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Premises and Consequences of the Adoption of the Euro as the Single Currency in Romania

Violeta Elena DRĂGOI[1]*, Lucreția Mariana CONSTANTINESCU[2], Larisa Elena PREDA[3]

Abstract

For joining the Economic and Monetary Union, the intermediate objective for Romania is the fulfilment of the requirements of the Treaty of Maastricht which provide the obtaining of concrete results regarding the deficits/budget surpluses, public debt, inflation, the interest rates and the exchange rates. The Euro is the single currency adopted by the 19 Member States of the European Union which together form the euro area or the Eurosystem. The introduction of the euro was an important step for the European integration. The transition to a monetary union based on currency courses irreversibly fixed and the introduction of the single currency has an important impact on the international economic relations. A new framework for the operation of the markets of the European monetary is ensured, contributing to both the integration of the capital markets and to the harmonization of the financial policies. This paper presents an analysis of Romania regarding the criteria for the nominal convergence imposed by Economic and Monetary Union, and the criteria for the real convergence achieved by our country.

Keywords: *The monetary union, the euro, convergence, stability, exchange rates.*

1. Introduction

Starting with January 1st of 1999, the whole world is a witness of one of the most profound revolution in monetary terms in the modern history, because at that time, the European Union launched the final stage of

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EMU, creating a new trans-European currency, euro. This monetary revolution has created the second largest economic block in the world, a single market of almost 300 million people, a business european environment substantially modified and the first potential challenge for the supremacy of the US dollar [3].

The monetary revolution embodied by the euro involves much more than the removal of 11 national currencies and the distribution of new colored banknotes and coins in the whole Europe. It entails the unification of the common market of goods and services of the European Union, major structural changes in the encumbered fiscal imprudence countries and reorganization of monetary policy in some of the most advancely industrialized economic countries of the world.

The Euro involves a firm monetary policy which has a single fundamental objective, namely the stability in the monetary plan. At the same time, the adoption of the euro involves a new building in which we will need to get involved. For this change should not be difficult to be fulfilled, it is necessary that the economy of our country to mainly focus on policies of stabilization, which in the following time horizon will lead to an approach of the macroeconomic indicators to the limits which have been imposed by the European Union.

An extremely important step in view of the full integration of Romania in the Economic and Monetary Union, is the participation in the mechanism of the exchange rates, action that is about to be done in the following years, also involving a number of benefits and risks.

Although it has a flexible term, Romania is compelled by the Treaty to accede to the euro area, this objective remaining the only with a clear default trend for the modernization of the Romanian economy, after the integration into the European Union in 2007.

2. Problem Statement

The adoption of the euro in Romania implies a series of costs and benefits, the efforts to fulfill the nominal and real criteria favoring the modernization of our economy and the improvement of the living standard.

The study elaborated highlights the provisions imposed on Romania by the European Union in the course of the road to the Euro, as well as the limits in which our country falls, thus leading to the entry into the Eurozone, which gives full content to the integration into the Economic and Monetary Union. So, it can be said that adopting the euro will not be a comfortable process. Romania's decision to join the European Union is a strategic orientation based on meeting the convergence criteria set by the Treaty of

Maastricht on inflation, interest rates, deficits and other macroeconomic indicators is unlikely to be accepted.

2.1. Economic and Monetary Union (E.M.U.)

The first attempt to create an economic and monetary union has been made in the Werner Report in 1970, which has provided a plan of the monetary union in three steps that had to be completed up to 1980. These steps stipulated the convertibility of currencies, the reduction of the fluctuations in the exchange rates up to a scheme of the fixed courses, the liberalisation of capital movements and eventually the creation of a single currency.

The Werner Plan implementation failed due to the fall of the Bretton Woods International System (August 1971) because the international recession caused by the first crisis of petroleum of 1973. At Basel on 10 April 1972 to provide a monetary stability in Europe, the Member States of the EEC have decided the monetary snake creation within it has been established the fluctuation limits for the currencies of the participating European countries be of 2.25% compared to the US dollar and of 1,125 % between them. This did not last and led to a failure of the snake mechanism.

