquie et la Roumanie gèrent le flottement de leur monnaie en prenant l'euro comme monnaie de référence implicite. Enfin la livre chypriote a une parité fixe vis-à-vis de l'euro, et la lire maltaise a une parité fixe vis-à-vis d'un panier qui comprend majoritairement de l'euro.<sup>5</sup>

On connaît les conséquences pour un pays du rôle international de sa monnaie. Il est moins soumis à la contrainte extérieure, puisqu'il peut régler le reste du monde en sa propre monnaie, mais celle-ci peut être soumise à des impulsions provenant du comportement d'agents extérieurs. Et lorsque ce sont des billets qui circulent à

l'étranger, le pays concerné – ici l'Union monétaire – profite du seigneurage correspondant, mais sa politique monétaire est rendue plus difficile puisque la quantité de monnaie en circulation comprend de la monnaie qui circule aussi à l'étranger.

A vrai dire l'impact quantitatif de ces opérations n'est pas considérable. Le poids économique et financier des PECO reste marginal à côté de celui des Douze, et même à côté de celui des trois « pré-ins »<sup>6</sup>. Mais les choses pourraient changer, et de deux façons.

- *La première* consisterait, pour ces pays, au moins pour certains d'entre eux, à décider de remplacer leur monnaie nationale par l'euro qui se verrait octroyer le cours légal. C'est le phénomène bien connu de la dollarisation, qu'on appelle désormais l'euro-isation, qui serait *officielle* puisque décidée par l'Etat concerné et qui pourrait se faire très rapidement. Elle serait aussi unilatérale, car il est bien évident que cette façon d'intégrer l'Union monétaire, sans aucun préalable ni politique, ni économique, sans aucune garantie sur le niveau de convergence,

<sup>4</sup> Plus de cinquante l'ont fait aujourd'hui ! J.P. PATAT, Quel rôle international pour l'euro ?, *Revue d'Economie Financière*, Dix ans de transition en Europe de l'Est – Bilan et Perspectives, Numéro hors série, 2001, pp. 229-242. Il faut dire que dans ces pays se trouvent les quinze pays africains de la Zone franc, mais aussi le Koweït, le Bangladesh, la Tunisie, le Botswana, le Burundi. . .

<sup>5</sup> Le dialogue entre l'Eurosystème et les pays candidats à l'adhésion à l'UE, *Banque Centrale Européenne, Bulletin mensuel*, juillet 2002, pp. 51-63. Seules la Pologne et la République de Tchéquie laissent flotter leur monnaie – actuellement – sans référence à l'euro. Sur l'évolution de ces régimes de change, cf. V. COUDERT et J.P. YANTICH, **Les stratégies de change des pays d'Europe centrale et orientale candidats à l'Union européenne**, *Revue d'Economie Financière*, op. cit., pp. 381-397.

<sup>6</sup> Cf. la comparaison effectuée en annexe, sur les billets en circulation, les avoirs en devises, les exportations ou importations. Mais cette comparaison ne donne qu'une idée très approximative de ce que représente, pour les douze pays membres, l'adhésion des douze pays candidats.

sans accord sur le taux de conversion de la monnaie nationale en euro, ne peut être acceptée par la Communauté,<sup>7</sup> même si l'euro est actuellement la monnaie officielle au Montenegro et au Kosovo.<sup>8</sup>

- *La seconde* consisterait, pour la population de ces pays, à utiliser de plus en plus l'euro à côté de la monnaie nationale. Il s'agirait alors d'une euro-isation *privée*, qui se ferait au gré des décisions et des comportements des agents économiques, selon des modalités et à un rythme qui ne seraient pas décidés par les autorités, mais qui dépendraient du marché. Cette solution ne peut pas davantage être envisagée favorablement par la Communauté, mais elle pourrait survenir quand même, si par exemple la situation économique dans ces pays se dégradait ou si leur adhésion était simplement retardée. On connaît, en Amérique du Sud notamment, des cas de dollarisation privée et partielle... qui progressent rapidement.<sup>9</sup>

Le rôle international de l'euro va aussi être affecté par l'adhésion elle-même. A mesure que

les pays candidats vont devenir membres de l'Union monétaire, un double phénomène va se produire. D'une part, la Zone euro va s'étendre, gagner en PIB (9%), en population (28%), en superficie (34%) . L'euro sera la monnaie d'un espace économique et financier encore plus étendu, ce qui pourra renforcer son poids... ou altérer sa crédibilité. D'autre part, les transactions des pays membres avec le reste du monde vont se réduire, puisque les pays candidats ne feront plus partie du reste du monde mais de la Zone euro, qu'ils font actuellement davantage de transactions avec l'Union européenne qu'avec les autres pays dans le monde, et que cela devrait s'amplifier. Enfin, les frontières de la Zone euro vont reculer. Cette monnaie sera donc plus proche pour un certain nombre de pays qui se trouvent à la périphérie de la Zone, la Biélorussie, l'Ukraine, la Turquie (qui souhaite aussi adhérer à l'Union) et au-delà, de l'autre côté de la Mer Noire, la Géorgie et l'Arménie... L'euro pourrait, tout doucement, commencer à y circuler... ou à y être thésaurisé.<sup>10</sup>

<sup>7</sup> Cette «euroisation brutale» reviendrait à confondre l'adhésion à l'Union économique et l'adhésion à l'Union monétaire. J.P. BERDOT et J. LEONARD, **La transition des PECOSs vers l'Euroland : le choix d'un régime de change**, *Revue du Marché Commun et de l'Union européenne*, n°458, mai 2002, pp. 319-328. En fait la confusion serait pire que cela puisqu'il pourrait y avoir adhésion à l'Union monétaire avant l'adhésion à l'Union économique, si les politiques économiques n'étaient pas encore coordonnées.

<sup>8</sup> En fait l'euro remplace le deutsche-mark que l'ONU a déclaré monnaie officielle au Kosovo en septembre 1999 et qui a été introduit comme monnaie légale au Montenegro en novembre suivant.

<sup>9</sup> On peut aussi imaginer qu'un pays donne le cours légal à l'euro sans l'enlever à sa monnaie nationale. L'euro serait alors officiellement une monnaie parallèle qui s'imposerait « par le marché ». W.H. BUITER et C. GRAFE, **Banque centrale et choix de régime de change pour les pays candidats**, *Revue d'Economie Financière*, Dix ans de transition, op. cit., pp. 315-345.

<sup>10</sup> Mais on peut penser que le dollar conservera un intérêt comme monnaie refuge car il sera une monnaie étrangère. Cf. L. Van de CRAEN, **Risque de fuite de l'argent noir vers le dollar ?**, *Problèmes Economiques*, n°2741, 19 décembre 2001, pp. 8-9. A l'inverse, l'euro aura toujours l'avantage d'exister en grosses coupures (500 euros, soit 3.350 FF ou 1.000 marks ou autant de dollars...).

*b) La stabilité du système bancaire et financier*

Une autre conséquence de l'élargissement tient à l'article 56 du Traité de Maastricht qui imposait aux pays membres, dès le début de la deuxième étape, le 1er janvier 1994, de supprimer toutes les restrictions aux paiements et aux mouvements de capitaux. Cette interdiction concerne donc les institutions et les marchés, les transferts monétaires et les flux financiers. Et elle est d'autant plus générale qu'elle concerne à la fois les relations entre les pays membres et les relations entre les pays membres et les pays tiers. Ces dispositions s'appliquent aux pays candidats qui doivent prendre dès maintenant les mesures nécessaires pour respecter ces obligations au moment de leur accession.<sup>11</sup> La liberté des transferts et des flux de capitaux constitue en effet l'un des éléments qui reflètent la capacité des pays à faire face aux pressions concurrentielles et aux forces du marché (le deuxième critère de Copenhague).<sup>12</sup>

Des clauses de sauvegarde et des périodes de transition étaient naturellement prévues par le Traité. Mais d'ores et déjà les pays candidats ont commencé à libéraliser les transactions financières. Tous ont accepté les obligations de l'article 8 des statuts du FMI qui interdit les

restrictions sur les paiements et les transferts afférant aux transactions internationales courantes, et ils ont levé la plupart des restrictions relatives aux investissements directs étrangers. Des contrôles restent appliqués ici ou là, mais ils concernent essentiellement les opérations de court terme,<sup>13</sup> et ils devraient être progressivement allégés. Cette libéralisation entraîne une augmentation des flux de capitaux, qui peuvent entrer puis sortir, ce qui nécessite à la fois que les banques ne soient pas vulnérables et que le système bancaire soit solide, que les marchés financiers soient suffisamment développés, enfin que les institutions comme les marchés fassent l'objet d'une régulation efficace. Au niveau international, le FMI a regretté que la libéralisation ait été trop rapide dans certains pays émergents... il recommande désormais qu'elle soit décidée au cas par cas et mise en place d'une façon progressive.

Des progrès considérables ont été effectués à cet égard dans les PECOS depuis dix ans. Les banques ont été restructurées et privatisées, des banques étrangères se sont implantées, les bourses de valeurs ont été ré-ouvertes, la réglementation bancaire a été améliorée, un contrôle des marchés a été institué... La nécessité d'adopter l'acquis communautaire a amené tous ces pays à accélérer les réformes et à se rapprocher des pratiques et des normes

<sup>11</sup> L'article 116 du Traité de Maastricht impose en effet aux pays d'adopter, dès avant la deuxième étape, les mesures appropriées pour se conformer à l'interdiction de ces restrictions.

<sup>12</sup> Cf. **L'Eurosystème et le processus d'élargissement de l'UE**, BCE, *Bulletin mensuel*, février 2000, pp. 39-51.

<sup>13</sup> Ainsi que, pour tous les PECOS, les investissements immobiliers et les acquisitions de terrains. Mais les raisons sont cette fois politiques. Le FMI publie un « indice de libéralisation du compte de capital » pour chacun des PECOS. L'indice global va de 12,5 (Roumanie), puis 24 (Slovaquie) et 35 (Bulgarie) à 98 (Estonie et Lettonie). *Perspectives de l'Economie mondiale*, octobre 2000, page 175.

communautaires. Mais le chemin à parcourir est long, une douzaine d'années sont loin de suffire à réduire sensiblement l'écart entre ces pays qui reviennent à l'économie de marché et ceux qui l'ont toujours pratiquée. Les chiffres sont éloquents. A l'heure actuelle, les banques des PECOSs détiennent le même volume d'avoirs et de crédits que les banques du land de Bade-Wurtemberg en Allemagne; les marchés financiers ouverts dans ces pays ont la même capitalisation boursière qu'en Irlande; et les opérations effectuées en une année sur les bourses de Varsovie, Prague et Budapest ne dépassent pas les opérations effectuées en dix jours à la bourse de Francfort !.<sup>14</sup>

Et pourtant les entrées de capitaux ont explosé dans ces pays depuis quelques années. En 1999, les investissements directs étrangers ont progressé de 28%, les investissements de portefeuille de 12% et les dépôts bancaires de non-résidents de 18%. C'est que le retard qu'accusent encore ces pays annonce une progression d'autant plus spectaculaire que le rattrapage peut certes prendre du temps, mais il ne saurait être mis en doute, du fait notamment de l'enthousiasme de ces pays pour une adhésion à l'Union et à l'euro. Le risque est donc réel que ces entrées massives de capitaux, qui ne sont pas régulières et qui peuvent se retourner à tout moment, ne rendent les institutions vulnérables et les marchés volatils. Que les pays candidats soient des pays émergents qui tiennent leur place dans la globalisation financière peut constituer

une gêne dès maintenant pour les institutions et les marchés de la Zone euro. Il en sera de même pendant la phase d'accession... et peut-être au-delà...

## 2. L'impact de l'élargissement pendant l'accession

Les pays candidats deviennent membres de l'Union européenne avant de devenir membres de l'Union monétaire. Cette phase est de loin la plus dense sur le plan économique et monétaire. Sa durée n'est pas fixée, elle pourra être la même pour plusieurs pays de la première ou de la seconde vague prévue, mais il y aura certainement des adhésions individuelles, comme celles des trois *pré-ins* actuels, qui pourront être échelonnées sur une période assez longue. Cette phase dite d'accession ne sera pas sans conséquences pour la Zone euro.

### a) Les conséquences liées aux politiques économiques

La phase d'accession dans le processus d'élargissement correspond à la deuxième phase du Traité de Maastricht, pendant laquelle les pays « considèrent leurs politiques économiques comme une question d'intérêt commun et les coordonnent au sein du Conseil » (art. 99). Les nouveaux pays vont donc participer à l'élaboration des grandes orientations des politiques économiques et à la surveillance de l'évolution économique dans chacun des Etats

<sup>14</sup> E. HAMPEL, **Successful Banking in an enlarged EU**, Banque Européenne d'Investissement, *Cahiers-Rapports*, vol. 7, n°1, 2002, pp. 109-115.

membres (art. 98). Et ils devront soumettre un programme de convergence qui ne se distingue guère des programmes de stabilité imposés aux pays de la Zone euro par le Pacte de stabilité et de croissance décidé au Sommet d'Amsterdam en 1997. C'est la surveillance multilatérale, assurée par le Conseil des Ministres qui comprendra des représentants de ces nouveaux pays. Mais avant le passage à l'euro, tous les pays conservaient leur politique monétaire, et ils commençaient en même temps à coordonner leur politique économique. Désormais ce sont les politiques économiques de pays ne disposant plus de leur politique monétaire et d'autres pays en disposant toujours qui seront coordonnées. Les uns pourront agir encore par leur politique monétaire – comme par leur politique de change – alors que les autres ne le pourront plus...

Les nouveaux pays devront aussi « s'efforcer d'éviter » les déficits excessifs, comme tous les pays pendant la deuxième phase (art. 116.4), mais ceux qui sont déjà entrés dans la troisième devront les éviter (art. 104). Les uns et les autres participeront à la procédure de surveillance qui s'ensuit et qui, pour les pays entrés dans l'Union monétaire, peut aller jusqu'à une mise en demeure de prendre certaines mesures et, si l'Etat concerné ne réagit pas, jusqu'à des sanctions qui ont été précisées par le Pacte de stabilité et de croissance. Ces mesures sont décidées par le Conseil des Ministres qui, contrairement au Conseil de l'euro dont nous allons parler, comprend les représentants de pays qui ne sont pas encore dans l'Union monétaire.

*b) Les conséquences liées à la politique de change*

Pendant la deuxième phase du Traité de Maastricht, chaque Etat membre « traite sa politique de change comme une politique d'intérêt commun » (art. 124). Il n'y a pas d'engagement plus précis, ni aucune procédure d'accompagnement. La présence des nouveaux pays « en accession » n'a donc aucun impact à cet égard... si ce n'est que l'un des critères de convergence concerne les taux de change : pour pouvoir faire partie de l'Union monétaire, un pays doit « respecter les marges normales de fluctuation prévues par le mécanisme du système monétaire européen pendant deux ans au moins, sans dévaluation de sa monnaie par rapport à celle d'un autre Etat membre » (art.121). Cette obligation a été précisée par le Conseil européen d'Amsterdam qui a défini un nouveau mécanisme de change européen (MCE n°2) pour les pays qui n'entrent pas dans l'Union monétaire en même temps que les autres. C'est pour l'instant pour les trois *pré-ins*, ce sera demain pour les pays candidats qui devront passer par là pour arriver à l'euro. Ce nouveau mécanisme n'est pas vraiment neutre pour les pays de la Zone euro.

Les pays candidats ont en effet toute liberté quant au choix de leur régime de change. Ils peuvent lier leur monnaie à l'euro... ou à une autre devise... ou à un panier... ou la laisser flotter plus ou moins librement (cf. *supra*). Mais pour accéder à l'Union monétaire, ils devront obligatoirement pendant les deux années qui précèdent rattacher leur monnaie à l'euro et la

laisser flotter autour de ce cours-pivot dans une marge de plus ou moins 15%, qui pourrait être réduite. Pour pouvoir maintenir leur monnaie dans ces marges – en fait pour la soutenir – les banques centrales pourront emprunter des euros, d'une manière automatique et illimitée, à la BCE qui devra elle aussi, ainsi que les banques centrales nationales de la Zone euro, intervenir dans le même sens sur leur propre marché. Mais la BCE qui peut engager d'elle-même une procédure visant à réexaminer les cours-pivots, peut aussi suspendre ce financement automatique s'il est susceptible d'entrer en conflit avec son objectif principal, la stabilité des prix. La BCE a donc un pouvoir considérable puisqu'elle peut évaluer la politique de tous les pays pre-ins et réagir en conséquence si cette politique ne lui paraît pas compatible avec la mission qui lui est assignée. A l'heure actuelle seul le Danemark adhère au mécanisme. Mais quand la Pologne, la Hongrie, la République Tchèque, la Roumanie... y adhéreront, et peut-être ensemble, la BCE pourra-t-elle vraiment refuser de soutenir la politique de change qu'ils mèneront en vue de leur adhésion à l'euro ? Cela reviendrait à leur imposer une dévaluation et donc à retarder leur adhésion puisque les pays candidats ne doivent pas avoir dévalué leur monnaie dans les deux années précédant leur passage à l'euro...

*c) Les conséquences liées à la politique monétaire*

Un autre critère de convergence est le taux d'inflation, qui ne doit pas dépasser la moyenne des trois taux les plus bas de la Zone euro, plus 1,5%. Ce résultat peut être difficile à obtenir pour les PECOs. D'une part, les taux d'inflation dans la Zone euro sont et resteront faibles puisque la stabilité des prix est « l'objectif principal du SEBC » (art. 105). Maintenant que l'Union monétaire est en place, ce critère est devenu plus difficile à respecter, et la Pologne, la Slovaquie ou la Slovénie devront donc faire un effort plus important que celui qu'ont fait autrefois la France, l'Italie ou le Portugal... D'autre part, les critères de Maastricht sont des critères nominaux, mais c'est la convergence réelle qui est la plus importante. Or les PECOs auront du mal à rattraper les économies occidentales s'ils doivent maîtriser aussi fortement leur inflation et faire des politiques restrictives qui ne peuvent que freiner leur croissance et rendre plus difficiles les réformes structurelles.<sup>15</sup> Enfin, ces pays devraient connaître des pressions inflationnistes pour deux raisons. D'une part, parce que la productivité croît différemment selon les secteurs, alors que les salaires ont tendance à augmenter partout autant.<sup>16</sup> D'autre part, les entrées de capitaux devraient progresser encore

<sup>15</sup>. Les pays qui remplissent déjà ces critères ou sont susceptibles de les remplir rapidement sont en phase de récession ou ne sont qu'au début des réformes structurelles. S. BRANA, **L'euro et les économies en transition d'Europe centrale et orientale**, *Revue des Affaires Européennes*, 2001-2002, n°2, pp. 229-239. Les pays les plus en avance dans la transition vers le marché sont les plus éloignés des critères de Maastricht. Parlement européen, **EMU and Enlargement – A Review of Policy Issues**, *Working Paper*, ECON 117 EN, décembre 1999, page 26.

<sup>16</sup>. C'est l'effet Balassa-Samuelson bien connu des économistes, et qui trouve une application particulière dans les PECOs où la productivité augmente plus vite que dans les pays de la Zone euro : c'est le rattrapage.

pendant cette période, d'autant plus que les taux d'intérêt y seront normalement plus élevés que dans la Zone euro, et on sait qu'il n'est pas toujours facile de maîtriser l'inflation qui s'ensuit.