During 1979 when Europe has known a great instability, the Member States of the EEC (without Great Britain), resumed the monetary cooperation process to create the European Monetary System (EMS). However it has not been spared of speculation and of monetary crisis, its fall being assured by the "incompatibilities triangle" existence according to every country that can't simultaneously have an autonomous monetary policy, an exchange fixed rate and also a freedom capital movement.

In the second half of '80, the idea for an economic and monetary union has been relauched by the Single European Act (1986) through which a single market was created. Delors Report (April 1989) proposed the EMU creation by three stages and has led the negotiations finished by the European Union Treaty signed at Maastricht (07.02.1992) starting applied with the 1st November 1993.

2.2. Premises to Adoption a Single European Currency According to Maastricht Treaty

Maastricht Treaty designed three stages into the EMU creating process. 1st stage, carried out until the end of the year 1993, considered as a stage of preparation, is characterized by the adoption of measures for the strengthening of the European Single Market, the liberalization of the movements of capital amongst member states of the Union, the expansion to all currencies of community countries of the mechanism of the European monetary system and the enlargement of the role of the ECU; negotiation and approval of the Treaty of European Union signed at Maastricht. The second stage, carried out between the 1.01.1994-31.12.1998 started with the creation of the European Monetary Institute (EMI), which will become, starting with June 1st of 1998, the European Central Bank. The ESCB is also created consisting of the central national banks, in order for the implementation of the single monetary policy. This stage has been devoted to the technical preparations necessary for the creation of the single currency, the implementation of a tax discipline (in order to avoid excessive deficits) and the enforcement of the convergence of economic and monetary policy of the Member States (in order to ensure price stability and solid public finances).

The third stage debuted on 01 January 1999 with the irrevocable establishment for the exchange rates of the currencies of the 11 member states (Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain) initially participating at the Monetary Union implementation by the ECB as a single monetary policy and the Euro currency introduction as single currency. The 3rd step admission conditioned by some very accurate convergence criteria fullfilment [2]:

1. inflation rate may not exceed more than 1,5 % the average rate achieved by the three countries in which inflation has been the lowest;

2. public debt must not exceed 60 % of the gross domestic product (GDP).

3. public deficit must not exceed 3% of GDP that represents the necessary deficit mathematical imposed in order to stabilise the 60% debt of GDP if the nominal rate rise 5% [1]. This deficit corresponds to the situation of Germany in 1980 years when seems to be fit for this country given the fact that a deficit of 3% would have been too restrictive for most countries.

4. The exchange rate - the margins of fluctuation for the conversion mechanism of the EMS must be complied for a period of at least two years, without devaluation before switching to the single currency.

5. The interest rates on the long term may not exceed by more than two points the average of the three countries with the lowest inflation rate.

Basically, from 01 January 1999, Europe has incoming entered in a new era represented by the implementation and the effective operation of Economic and Monetary Union (EMU) and the launching of the euro as the single currency of the European Union. The exchange rates between the monetary units participating in the Euro have been fixed in an irrevocable manner from 01 January 1999 and Euro entered into circulation from 01

January 2002 progressively substitued to the various national currencies. ECB leds monetary policy and also exchange rate policy defined in the framework of the ESCB, and payments among banks were carried out through a new system of TARGET payments. Maastricht Treaty doesn't provide a strict calendar for the Euro adoption leaving it to each country decision within the consultation of the European Commission and European Central Bank. Only those countries which demonstrate sustainable convergence (process will taking place without exhausting the resources currently available and without compromises the possibilities to meet the needs of the next generations) can participate in the EMU final stage.

3. Research Questions

The analysis is based on the two concepts of nominal convergence and real convergence. Real convergence pursues to achieve a competitive national economy with the other EU-28 countries. Nominal convergence a privileged criterion in relation to real convergence, aims as a time horizon the performance of the Romanian economy in the short term. The two processes need to be complementary and tracked in parallel because the real convergence process influences the favorable nominal variables.

The paper explores the theory of optimal monetary areas studying the costs and benefits associated with the adoption of unique currencies, the optimization of which depends on the fulfillment of conditions specific to the economy of the advanced Euro countries.