C'est pour toutes ces raisons que l'on envisage parfois un assouplissement des critères de Maastricht. On pourrait par exemple retenir non pas les taux d'inflation des trois « meilleurs » pays, mais le taux moyen dans la Zone euro puisqu'il n'y a plus qu'une seule politique monétaire. On pourrait aussi tenir compte du niveau de développement des pays candidats et retenir le taux d'inflation moyen dans les pays membres au revenu le plus bas.<sup>17</sup> Ces solutions pourraient se comprendre maintenant qu'il ne s'agit plus de mettre en place l'Union monétaire mais d'élargir une union qui fonctionne déjà. Mais elles nécessiteraient des négociations et elles pourraient être interprétées comme des aménagements qui pourraient nuire à la crédibilité de l'euro.<sup>18</sup> En tout état de cause, la phase d'accession sera difficile à gérer... elle le sera aussi pour des raisons de nature institutionnelle.

*d) Les conséquences de nature institutionnelle*

Les pays candidats devenus membres de l'Union Européenne vont également participer aussitôt au Conseil des Ministres – et donc au Conseil ECOFIN – qui n'a aucun pouvoir en matière monétaire, puisque la BCE est indépendante, mais qui n'est pas pour autant sans responsabilité aucune. Ainsi le président du Conseil est autorisé à participer, sans voix délibérative certes, aux réunions du Conseil des Gouverneurs de la BCE (art. 113). Et il peut arriver – et il arrivera plus souvent après l'élargissement – que le président du Conseil soit le ministre des Finances d'un pays *pré-in* qui ne fait pas partie de la Zone euro !...<sup>19</sup>

Le Conseil des Ministres est au contraire directement concerné par la politique de change. L'article III l'autorise à conclure «des accords formels portant sur un système de taux de change pour l'euro» vis-à-vis des monnaies non communautaires et à gérer les cours centraux de l'euro dans ce système; en l'absence d'un tel système le Conseil peut formuler «les orientations générales de la politique de change vis-à-vis de ces monnaies»; il peut décider des arrangements relatifs «aux négociations et à la conclusion

<sup>17</sup>. G. SZAPARY, **Pays en transition : quel régime de taux de change choisir avant l'adhésion à l'UEM ?**, *FMI, Finances et Développement*, juin 2001, pp. 26-29.

<sup>18</sup>. On pourrait aussi se poser la question pour le déficit public qu'il est difficile de réduire dans des pays qui doivent faire autant de réformes. Mais ce critère est appliqué avec plus de souplesse puisqu'on peut considérer son évolution – il suffit qu'il diminue – ou tenir compte de circonstances exceptionnelles - on peut considérer que la transition en est une.

<sup>19</sup>. A l'inverse, le président de la BCE peut être invité à participer aux réunions du Conseil, mais l'élargissement est ici sans conséquences.

d'accords sur des questions se rapportant au régime monétaire ou de change»; enfin il décide de la position de la Communauté sur ces questions, ainsi que de sa représentation au niveau international. On comprendrait mal qu'au sein de ce Conseil, les ministres des pays ne participant pas à l'euro puissent se prononcer avec les ministres des autres pays. C'est pourquoi le Traité a prévu que cet article 113 ne s'appliquait pas «aux Etats membres faisant l'objet d'une dérogation» (art.122.3), c'est-à-dire aux pays *pré-ins*. Pour toutes ces décisions relatives à la politique de change, le Conseil des Ministres ne comprend donc que les ministres des pays de la Zone euro. Il s'agit par conséquent du Conseil de l'euro, mis en place au Sommet de Luxembourg en décembre 1997 à la demande de la France.

Ce Conseil a été conçu comme un organe informel, sans pouvoir réel de décision, dont le domaine de compétence n'a pas été arrêté et qui ne sert qu'à préparer les travaux officiels du Conseil ECOFIN.<sup>20</sup> Son rôle s'est encore réduit à la demande du Royaume-Uni qui a obtenu que les pays *pré-ins* assistent aux réunions quand elles portent sur des questions d'intérêt commun à tous les pays membres. Quand on sait que les pays, dès qu'ils sont membres de l'Union monétaire, doivent considérer leur politique de change comme une politique d'intérêt commun,

on peut penser qu'à l'inverse la politique de change de la Zone euro concerne une question « d'intérêt commun à tous les pays membres ». C'est dire que les PECO participent sans doute à la politique de change de la Zone euro avant d'y être entrés eux-mêmes et alors que certains auront adopté le mécanisme de change imposé avant l'adhésion à l'euro (le MCE 2) et d'autres pas.<sup>21</sup> Ne serait-il pas judicieux de rendre moins informel le rôle de ce Conseil et de lui confier la gestion de la Zone euro...

Jusqu'ici le groupe des *pré-ins* apparaissait transitoire et, malgré la présence du Royaume-Uni, assez marginal. Il n'en sera plus de même avec l'élargissement. D'une part ces pays vont devenir beaucoup plus nombreux, ils pourront même le moment venu regrouper à peu près autant de pays que la zone euro elle-même. D'autre part, ce groupe va évoluer en fonction de «l'accession» de nouveaux candidats à l'Union européenne et de «l'adhésion» des *pré-ins* à l'Union monétaire. Même si certaines de ces «entrées» et de ces «sorties» sont groupées, d'autres seront sans doute individualisées. Et ce mouvement ne prendra fin qu'après un nombre d'années qu'il serait bien imprudent de prévoir aujourd'hui. Dès lors, il apparaît clairement qu'en ce qui concerne le fonctionnement de l'Union monétaire, la phase dite d'accession ne sera pas des plus faciles à gérer !

<sup>20</sup>. E. CELESTINE, **Un renforcement nécessaire des relations institutionnelles en matière de politique économique**, in F HERVOUET (éd.), **Démarche communautaire et construction européenne**, vol. 2 : **Dynamique des méthodes**, *Travaux de la CEDECE, Documentation Française*, 2002, pp. 131-152. Il est surprenant de constater que lorsqu'il énumère la liste des questions qui relèvent du Conseil de l'euro, YT de SILGUY ne mentionne pas la politique de change de la Zone euro. **L'Euro, Le Livre de Poche**, Paris 1998, pp. 283-284.

<sup>21</sup>. Rappelons que la participation à ce mécanisme est facultative. Les pays doivent seulement respecter les marges normales de fluctuation et ne pas dévaluer leur monnaie pendant deux ans pour passer à l'euro.



### 3. L'impact de l'élargissement après l'adhésion

Toutes les difficultés ne seront pas résolues quand l'élargissement sera arrivé à son terme et que les pays candidats auront intégré l'Union monétaire et remplacé leur monnaie nationale par l'euro. Ce changement signifiera pour les pays concernés que la politique monétaire est désormais définie par la BCE, et qu'ils ne peuvent plus utiliser le taux de change s'ils ont besoin d'ajuster leur économie. Cela ne sera pas sans conséquences sur le fonctionnement de la Zone euro.

#### a) Les conséquences au niveau de la BCE

La BCE qui a la responsabilité de la politique monétaire a pour objectif principal de maintenir la stabilité des prix (art. 105). Elle a défini cette stabilité au niveau de l'ensemble de la Zone par référence à l'indice des prix à la consommation harmonisé (IPCH) qui ne doit pas augmenter de plus de 2% par an. Pour atteindre ce but, la Banque souhaite que l'agrégat monétaire M3 augmente de 4,5%, ce qui est compatible avec une augmentation du PIB de 2,5%. Cet objectif a été à peu près atteint : l'inflation a été en moyenne de 2,3% en 2000 et de 2,5% en 2001, mais il s'agit là d'une moyenne qui cache une relative disparité puisque l'écart entre les douze pays a été de 3,3 points en 2000 et 2001.<sup>22</sup> Les pays en transition connaissent actuellement des taux d'inflation sensiblement plus écartés... et

donc nettement plus élevés, pour quelques-uns d'entre eux : moins de 3% en 2000 pour les Pays baltes, la Bulgarie, la République Tchèque, mais 10% pour la Hongrie et la Slovaquie... et 45% pour la Roumanie (cf. annexe 2). Ces taux diminueront d'ici l'adhésion, il faudra bien respecter les critères de convergence. Mais le rattrapage ne sera pas terminé pour autant, et les pressions inflationnistes seront plus fortes dans ces pays, pour des raisons que nous avons évoquées (augmentation de la productivité, entrées de capitaux...). Comment la BCE tiendra-t-elle compte de cette source d'inflation supplémentaire ? Quelle croissance de l'agrégat M3 se donnera-t-elle pour objectif ? De plus, les taux d'inflation resteront différents entre les pays tant que les systèmes financiers ne seront pas homogènes et que les modalités du financement différeront également. Comment la BCE pourra-t-elle tenir compte de ces spécificités nationales ? A vrai dire, une politique monétaire unique aura-t-elle encore un sens pour vingt-cinq pays, surtout si les politiques économiques restent nationales, et alors qu'il sera sans doute de plus en plus difficile de les coordonner ?

Et comment cette politique sera-t-elle décidée ? Le Conseil des Gouverneurs qui comprend actuellement les douze gouverneurs plus les six directeurs, soit 18 membres, passera donc, quand tous les pays candidats seront admis, à trente membres, et même à trente-trois si les trois *pré-ins* actuels passent aussi à l'euro. Les membres de ce Conseil ont chacun une voix.

<sup>22</sup> BCE, **Rapport annuel 2001**, page 39. M. GASPARD, **Trente ans de transition ?**, *Sociétal*, n°32, 2ème trimestre 2001, pp. 45-50.

L'Estonie et Malte auront une voix, comme aujourd'hui le Luxembourg, mais aussi la Belgique et le Portugal, et comme aussi demain la Pologne ou la Roumanie. Au contraire, les banques centrales des *pré-ins*, qui vont devenir membres du SEBC, vont souscrire au capital de la BCE en fonction d'une clé de répartition qui prend en compte, à égalité, la population et le PIB de chaque Etat. Ce capital devrait augmenter d'environ 20%. Dès lors, on peut calculer comment vont se répartir les pouvoirs par rapport à la part de chaque pays dans le capital de la BCE. A l'heure actuelle, l'Allemagne a souscrit 30% du capital souscrit par les Douze, mais elle dispose de 11% des voix au Conseil des Gouverneurs. Après l'élargissement, elle n'aura plus souscrit que 26% du capital et elle aura 6,5% des voix (quatre fois moins) alors que les douze nouveaux pays auront souscrit moins de 17% du capital, mais ils auront 40% des voix (plus de deux fois plus).<sup>23</sup> Formellement ces comparaisons ont peu d'importance parce que les gouverneurs – et les directeurs – ne représentent pas leur pays mais doivent prendre en considération la situation de la Zone euro dans son ensemble. De plus l'objectif de stabilité des prix est inscrit dans le Traité et s'impose par conséquent à ceux qui décident de la politique monétaire. On imagine mal cependant que l'élargissement puisse aller jusqu'à son terme sans que la révision du Traité ne concerne aussi le statut de la BCE.

<sup>23</sup>. Ces pourcentages résultent d'une projection de ce que pourrait être la participation des nouveaux membres au capital de la BCE. Ils supposent qu'aucun de ces pays ne sera représenté au Comité de Direction, et que la Grande-Bretagne, la Suède et le Danemark n'adhéreront pas à l'euro. Dans le cas contraire, le capital de la BCE augmenterait de 27%.

<sup>24</sup>. M. LELART, *Le Fonds Monétaire International et la monnaie unique*, in F. HERVOUET (éd.), op. cit., pp. 153-172.

Et la représentation extérieure de l'Union monétaire lorsqu'elle sera passée de douze membres à deux fois plus... au moins? Sa représentation au FMI ne sera pas affectée. Les « constituantes » qui regroupent des pays disposant ensemble d'un administrateur qu'ils élisent pour deux ans auront été d'ici là renouvelés plusieurs fois et les pays de la Zone euro élargie se seront sans doute regroupés dans des constituantes plus homogènes.<sup>24</sup> Mais aucun de ces administrateurs ne peut exprimer le point de vue de l'Union. C'est le Conseil Européen de Vienne en décembre 1998 qui a décidé que la position de l'Union serait présentée par l'Administrateur représentant l'Etat membre qui exerce la présidence du Conseil de l'euro, ou par le membre compétent de son bureau. Cette solution qui a dû être adoptée à l'unanimité (art. 111.4) s'imposera aux pays qui adhéreront plus tard, comme la décision relative à la représentation au sein du G7 qui a été prise en même temps. On peut parler ici de l'acquis communautaire.

#### *b) Les conséquences au niveau de l'ajustement*

Par le passage à l'euro les pays perdent leur monnaie nationale et le cours qu'elles avaient chacune par rapport aux autres. Il ne reste que le taux de change de l'euro par rapport au dollar, à

la livre sterling – pour l’instant – au yen, au franc suisse... Quand leurs économies évoluent différemment, ou quand l’un d’eux subit un choc extérieur qui n’affecte pas ses partenaires (un choc « exogène » et « asymétrique »), il n’est plus possible de dévaluer... ou de réévaluer. Si l’ajustement ne peut être *monétaire* puisqu’il n’y a plus de taux de change, il doit être réel et se faire par une baisse de la production liée à un déplacement de facteurs de production, notamment de main d’œuvre, à moins que les pays n’aient prévu de faire face à ces problèmes par des transferts, l’ajustement devient alors *budgétaire*. Lorsqu’il y a peu de risques de voir apparaître un choc exogène qui soit asymétrique, ou lorsque les pays peuvent facilement répondre par un ajustement réel, on considère qu’ils peuvent adopter des changes fixes – ils n’auront pas besoin de les modifier – voire adopter la même monnaie et constituer une zone monétaire qui apparaît de ce fait comme la solution « optimale ».

Les discussions sont vives sur la question de savoir si l’Union monétaire européenne est une zone monétaire optimale. La réponse est plutôt négative.<sup>25</sup> On va même jusqu’à penser que la mise en place d’une telle Union accentue le risque que des chocs exogènes soient asymétriques.<sup>26</sup> Dans ces conditions, ou bien ce sont les politiques économiques qui sont

sollicitées, mais on connaît les limites qu’impose le Pacte de stabilité, ou bien il faut prévoir des transferts, mais on sait que le budget communautaire représente – pour l’instant – un bien faible pourcentage des budgets nationaux, d’où le besoin réclamé par certains d’évoluer vers le fédéralisme budgétaire, ce qui serait un pas de plus vers une Europe politique. Qu’en est-il en Europe centrale et orientale ?

- *D'une part*, l’éventualité d’un choc exogène et asymétrique reste grande au niveau des PECO parce que leurs économies sont assez fortement « spécialisées ». Cela tient à l’expérience du CAEM ou COMECON dont douze années de transition n’ont pu effacer toutes les traces. Cela tient au rythme des réformes que ces pays ont entreprises mais qui sont plus ou moins avancées aujourd’hui et qui le resteront jusqu’à ce que tous ces pays aient rattrapé leur retard. Cela tient à l’importance du commerce qu’ils font encore avec la Russie et qui est beaucoup plus importante par exemple pour les Pays baltes...

- *D'autre part*, en présence d’un choc de cette nature, un ajustement réel ne serait pas facile à pratiquer pour les PECO. La mobilité de la main d’œuvre est faible dans tous les pays – excepté entre les Etats américains ! – et elle ne l’est pas davantage en Europe centrale. De plus, elle signifierait des mouvements migratoires qui

<sup>25</sup>. Cf. par exemple J.P. POLLIN, **L’Europe est-elle une zone monétaire optimale ?**, **Monnaie et politique monétaire en Europe**, Documentation Française, *Cahiers Français*, n°297, juillet-août 2000, pp. 63-69, ou C. AUBIN et J. LEONARD, **Fédéralisme budgétaire: et s’il était urgent d’attendre ?**, in F HERVOUET (éd.), op. cit., pp. 223-248.

<sup>26</sup>. C’est la thèse bien connue de P. KRUGMAN, mais elle ne fait pas l’unanimité.

poseraient bien d'autres problèmes au sein de l'Europe élargie. La mobilité des flux de capitaux est certes plus grande et la globalisation financière ne peut que la favoriser. Mais les marchés financiers ne s'élargissent que lentement et il faudra encore bien des réformes pour rendre les systèmes financiers d'Europe centrale aussi performants que dans la Zone euro (cf. *supra*).

Il est bien évident que les PECO ne constituent pas eux non plus une « zone monétaire optimale ». L'abandon du taux de change ne pourra pas susciter un jour ou l'autre des problèmes d'ajustement entre des économies qui ne sont pas près de devenir relativement homogènes. Le degré d'ouverture par exemple, mesuré par le pourcentage des exportations dans le PIB, est de 35% pour la Pologne et 63% pour la Hongrie, de 53% pour la Lituanie et de 87,5% pour l'Estonie. Ces pourcentages vont certainement se rapprocher, mais cela ne pourra se faire que lentement. D'autre part, ces exportations sont largement orientées vers les pays de la Zone euro, mais elle ne le sont pas toutes autant pour chacun des PECO, et elles sont orientées plus ou moins vers tel ou tel pays de la Zone euro. C'est ainsi qu'un choc affectant l'un ou l'autre des PECO, voire même tous ces pays ensemble – le choc alors serait symétrique – aurait des répercussions différentes sur les pays de la Zone euro. En ce sens la simple évolution de la situation économique en Europe centrale et

orientale pourrait bien constituer en elle-même un choc exogène – cette fois asymétrique – pour les pays actuels de la Zone euro...

C'est dire que l'élargissement ne va pas vraiment simplifier les problèmes d'ajustement ! On sait les défis que soulève la combinaison monnaie-budget (« *policy mix* ») dans la Zone euro et que la littérature économique reflète à peu près quotidiennement. On sait aussi les réserves que suscite le Pacte de stabilité, notamment parce qu'il fonctionne « à sens unique », quand un pays est en difficultés, et parce qu'il peut arriver que ce ne soit pas un pays seulement mais l'ensemble de la Zone euro qui connaisse une récession.<sup>27</sup> Toutes ces difficultés ne pourront qu'être exacerbées après l'élargissement, d'autant plus que les petits pays sont habituellement les plus exposés et les plus vulnérables, et que leur nombre va beaucoup grandir<sup>28</sup>... On pourra toujours d'ici là aménager le Pacte de stabilité et mettre en place des réformes qui permettront de rendre plus efficace la *policy mix*, mais la gestion d'une monnaie commune à un nombre de pays sensiblement plus grand gagnera certainement beaucoup encore en complexité.

<sup>27</sup>. Cf. sur ces problèmes, dans les Actes du Colloque de Poitiers publiés sous la direction de F HERVOUET, op. cit., les contributions de C. AUBIN et J. LEONARD déjà citées, de J.L. BESSON, pp. 249-263 et de Y. ECHINARD, pp. 265-287.

<sup>28</sup>. Sur les douze pays membres de la Zone euro actuellement, un seul a moins de trois millions d'habitants. Parmi les douze candidats, ils sont cinq ! Trois ont actuellement moins de six millions d'habitants. Parmi les douze candidats, ils sont sept...

### Conclusion

Le prochain élargissement constitue un défi majeur pour l'Union Européenne. Les premiers ont été effectués pendant l'évolution vers la monnaie unique. On avait bien l'écu, mais qui n'était qu'un panier composé des monnaies nationales et qui n'était pas géré en tant que tel. Les pays n'avaient pas encore passé l'examen de la convergence, on ne savait pas ce que recouvrirait la Zone euro. Aujourd'hui l'euro est là, géré par une nouvelle banque centrale, détenu et utilisé chaque jour par 300 millions de personnes. Et cela change tout. Car cela veut dire que les nouveaux pays candidats doivent satisfaire les critères qui ont été décidés et acceptés par les membres actuels de l'Union monétaire. Cela veut dire que les nouveaux pays candidats doivent accepter l'arsenal juridique qui accompagne la monnaie unique et qui a été élaboré par leurs futurs partenaires. Cela veut dire que les nouveaux pays candidats vont un jour remplacer leur monnaie par une monnaie qui existe déjà, qui a sa valeur propre et que leur population connaît bien pour l'utiliser quelquefois comme une monnaie parallèle qu'ils peuvent préférer conserver plutôt que la leur. C'est dire que le prochain élargissement, contrairement aux précédents, aura des conséquences sur le fonctionnement même de la Zone euro, sur la crédibilité de cette expérience qui se poursuit... et sur la valeur de cette monnaie commune.