3.1. The Euro and its effects

The symbol of Euro was inspired by the Greek letter epsilon (€), a reference to the cradle of European civilization, also representing the first letter of the word Europe, and the two parallel lines signifies the stability of the single currency. The abbreviation of the euro is EUR and it has been registered by the ISO (International Standard Organization), and is used for financial, accounting and commercial purpose. Initially, the euro was introduced as a virtual currency for the purpose of carrying out the payment operations that didn't involve bank notes or coins, as well as for accounting purposes. The old currencies continued to be used for payment in cash, these being considered as sub-units of the euro. From 01 January 2002, „Euro" was introduced as banknotes and coins, according to circulate in parallel with the national currencies for 6 months..

In the EU Member States of euro ZONE its have been numerous macro and microeconomic changes. Between macroeconomic effects may be listed [4]:

• macroeconomic stability that reflected in a low level of inflation, coupled with decresing interests, the elimination of fluctuations in progress having positive effects on the medium and long term effects on the dynamics of economic growth. Thus, the efficiency of the single market increases through the reduction in trading costs and through the increasing of competition in a more transparent economic environment [7].

• structural reform based on the reduction of budgetary expenses and on the ensurance of a long term economic growth. Budgetary reductions have led to a major decrease of the interest rates, thereby triggering an extended economic growth. This reason has led the USA to support the effect of the introduction of the euro on the structural reform across the Atlantic, stating that the euro modernised european economies by reducing the size of their social budgets and by encouraging from a modern, global point of view. The mechanism of the single currency has a catalyst effect for structural reforms in all non-financial sectors of Europe since it facilitates the comparison of the prices, taxes and economies and encourages the cooperation between Member States through the coordination of structural policies in areas such as the labor market, education and training, social welfare, etc.

• economic growth: reduced costs of the transactions, the lower risk linked to the exchange rate and the transparency of the prices have increased the actual size of the markets in the euro area. The euro area is taking advantage of the medium lower costs, of the productivity and the increased competitiveness, so far as the ECB guarantees the stability of prices and reduced rates of interest. The result of these factors is that the mechanism of the euro will contribute to an increased economic growth in Europe.

Although the economic growth is due to real forces, the actual monetary arrangements may have important indirect effects on growth through different channels. The links which exist between monetary arrangements (monetary union in particular) and the increase in supply determined for :

a.*price stability* including the price of credit (the interest rate) normalizes and smooths the climate of investment for the economic operators. Attainment of a great and relatively long periods on the stability of prices has led to solving and clarifying the nature and the causes of inflation of the European Communities;

b.*interest rate reduction* - some countries which used to add a risk premium to the interest rate in order to attract investors who were afraid of a depreciation of the currency. With a single currency, a depreciation is impossible and the risk premium disappears.
c. *exchange rate effect:* if the exchange rates are less predictable, the foreign investments are riskier and so it is less likely that an operator obtains an increase on the external markets. The Euro completely eliminates the risk regarding the exchange rate between the participating currencies, which represents an advantage for international investment in the area.The benefic effect of the exchange rate is manifested in the following points [5]:

- the reduction of the risk of foreign exchange;
- the prevention of competitive devaluations;
- the prevention of speculative attacks.

The mitigation of speculative transactions through an increase of the interest rates leads to an increase in the holdings of that currency, this fact leading to the increase of the costs of the loans, costs incurred by debtors, which may lead to a decrease in the volume of the activity, of the investments and may have a negative influence on the economic growth. A single currency eliminates speculative attacks which may cause that a country substantially increases the interest rates in order to defend its currency. The mechanism of the single currency removes the cost that is due to speculative behaviours and which is independent of the economic fundaments.

The microeconomic effects are [6]:

- *trading costs reduction:* economic agents are not exempt from the payment of the trading costs in the conditions of the free movements of goods, services, people and capital on the market, the decrease of the trading costs and the increase of the transparency of the prices being mostly manifested amongst the economic agents in their outside trade (including the one within the EU), fact that is leading to an increase of the competition, of the pressure for lowering the price of some products as well as the restructuration of the production [8];
- *broadening and deepening the market* - the increased segmentation of the financial market is enhanced by the inertia of the trend for the protection of the domestic market and the incomparability of the local instruments to those which the international markets have already standardized;
- *transparency into the price formation* - currency markets have been the first to win, so that their segments are functioning both for investors and for users. Thus, producers in all the member states have higher performance protected by the possibility of direct comparison of prices created by the single currency;
- *increasing competition* - the introduction of the euro has accelerated

all cross-border activities and it has increased the interdependence.