*Une première inconnue* concerne la durée de la phase d'accession. Dans le Traité de Maastricht, la deuxième phase, avant le passage à l'euro, était bien précisée : elle commençait le 1er janvier 1994 et devait se terminer en 1997 ou au plus tard le 31 décembre 1998. Quelques pays pourraient se joindre aux autres plus tard, mais à l'exception du Royaume-Uni et du Danemark, cette transition ne devait pas durer bien longtemps. Cette fois on ne sait pas combien de temps va durer la phase d'accession, elle peut être différente pour chaque pays et elle peut être longue pour quelques-uns. Elle peut surtout dépendre de l'attitude qu'adopteront les pays membres. Ils peuvent décider d'accepter assez rapidement les nouveaux candidats, dont la plupart souhaitent entrer rapidement dans l'Union monétaire, parfois même en même temps que dans l'Union européenne... ce qui reviendrait à supprimer la phase d'accession!<sup>29</sup> A l'inverse, les pays peuvent décider de faire durer plus longtemps cette période pour permettre aux pays candidats de rattraper davantage leur retard avant de rentrer dans la Zone euro. On considère parfois que ce rattrapage pourra prendre de 10 à 15 ans pour la Slovénie, mais 30 à 40 ans seront peut-être nécessaires pour les pays qui sont aujourd'hui les plus éloignés!<sup>30</sup> Si la phase d'accession est courte et l'adhésion plutôt prématurée, les difficultés pourront arriver après et elles pourront nuire à la crédibilité de l'euro ; si la phase d'accession est plus longue, les difficultés pourront arriver plus vite, dès avant

<sup>29</sup>. Ce serait le cas pour la Slovénie, la Lettonie et l'Estonie. La Pologne, la Hongrie, la Slovaquie et la Lituanie accepteraient que cette période dure – au maximum – les deux années requises pour participer au MCE 2. Parlement européen, **EMU and Enlargement**, op. cit., pp. 13-14.

<sup>30</sup>. FMI, *Bulletin* du 3 juin 2002, page 172.

l'adhésion, mais elles pourront nuire également à la crédibilité de l'euro !

*Une deuxième inconnue* concerne les aménagements qui probablement s'imposeront. Pourra-t-on attendre que chaque pays ait repris intégralement l'ensemble de l'acquis communautaire, notamment dans des domaines sensibles comme l'agriculture ou l'environnement, ne convient-il pas au contraire de prévoir la possibilité de quelques dérogations ?<sup>31</sup> Pourra-t-on aussi imposer un respect des critères de convergence qui s'annonce plus difficile puisque certains de ces critères sont définis non plus par rapport aux meilleurs résultats de pays candidats, mais par rapport aux résultats des pays devenus membres de la Zone euro et qui doivent sans doute à cela une amélioration de leur situation. Sans compter la difficulté de mesurer certains aspects de la convergence – il n'y a guère de taux d'intérêt à long terme vraiment significatif dans certains de ces pays – on ne pourra sans doute pas éviter d'évaluer la convergence avec une certaine subjectivité. Là aussi, c'est la crédibilité de l'euro qui pourra se trouver affectée.

Mais *la principale inconnue* nous emporte bien au-delà des deux élargissements annoncés, car ils ne seront pas les derniers. Les pays issus de l'ancienne Yougoslavie ont naturellement leur place dans la Communauté européenne, à côté de leurs voisins des Balkans. Déjà la Bosnie a une

caisse d'émission basée sur l'euro ; la Croatie et la Macédoine maîtrisent le flottement de leur monnaie par rapport à l'euro ; enfin, l'euro est déjà la seule monnaie utilisée au Monténégro et au Kosovo. Voilà donc, à plus long terme, cinq ou six candidats potentiels, sans compter l'Albanie qui fait beaucoup d'efforts et à laquelle on propose de lier sa monnaie à l'euro... ou tout simplement d'adopter l'euro...<sup>32</sup> Il y a aussi la Turquie qui, depuis le Sommet d'Helsinki fin 1999 « a vocation à rejoindre l'Union Européenne ». Cela voudrait dire qu'elle rejoindrait aussi la Zone euro. Et n'oublions pas la Grande-Bretagne, le pays de la livre sterling, dont on ne sait toujours pas si elle rejoindra ses partenaires, ni à quel moment.

Le prochain élargissement est un immense défi pour la Communauté. Il l'est en particulier parce que l'euro est devenu une véritable monnaie qui s'est substituée à des monnaies nationales. Toute adhésion nouvelle a des conséquences sur le fonctionnement de la Zone, sur la crédibilité de sa politique et, bien sûr, sur la valeur de sa monnaie... qui est aussi une grande monnaie internationale et qui devrait être de plus en plus utilisée comme telle... C'est dire que cet élargissement, par l'impact qu'il devrait avoir sur l'euro, pourrait bien être aussi important que la naissance de cette monnaie.

<sup>31</sup> J.F DREVET, **Une Europe rassemblée ou intégrée ?**, *Futuribles*, n°259, octobre 2000, pp. 23-36. Le FMI s'attend aussi à des dérogations. *Perspectives de l'économie mondiale*, op. cit., page 163.

<sup>32</sup> Cf. les travaux d'un colloque organisé à Tirana par le FMI en décembre 2001. *Bulletin* du 4 mars 2002, pp. 62-64.

## ANNEXES

### 1. Le processus de l'élargissement

#### Phase de pré-accession

Les pays sont candidats ou « *out* »

##### - Engagements

- Liberté des transferts et des mouvements de capitaux : art. 56
- Plus de financement du secteur public par la Banque centrale : art. 101
- Plus de financement privilégiés du secteur public : art. 102
- Plus de « renflouement des Etats (no bailing out) » : art. 103

##### - Conditions du passage à la phase d'accession (critères de Copenhague)

Rétablissement d'institutions démocratiques  
Rétablissement d'une économie de marché  
Adoption intégrale de l'acquis communautaire

#### Phase d'accession

Les pays sont membres de l'Union européenne ou « *pré-ins* »

##### - Engagements

- Politique économique d'intérêt commun : art. 99
- Coordination des politiques économiques : art. 98
  - grandes orientations de politique économique et surveillance multilatérale : art. 99
  - réduction des déficits publics excessifs et surveillance des finances publiques : art. 104
- Pacte de stabilité et de croissance
  - Programmes de convergence
- Mécanisme de change européen (MCE 2)
  - Deux ans au moins
- Politique de change d'intérêt commun : art. 124
- Indépendance de la Banque centrale : art. 116.5

**- Institutions**

- Participation au Conseil des Ministres
- Souscription au capital de la BCE
- Participation au Conseil Général de la BCE
- Participation au Comité économique et financier

**- Conditions du passage à la phase finale (critères de Maastricht)**

- Inflation : inférieure à la moyenne des trois taux les plus bas + 1,5 %
- Taux d'intérêt de long terme : inférieur à la moyenne des trois taux les plus bas + 2 %
- Déficit public : inférieur à 3 % du PIB
- Dette publique : inférieure à 60 % du PIB
- Taux de change : marges normales sans dévaluation depuis deux ans  
aucune obligation quant au choix du régime de change

**Phase finale**

Les pays sont membres de l'Union monétaire ou de la Zone euro ou « *ins* »

**- Engagements**

- Politique économique d'intérêt commun
- Coordination des politiques économiques  
mais interdiction de déficits publics excessifs : art. 104
- Une seule politique monétaire pour la Zone : art. 105
- Une seule politique de change pour la Zone : art. 111

**- Institutions**

- Participation aussi au Conseil de l'Euro
- Libération de la souscription du capital de la BCE
- Participation au Conseil des Gouverneurs de la BCE



## 2. Les pays candidats

	Population	PIB M.euros	PIB par tête	Taux de Croissance%	Taux Inflation%	Export/ PIB %
Pologne	38.65	148.6	3.850	4.0	10.1	35.2
Roumanie	22.46	29.6	1.320	1.6	45.7	38.6
Hongrie	10.07	45.1	4.480	5.2	8.2	62.7
Rép. Tchèque	10.28	50.9	4.960	2.9	4.0	66.8
Bulgarie	8.21	11.7	1.430	5.8	10.4	55.5
Slovaquie	5.40	19.3	3.575	2.2	12.0	68.4
Lituanie	3.66	10.7	2.915	3.3	1.0	53.3
Lettonie	2.43	6.7	2.750	6.6	2.6	56.7
Slovénie	1.99	18.6	9.320	4.6	8.9	61.6
Estonie	1.41	4.8	3.406	6.9	4.0	87.5
Chypre	0.78	8.5	10.950	4.8	4.1	
Malte	0.39	3.5	9.060	5.0	2.4	
Les Douze	105.73	358.0	3.386	4.1	12.9	
Les pré-ins	72.92	1.835.0	25.165			
Les 12 pays	302.0	6.133	20.307	3.4	1.6	
Membres						

Sources : FMI, *International Financial Statistics*, juin 2001

Pour le PIB (en milliards d'euros), et la population, année 1999.

Deutsche Bundesbank, *Monthly Report*, octobre 2001, page 21

Pour les taux de croissance et d'inflation, année 2000.

### 3. Les aspects quantitatifs de l'élargissement

(en milliards d'euros - mars 01)	Zone euro	3 pré-ins	12 candidats
Base monétaire	636	70 = 11 %	47 = 7.4 %
Billets en circulation	335	47 = 14 %	19 = 5.6 %
Monnaie et quasi-monnaie	4.376	1.687 = 39.5 %	154 = 3.5 %
<b>(en milliards de \$ - fin 99)</b>			
Avoirs extérieurs	7.792	4.343 = 55.7 %	140 = 1.8 %
Dont réserves de change	393	85 = 21.5 %	73 = 18.6 %
Dont avoirs en devises	244	65 = 26.5 %	68 = 27.9 %
Engagements extérieurs	7.995	4.668 = 58.4 %	246 = 3.1 %
Dont dépôts bancaires	2.382	1.794 = 75.3 %	28 = 1.2 %
<b>(en milliards de \$ - année 99)</b>			
Exportations biens et services	1.780	402 = 22.6 %	119 = 6.7 %
Importations biens et services	1.700	431 = 25.4 %	162 = 9.5 %

Sources: FMI, *Statistiques Financières Internationales*, juin 2001.

- Les agrégats monétaires ont été convertis en euros au cours du 31 mars 2001.

- Les données relatives à la Position financière internationale sont approximatives. Elles ne sont pas disponibles pour la Grèce, l'Irlande, Chypre et Malte et elles ne le sont qu'à fin 98 pour le Portugal.

- Les réserves de change incluent les avoirs en or au prix du marché. Données en DTS par le FMI, elles ont été converties en dollars au cours à fin 99.

### Quelques observations

Quantitativement, l'élargissement aux douze pays candidats ne va affecter que faiblement la situation des douze pays de la Zone euro, beaucoup plus faiblement que l'adhésion des trois *pré-ins* (du fait de la Grande-Bretagne...).

L'agrégat monnaie et quasi-monnaie ne va augmenter que de 3,5 %, onze fois moins que pour les *pré-ins*, et moins que les billets en circulation qui sont plus importants dans la masse monétaire, et moins que la base monétaire. C'est le contraire pour les trois *pré-ins*.

Les avoirs extérieurs ne vont augmenter que de 1,8%, trente fois moins que pour les *pré-ins*, et moins surtout que les engagements extérieurs (3,1%), tant la position financière internationale de ces pays est déficitaire : de 106 milliards de dollars (246 – 140), mais celle des Douze l'est aussi, de 203 milliards, et celle des trois *pré-ins* de 325 milliards, dont 225 pour la seule Grande-Bretagne...

Les réserves de change des douze pays candidats représentent au contraire un pourcentage non négligeable des réserves des pays de la zone euro, parce qu'elles ont beaucoup progressé depuis le début de la transition et qu'elles sont nécessaires pour assurer la crédibilité de leur monnaie. Leurs avoirs en devises sont plus significatifs encore, ils dépassent ceux des *pré-ins*, parce que les PECO détiennent très peu d'or, beaucoup moins que les Douze. Mais les avoirs en devises du SEBC ne vont pas augmenter d'autant avec l'élargissement, car ces avoirs en devises comprennent des euros qui vont devenir monnaie nationale...

Les exportations des douze candidats représentent à peine 7 % de celles des pays de l'euro, trois fois moins que celles des *pré-ins*. Leurs importations en représentent près de 10 % ce qui reflète le déficit de leur balance des biens et services.

En définitive, si l'élargissement ne va guère affecter beaucoup les comptes de la zone euro, il est intéressant de constater à quel point cet impact va être peu homogène, puisque :

Les dépôts de non-résidents vont augmenter de	1.2 %
Les billets en circulation vont augmenter de	5.6 %
Les importations de biens et services vont augmenter de	9.5 %
Les avoirs en devises vont augmenter de	27.9 %.

## ROMANIAN DEPOSIT GUARANTEE SCHEME AND THE REQUIREMENTS OF THE ACQUIS COMMUNAUTAIRE

**Cristian Bichi\***

***Abstract:** This paper compares the Romanian and EU deposit insurance legislation in order to identify the changes, which are needed in order to obtain a full compatibility of the national regulations in the field of deposit protection with the corresponding European rules. The first part outlines the main features of the EU Directive 94/19/EEC on deposit guarantee schemes in order to find out to what extent Romania is bound to incorporate the relevant *acquis communautaire* into its national legislation. It results that the directive contains explicit harmonization provisions as regards the minimum level of protection (EUR 20,000), depositor co-insurance, types of depositors, instruments and currencies to be covered, nature of coverage, status of branches from EU and non-EU countries, the compensation period and information to depositors. The directive does not provide for the harmonization of the financial and administrative structure of the deposit guarantee schemes, Romania being free to choose from a wider range of options. The second part examines the legal environment of deposit protection in Romania. The third part identifies the measures to be taken by the Romanian authorities in order to fill in the remaining regulatory gaps in the area of deposit insurance. Finally, the fourth part contains the conclusions.*

### **1. EU directive on deposit guarantee schemes (94/19/EEC) and its regulatory implications for the accession countries**

The deposit guarantee is, together with prudential banking regulations and the interventions of the central bank as lender of last resort, one of the instruments that may be used to reduce or eliminate the negative consequences of a bank failure on the banking system.

The EU Directive on deposit guarantee schemes (Directive 94/19/EEC) entered into force on July 1, 1994. The adoption of this Directive was justified by the fact that the deposit guarantee is a central element in the construction of the Single Market and an indispensable complement of the supervision system of the credit institutions. The Directive establishes a minimum level of the deposit guarantee, regardless of the geographical location of the deposits within the Community. Its main features are presented in the following paragraphs.

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**Mandatory participation principle:** The Directive requires every credit institution authorized by the member states to join a deposit guarantee scheme, even before starting to collect deposits. In this respect, the Article 3 of the Directive stipulates that: “Each member state shall ensure that within its territory one or more deposit-guarantee schemes are introduced and officially recognized”. The article also provides that: “no credit institution authorized in a member state...may take deposits unless it is a member of such a scheme”. It should be mentioned that the directive does not impose directly on the credit institutions the obligation to join a deposit insurance scheme, but is evident that impeding a bank to collect deposits is equivalent with a requirement to participate to such a system.

The directive exempts the credit institutions from the obligation to participate in a deposit guarantee scheme where the respective institutions are already members of a system in operation designed to protect the credit institutions themselves, in particular by ensuring their solvency and liquidity. This exemption may be granted by the competent member state if such a scheme offers protection for depositors at least equivalent with that provided by a deposit-guarantee scheme and the following conditions are fulfilled:

- the system must be in place and have been recognized when the Directive was adopted;
- the system must be designed to prevent

deposits with credit institutions belonging to the system from becoming unavailable and have the resources necessary for that purpose at its disposal;

- the system must not consist of a guarantee granted to a credit institution by a member state itself or by any of its local and regional authorities;
- the system must ensure that the depositors are informed in accordance with the terms and conditions laid down by the Directive.

The credit institutions that can obtain the benefit of the above-mentioned exemption are the cooperative or mutual banks. In the case of these banks, the deposits are generally protected by the existence of cross-guarantees issued by the local banks and their central credit institutions in order to prevent the insolvency of an entity pertaining to the respective cooperative network. Such systems operate mainly in Germany, France, Netherlands and Belgium.

**Modified home-country approach for deposit protection:** The basic principle of this approach requires the home-country deposit guarantee scheme to cover depositors not only in home country institutions but also in their branches in other EU member states. Two additional provisions exist. The first, called the *non-export provision*, provides that the cover offered by the home-country scheme to depositors of branches established in other member states is to be limited up to the maximum level and scope offered by the

corresponding system in the host member state. The second provision, called the top-up provision, provides that the branches of EU banks located in another member state may adhere to the host-country scheme in order to supplement the protection offered by the home-country scheme.

**The status of the branches from non-member states:** The branches of a credit institution that has its head office outside the EU are also subject to the provisions of the Directive. The member states are obliged to verify if the deposits placed with the branches within the Community of the third countries credit institutions are protected by a deposit insurance guarantee scheme and if the level of guarantee is similar with that prescribed by the Directive. Where these requirements are not complied with, the member states may ask the respective branches to join a deposit guarantee scheme in operation within their territory. The Directive does not regulate the situation of the branches of the EU banks established outside the Community.

**Minimum deposit guarantee:** The Directive provides that member states must have deposit guarantee schemes, which stipulate that the aggregate deposits of each depositor must be covered up to EUR 20,000 in the event of deposits being unavailable. By way of transitional arrangements, up to 31 December 1999, the countries that at the date of entry into force of the Directive had a lower deposit protection limit (Belgium, Spain, Ireland, Luxembourg and

Portugal) have been authorized to retain the maximum amount of deposit cover laid down in their own guarantee schemes provided that this amount is not less than EUR 15,000.

The Directive lists certain depositors or deposits, which are excluded from guarantee or shall be granted a lower level of guarantee. Member states are empowered to offer a higher or more comprehensive cover for deposits. In particular, deposit guarantee schemes may, on social considerations, cover certain kinds of deposits in full.

It is also provided that the amount of the minimum guarantee payment shall be reviewed periodically by the Commission at least once every five years. The first review shall take place in 2004, when the Commission taking into account the evolution of the banking sector and the economic and monetary situation within Community, might forward to the European Parliament and the Council a draft Directive for the adjustment of the minimum guarantee limit.

In order to reduce the moral risk, the Directive introduced the principle of the co-insurance. According to this principle, all the depositors must share a certain proportion of any loss resulting from a bank failure. In this respect, the drafters of the directive took into consideration the concern expressed by many economists who argued that a quota of the risk should be borne by depositors, in order to encourage them to be interested in the financial health of the institution to whom they entrusted their savings. In the application of the

co-insurance principle, the Directive stipulates that member states may limit the guarantee ceiling to a specific percentage of deposits. This percentage guaranteed must be, however, equal or exceed 90 % of the aggregate deposits until the amount to be paid under the guarantee reaches the limit of EUR 20,000. Above this limit, the member states are free to establish lower guarantee percentages or even to refuse any kind of guarantee.

The Directive does not contain provisions regarding the harmonization of the maximum level of deposit protection, as the member states couldn't reach an agreement in this respect. Consequently, the member states may establish deposit guarantee schemes to offer a higher guarantee coverage or a more complete protection.