4. Research Methods

Within this work the research method was the qualitative - quantitative analysis regarding the fulfillment stage of the criteria adherence to joint to EMU by Romania according to Maastricht Treaty, „Copenhagen Criteria" established by European Council and also the framework contract for EMU accession (negotiated with each country candidate before EU joint. The economic –financial analysis besed on data provided by the National Bank of Romania Reports.

5. Findings

5.1. Romania and the convergence criteria imposed by the EMU

Along with the integration of Romania in the euro area, it will enjoy of a price stability and a low inflation, which will lead to increased confidence in the national economy, to an establishment of an extensive, deep and liquid capital market. Romania will bring its contribution, together with other member states, to the strengthening of the euro at an international level, thus contributing and widening the field of cooperation on a worldwide scale. The fulfilment of the convergence criteria is fundamental for countries wishing to enter in the euro area. In order to achieve this purpose, each country is forced to give up the national currency, but also their monetary policy in order to be able to adopt the single European currency and the common monetary policy (designed by the European Central Bank).

In Romania, the average yearly inflation rate has been located in the month of April 2016, to the value of -1.3%, resulting in a lower level than 0,7% corresponding to the completion of this criterion, and in the field of public finances, the two values are located below the allowed limits, with a public debt in 2015 of 38.4 percent and a budget deficit of 0.7% concerned the same year.

The analysis of the average interest rate on long term emphasizes the fact that it was situated in April 2016, to the value of 3.6%, resulting in a lower level than 4% corresponding to the completion of this criterion.

Even if Romania does not participate in the mechanism of the ERM II, the fluctuations of the exchange rate of the national currency in comparison with the euro were situated in the standard fluctuation band of ±15 % both in 2015 and in the period of January 2016 - April 2017, even on account of the extension of the geopolitical tensions and of the deepening of the divergence on the monetary policy decisions of the main central banks. Therefore, Romania meets during the present time all the nominal convergence criteria.

Table 1. The convergence indicators' evolution between 2015-2016 years

Nominal Convergence Indicators	**Maastricht criteria**	**2015**	**April 2016**	**Meeting the criteria**
The inflation rate (HICP) (the average of the last 12 months)*	≤ 1,5 % over -0,8% (the average of the most performant three member states)	-0,4 Reference: 0,8 Lithuania, Poland and Slovenia	-0,8% Reference: 0,7 Bulgaria (-1,0%), Slovenia (-0,8%) and Spain (-0,6%)	Yes
The interest rate on long term (the average of the last 12 months)*	≤ 2 % over 2% (the average of the most performant three member states regarding price stability)	3,5 Reference: 3,9 1,7% (Slovenia), 1,7% (Spain) and 2,5% (Bulgaria).	3,6% Reference: 4	Yes
The exchange rate**	± 15 %	+1,8/-1,8	+1,8/-1,7	Yes
The budget deficit ***	under 3%	0,7	2,8%	Yes
The public debt***	under 60%	38,4%	.....	Yes

** The average of the reference period of May 2015 - April 2016; ** The deviation of the exchange rate during May 2016 compared to May 2014; *** Data relating to the year of 2015*

The extent to which Romania has fulfilled or not the requirements of the Maastricht Treaty is highlighted in the following table, where the analysis of these indicators starting with the year of 2007 has been aimed, the year when Romania has submitted „The Convergence Program" to European Commission.

Table 2. Nominal convergence indicators lunched by Romania according to Maastricht criteria during 2007-2016 years

Nominal Conver-gence Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Inflation Rate	4.9	7.9	5.6	6.1	5.8	3.4	3.2	1.4	-0.4	-1.1

Long-term interest rates*	7.13	7.7	9.69	7.34	7.29	6.68	5.41	4.49	3.47	3.32
Exchange rate compared on € **	10.8 / -9.6*	9.7/ -14.6	1.6/ -18.7	1.7/ -14.3	3.9/ -3.3	5.4/ -7.6	0.5/ -6.9	4.3/ -1.3	1.8/ -1.8	-
Budget deficit	2.8	5.5	9.5	6.9	5.4	3.7	2.1	1.4	0.8	3
Public debt***	12.7	13.2	23.2	229.9	334.2	37.3	37.8	39.4	38.0	37.6

percentage, an annual average; maximum percentile appreciation/ depreciation for two years hypothetically considering as a reference level the average of the exchange rate in the month of December /December; *** percentage of GDP*

After the financial crisis (2008), the reduction of the macroeconomic intern imbalances in the same time with the progress of the agreements with the international financial institutions has benefited only the evolution of the convergence criteria which must be met by Romania in order to adhere to the Economic and Monetary Union, and also to the euro area.