**Scope of the guarantee:** The purpose of the Directive is to ensure the payment of a compensation for the insured deposits when they become unavailable. To have a clear idea about the scope of the guarantee it is important to know what is meant by the concept of deposit. Art. 1 of the Directive defines the deposit as "any credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution may repay under the legal and contractual conditions applicable and any debt evidenced by a certificate issued by a credit institution". For the purpose of calculating a credit balance, member states shall apply the

rules relating to the set-off and counterclaims according to the legal and contractual conditions applicable to a deposit. As one can notice, the Directive defines the deposit from the perspective of the depositor as a credit balance or a "claim". The concept of "credit balance" is related mainly to the notion of current account, but due to the expression "funds left in an account" it also refers to savings accounts or other deposit accounts where funds are placed for longer periods of time than in the case of current accounts.

Once the concept of deposit is defined, it should be noted that not all the deposits are insurable. The directive prescribes mandatory and voluntary exclusions. The deposits excluded from any repayment by guarantee schemes are the following: (1) deposits made by the other credit institutions on their behalf and for their own account; (2) financial instruments that may constitute own funds of the credit institutions; (3) deposits arising out of transactions in connection with which there have been a criminal conviction for money laundering. The exclusion of the inter-bank deposits is explained by the fact that the credit institutions can better identify if a bank has problems than a small depositor does. The subordinated loans are not guaranteed because they enter in the composition of the own funds of banks. The exclusion of the deposits arising out of money laundering operations is explained by the willingness of the European legislators to repress and discourage such activity. As regards the voluntary exclusions, the Directive stipulates that

some deposits may be excluded from guarantee or may be granted a lower level of guarantee. These financial instruments are listed in the Annex I of the Directive and, in general, they are deposits of institutional investors or of people connected with the credit institutions.

It should be noted that, in accordance with the Directive, the deposit guarantee schemes should offer protection not only to the depositors, natural persons, but also to the banks' customers, moral persons. In this regard, the text of Directive is not very clear, always being mentioned the notion of "depositors". This expression leads to the conclusion that a distinction between the moral and natural persons is not admissible. However, the deposits of the very big companies may be excluded from the incidence of the guarantee. According to the Directive, a moral person is considered to be big when, in conformity with the Directive 78/660/EEC, it has not the right to draw up an abridged balance sheet.

**Activation of the deposit guarantee scheme:** According to the Directive, the deposit guarantee shall be triggered when the deposits become unavailable. The definition of the unavailable deposit is found in Article 1 (3) of the Directive. Essentially, an unavailable deposit is a deposit that is due and payable by a credit institution under the legal and contractual conditions applicable thereto, and where the relevant authorities have determined that in their view the credit institution concerned appears to

be unable for the time being, for reasons which are directly related to its financial circumstances, to repay the deposit and to have not current prospect of being able to do so. The competent authorities have to make such a determination no later than 21 days from the date when they become satisfied that a credit institution has failed to repay deposits that are due and payable. The directive takes also into consideration the possibility that, before the determination mentioned above, a judicial authority has made a ruling, for reasons that are directly related to the credit institution's financial circumstances, which has the effect of suspending depositors' ability to make claims against the respective credit institution. If such a condition arises, the deposits which were not paid under the legal and contractual conditions are also qualified as unavailable.

**Payment of compensation:** An efficient deposit guarantee scheme is a scheme that makes the payment of compensation as soon as possible. For these reasons, the Directive stipulates that the deposit guarantee schemes shall be in a position to pay the duly verified claims by depositors in respect of unavailable deposits within three months from the date the deposits become unavailable. In exceptional circumstances and in special cases the deposit guarantee schemes may apply to the competent authorities for an extension of the time limit for a period of no more than three months. The competent authorities at the request of the deposit guarantee scheme may grant other two further



extensions, neither of which shall exceed three months. The time limit of three months is not applicable for a deposit charged with an offence arising from money laundering transactions, the deposit guarantee scheme being empowered to suspend any payment pending the judgement of the court. At the same time, at the proposal of the European Parliament, the Directive establishes that the right of depositors to compensation may be subject to an action in courts by the depositor against the deposit - guarantee scheme.

**Information of deponents:** The Directive requires that member states must ensure that every credit institution makes available to actual and intended depositors the information necessary for the identification of a deposit guarantee-scheme of which the institution is a member within Community or any alternative arrangements, which might be provided. Member states are also required to establish rules limiting the use in advertising of references to the amount and scope of their deposit guarantee schemes, since such advertising could affect the stability of the banking system or depositor confidence.

**Elements not included in the harmonization provisions:** The Directive does not take into consideration the harmonization of two main elements: (1) the legal status of the deposit guarantee schemes; (2) the financing mechanisms.

*The legal status of the deposit guarantees schemes:* As regards this element, the Directive

permits the co-existence within the territory of every member state of more deposit guarantee schemes, which may be regulated on a statutory basis or set up on a contractual basis. The position adopted by the EU legislators represents the recognition of the diversity of the deposit guarantee systems within the member states; it also recognizes the fact that the majority of the systems under the responsibility of the professional organizations are as strong and efficient as the schemes administered by the state. For this reason, it has been considered unwise to change the existing situation and to oblige the member countries to organize their schemes in accordance with a single legal model.

*Financing mechanisms:* The Directive considers that the harmonization of the methods of financing schemes guaranteeing deposits or credit institutions themselves is not necessary. Thus, the member states are free to choose among funded schemes (ex-ante schemes) or repartition schemes (ex-post schemes). The majority of the member states operates funded schemes, but it should be noted that some EU countries continue to use systems whose funding is ensured by guarantees (commitments) undertaken by member credit institutions, which are honored only in the event that the deposit becomes unavailable. In other countries, there are mixed deposit guarantee schemes; these schemes are funded through periodical contributions to a fund, but there are also commitments or there is possible for the schemes to levy supplementary contributions.

The Directive does not prescribe if the deposit guarantee schemes should assess flat or variable contributions. The criteria regarding the contributions vary from one country to another within the Community, but usually the contributions are calculated as a percentage of an assessment basis, which could be represented by the total deposits, total insured deposits, etc. In recent years, taking into consideration the USA model, some EU countries have adopted risk-based premiums.

## 2. The Romanian Deposit Guarantee Scheme

The Deposit Guarantee Fund of the Banking System (hereinafter the “Fund”) is the entity responsible for the management of the Romanian deposit guarantee scheme. The Fund was established on August 30, 1996 by the Ordinance of the Romanian Government No. 39/1996 with the aim of guaranteeing deposits of individuals with commercial banks. The Ordinance was approved by the Law No. 88/1997 and was subsequently amended by various laws and ordinances.<sup>1</sup> The main technical features of the Fund are presented in the next paragraphs.

**Legal status:** By law, the Fund is established as a moral person of public interest. The organization and the operating procedures of the Fund are established by its own by-laws approved by the National Bank of Romania at the proposal

of the Board of Directors of the Fund. The Fund is managed by a Board of Directors consisting of seven members appointed by the National Bank of Romania (3 members), Romanian Banking Association (3 members), the Ministry of Justice (1 member) and by the Ministry of Finance (1 member). The president of the Board of Directors is ex-officio the prime vice governor or a vice governor of the National Bank of Romania.

**Membership:** The participation in the Fund is mandatory for all the banks, Romanian moral persons, and the branches of foreign banks within Romania, which are authorized to attract funds from natural persons in accordance with the provisions of the Banking Law

**Objectives:** According to Art. 2 of the Ordinance No. 39/1996 (hereinafter “the Ordinance”), the objective of the Fund is to guarantee the pay off of the individuals’ deposits in case a member bank becomes insolvent, subject to eligibility criteria and maximum coverage established by the deposit insurance legislation. Therefore, it should be observed that the Romanian legislator decided not to offer protection to the moral persons and that the Fund is not authorized to provide financial assistance to ailing banks in order to prevent them from going into liquidation. The Emergency Ordinance No. 138/2001 for the amendment and completion of the Law No. 83/1998 regarding the bankruptcy procedure for banks provided for the

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<sup>1</sup> These legal texts are the following: the Emergency Ordinance No. 110/1999, the Emergency Ordinance No. 20/2000, the Law No. 301/2001 and the Law No. 303/2001.

appointment, in general, of the Fund as the liquidator of a credit institution under bankruptcy.

**Amount of insurance protection:** The Fund guarantees the payment of the insured deposits of each depositor, placed with the same institution, irrespective of the number of deposits, the currency or size, within a guarantee ceiling which is established as a fixed amount; the actual coverage limit, valid for the second half of year 2002, is ROL 109.7 million (around EUR 3,400).<sup>2</sup> The guarantee ceiling includes not only the principal, but also the accrued interest corresponding to the guaranteed deposits until the date of the declaration of their unavailability and it is applied to the aggregate deposits of a depositor placed with a bank; deposits at different branches of the same member bank are not insured separately. The foreign exchange deposits are guaranteed by the payment of their equivalent in the domestic currency (ROL).

**Types of deposits covered:** The Fund guarantees the nominative deposits held by individuals, residents or non-residents, denominated in national or foreign currency. However, it does not cover the deposits of moral persons, unincorporated business entities, budgetary organizations, local authorities, significant shareholders, auditors and senior officials of a given bank or their relatives. The amounts representing assets of mutual funds are not insurable. The deposits of excessive yield are

also excluded.

**Funding arrangements:** The financial resources of the Fund are obtained from the following sources: initial, regular and extraordinary contributions of the banks, loans, incomes from liquidation of its claims, incomes from its investments and other incomes (donations, budgetary subsidies).

Under the deposit protection legislation, Romanian incorporated banks pay to the Fund, within 10 days from the date of obtaining an operating licence from the central bank, an initial contribution, the amount of which is equivalent to 1 % of the value of their share capital. In the case of branches of foreign banks, the initial contribution shall be equivalent to 1 % of the value of minimum share capital prescribed for a bank, Romanian moral person, to be licensed to perform banking activity. Banks resulting from mergers or any other transformation operations are exempted from the initial contributions.

The regular (annual) contribution of each member bank was established at the level of 0.8 % of the total amount of the year-end insured deposits of natural persons. The Romanian scheme may use risk-based premiums. In this respect, the Romanian legislation allows the Fund to levy extra premiums (from 0.8 % up to 1.6 %) on individual banks if they pose higher insurance risks.

<sup>2</sup> According to the Romanian deposit protection legislation, the guarantee ceiling shall be indexed semiannually in line with the inflation rate.

The deposit protection legislation provides for special contributions. These contributions (the double of the annual contribution) may be levied if the payments from the Fund are likely to exhaust its resources before the end of the year. The effective amount of contribution as well as the payment deadline shall be established by the Fund. The assessment base for the special contributions is represented by the total deposits registered at the end of the month preceding the month when contribution is paid. If the financial resources of the Romanian deposit protection scheme are not sufficient to meet its statutory obligations, the Fund may borrow from the state, the commercial banks and from financial institutions.

**Investment policy:** The financial resources of the Fund shall be invested only in state securities, securities guaranteed by the state and in bonds issued by the central bank.

**Payment of insured deposits:** In accordance with the Ordinance, the depositors shall receive compensation when the insured deposits are unavailable. Deposits are considered unavailable on the date provided for in the definitive and executory decision of commencement of the bankruptcy proceedings of the bank. Within 30 days from the date of its designation by the court, the liquidator shall send to the Fund the list comprising the natural persons who constituted guaranteed and unguaranteed deposits, the total amount of deposits of each depositor and of its obligations towards the Fund.

The Fund shall verify the claims of the depositors in respect of unavailable deposits and shall pay them within two months from the date of receiving the list. In exceptionally situations, on a case-by-case basis, the Fund – with approval of the National Bank of Romania – may grant three further extensions of the time limit. No such extension may exceed three months. Under the deposit insurance legislation, the time limits may not be invoked by the guarantee scheme to deny the benefit of the guarantee to any depositor who was unable to assert his claim to payment under a guarantee in time. Thus, if a depositor was unable to present his claim in time for reasons which in the Fund opinion he couldn't be made responsible, the Fund may pay the compensation also after the expiry of the one year period, but no later than three years from the beginning of the payment of compensation.

The Fund has the right of subrogation to the rights of the depositors in liquidation proceedings for an amount equal to its compensation payments.

**Information to be communicated to the Fund:** The Ordinance authorizes the Fund to obtain from the banking companies all the information that is needed for the realization of its objectives.

**Information for the deponents:** In order to prevent the systemic risk and to ensure the protection of the consumers, the Ordinance obliges the Fund's member banks to make

available to depositors all the relevant information related to the Fund. The depositors shall be informed of the provisions of the deposit guarantee scheme, including the types of the insured deposits, the amount of the coverage and the conditions and formalities, which must be completed to obtain the compensation. The information described above shall be available at all the branches of the member banks and shall be presented in an easy understandable manner; in accordance with the specific regulations of the Fund.

**Sanctions:** If a bank does not comply with its obligations under the deposit insurance legislation, the National Bank of Romania, at the request of the Fund, may modify the operating licence of the respective bank by withdrawing the right of this institution to collect deposits from natural persons. The deposits placed before the date of the modification of the provisions of the operating licence shall be guaranteed until their maturity. The bank whose licence was modified by the National Bank of Romania shall continue to pay the annual contribution for the financial year in the course of which the licence was modified.

### **3. Implications of the EU directive on the Romanian deposit protection legislation**

The analysis carried out in this paper showed that the harmonization within the EU is limited only to the main elements of the deposit guarantee systems and to the payment of a minimum amount of compensation. The Directive contains explicit harmonization provisions as regards the minimum level of protection, depositor co-insurance, types of depositors, instruments and currencies to be covered, nature of coverage, status of branches from EU and non-EU countries, the compensation period and information of depositors. Conversely, the Directive does not provide for the harmonization of the financial and administrative structures of the deposit guarantee schemes, the member countries being free to choose from a wider range of options. Consequently, in order to adhere to EU, the Romanian legislator is bound to introduce in the domestic legislation only the minimum provisions of the Directive.

Romania has achieved a moderate level of alignment with the *acquis* in the field of deposit insurance.<sup>3</sup> The following paragraphs identify the modifications that shall be made to the actual Romanian deposit guarantee legislation in order to obtain the compatibility with the European regulations.

<sup>3</sup> A detailed presentation of the inconsistencies between the actual Romanian deposit protection legislation and the EU *acquis* can be found in the study "The free movement of persons and services in light of Romania's accession to EU: 1A Free movement of financial services", European Institute of Romania, Bucharest, 2002.

**A. The mandatory participation of all credit institutions to a deposit guarantee scheme:**

The Ordinance 39/1996 with its subsequent amendments and additions imposes only to banks the obligation to participate to a deposit guarantee scheme (i.e. the Fund). In order to comply with the explicit requirements of the EU Directive, the Romanian legislator shall institute the same obligation for other credit institutions.

In this regard, a recently adopted law (*Law No. 200 /2002 for the approval of the Emergency Ordinance No. 97/2000 regarding the cooperative credit organizations*) provides that the Fund shall guarantee the deposits of the credit cooperatives and their central organizations in accordance with the conditions and limits established by the Ordinance No. 39/1996 with its subsequent amendments and additions. The repayment of the covered deposits shall be done only in case of bankruptcy of the central house of a given credit cooperative network. The same law requires, within one year from the moment of its entry into force (June 2002), the amendment of the Ordinance No. 39/1996 in order to implement the above-mentioned provisions. However, these legislative changes have not yet occurred, with the consequence that, for the time being, only the commercial banks are members of the Fund.

At present, deposits of individuals with the State Savings Bank (*Casa de Economii și Consemnațiuni - CEC*) are 100 % guaranteed by

the state. As a blanket guarantee is not recognized under the EU rules to be equivalent with a deposit protection scheme, the full government guarantee offered to CEC shall be removed in the next future.

The Romanian authorities shall also clarify their position regarding the status of credit unions (CARs). If these entities are recognized as credit institutions and are brought under the scope of the EU banking legislation, they will join a deposit guarantee scheme.

**B. The introduction of the modified home-country principle in the field of deposit protection on the eve of accession.**

The implementation of this principle will lead to the abandonment of the actual obligation of the branches of EU banks to participate in the Romanian deposit guarantee scheme. A new provision will be adopted which will allow for the voluntary participation of the branches of the European banks to the Romanian scheme only to the extent of deposit protection deficit. At the same time, to obtain harmonization with the relevant Directive, the Romanian deposit insurance legislation will stipulate that branches of a credit institution which has its head office outwith the Community are not bound to join the Romanian scheme if they have cover equivalent to that prescribed by the EU requirements. Finally, the Fund shall extend its protection – in the application of the home-country principle – also on the deposits placed with the branches of the Romanian banks that operate within the EU.

**C. The enlargement of the scope of deposit protection:** According to the Directive, the protection offered by a deposit guarantee scheme will cover not only natural persons but also moral persons (some exclusions regarding the deposits of the moral persons are permitted). In this context, the Romanian legislator will decide and transpose in the Romanian legislation, on the basis of the Appendix I of the Directive, the categories of moral persons who are entitled to obtain protection from the deposit guarantee scheme/schemes.

**D. The establishment of a minimum deposit guarantee ceiling in national currency equivalent with the amount of EUR 20,000:** The harmonization of the national legislation regarding deposit protection with the European rules requires the adoption of a minimum guarantee limit in an amount equivalent with EUR 20,000 per deponent and per bank. Romania's Position Paper regarding Chapter 3 of negotiations - Free movement of services, envisages the gradual increase of the guarantee ceiling per deponent as follows:

- 4,000 EUR (starting with January 1, 2002) for natural persons;
- 5,000 EUR (starting with January 1, 2003) for natural persons;
- 6,000 EUR (starting with January 1, 2004) for natural persons;
- 10,000 EUR (starting with January 1, 2005) for natural or moral persons;
- 15,000 EUR (starting with January 1, 2006) for natural or moral persons;
- 20,000 EUR (starting with January 1,

2007) for natural and moral persons.

The coverage limits mentioned above are still to be implemented in the relevant Romanian legislation.

**E. The exclusion from the guarantee of the deposits related to money laundering transactions:** The adoption of anti money laundering legislation in Romania makes possible the introduction of new provisions in the Romanian deposit insurance legislation which, in accordance with the EU rules, will provide for the exclusion from the guarantee of the deposits arising out of or in relation with money laundering. The new regulatory requirements shall also specify that where a depositor or any person entitled or interested in sums held in account has been charged with an offence arising out or in relation to money laundering, the guarantee scheme may suspend any payment pending the judgement of the court.

**F. Introduction of a more exact definition of "unavailable deposit" in accordance with the Directive.**

**G. Introduction of provisions allowing the Fund to limit the use in advertising of information for the depositors.** These provisions are intended to prevent such use from affecting the stability of the banking system or depositor confidence. In our opinion, the Romanian legislation shall restrict such advertising to a factual reference to the scheme to which a credit institution belongs.

#### **4. Conclusions**

As a country associated to the EU, Romania will implement into its national legislation the provisions of the EU Directive on the deposit guarantee schemes. This process will lead to modifications of the Romanian legislation in the field of deposit insurance, including the increase of the coverage limit, the modification of the insurance regime applicable to the deposits placed with branches within the Community of the Romanian banks or placed with the branches of EU banks within Romania, the enlargement of the scope of deposit protection, the introduction of the mandatory affiliation of credit institutions to an officially recognized deposit insurance scheme. While the European rules will have a powerful impact on the future Romanian regulations regarding depositor protection, it should be noted that the Directive does not offer a complete prescription on how to structure a national deposit guarantee scheme, as the harmonization is confined only to the main elements of a deposit insurance system. In this context, further legislative changes may be introduced to build a more efficient and stable deposit guarantee system in Romania that takes into account the structural developments in the domestic banking sector. Furthermore, the deposit guarantee system should be accompanied by good accounting rules and enhanced banking supervision.



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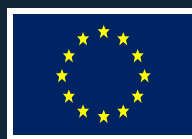
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