•**Price stability criteria**. Regarding Romania the annual inflation rate was measured by the consumer prices. In 2009 it was positioned on a decreasing trend, but however remained high, at an average value of 5,6 %, level which was higher that the reference value of 1,5 % corresponding to the criteria of price stability [3]. By analysing the recent developments, the inflation rate went up to 6, 09 % at the end of the year of 2010, this increase being due to the increase in excise duties on tobacco products. Starting with 2011, the inflation rate in Romania has known a decreasing trend, supported, on one hand by the descendant evolution of the inflation rate as a result of the persistence of the aggregate demand deficit, as well as the inflation expectations of economic agents and on the other hand by the emergence of repeated shocks to the nature of the offer. Over the course of 2015, under the impact of the extension of the scope of application of the reduced rate of VAT of 9 percent in all foods, non- alcoholic beverages and public catering service, the average yearly inflation rate (HICP) was significantly reduced, being negative at the end of the year [9]. In 2016, HICP of Romania is lower than the reference value of the Maastricht criterion, on the background of the adjustments made to the VAT rates. The highest annual rates have been registered in Latvia (3.3 %), Lithuania (3.2%) and Estonia (3.0%). Compared to February 2017 the yearly inflation has decreased in seventeen Member states, has remained stable in six and increased in five [9].

•**Low interest rates for long term loans**. Beginning with 2009, long-term interest rates have had a downward trend, the average annual rates decreasing from approximately 10% to 4 % [3]. In Romania, the average nominal long-term interest rates was at the beginning of the year 2014 below the accepted reference value. Since then it has decreased below the 5 % threshold by the second half of 2014, being situated below the value of 4 % at the beginning of the year 2015. This was maintained around 3.5% during 2015 starting to slightly increase at the beginning of 2016. In April 2016, the reference value calculated as the average of the long-term interest rates in Bulgaria, Slovenia and Spain to which a margin of 2 percentage points is added, was of 4 %. For Romania on April 2016 the reached value was 3.6%, being lower by 0.4% than the reference value [9].

•**The budget deficit.** In Romania, the budget deficit was situated under accepted reference value since 2013 when the value was 2.1 percent of the GDP. It has continued to decrease, reaching 0,9 % of the GDP in 2014 and 0.7% of the GDP in 2015. Thus, its value was favourably situated below the 1,2 % planned in the convergence program for the year in question. In accordance with the economic forecasts of the European Commission in the first part of 2016, it is highlighted the fact that our country has reached its budgetary medium-term objective from the beginning of 2013, but there is the risk that this will deviate from the proposed objective for 2016&2017. At the same time, it was estimated the fact that the adoption of the announced “fiscal relaxation” measures can lead to an exceedance of 3% of GDP in 2017 [12].

•**Public Debt**. In Romania, due to the fiscal measures adopted and the reduction of certain public investment through co-financed projects by the European Union, the total public revenues as a percentage of the GDP have increased from 33,1 % in 2013, to 34,8 % in 2015, while the total public expenses have increased from 35;2 % at 35.5 percent of the GDP in the same period. Thus, the public debt of Romania has decreased from 39.8% of GDP (2014) to 38.4 percent of the GDP in 2015, due to the strong growth of the gross domestic product and a relatively small budget deficit.

In accordance with the economic forecasts from the start of 2016, the adoption of the announced “fiscal relaxation” measures can lead to a increase of the budget deficit and of the public debt in 2017 [12].

•**Exchange rate (ERM II)**. In Romania, during the reference period between the month of May 2014 and the month of May 2016, the RON did not participate in the exchange-rate mechanism (ERM II), this being traded at a flexible exchange rate. The exchange rate of the RON in comparison with the euro has relatively decreased in the referenced period, it being situated between 4.4 - 4.5 RON/EUR. The deviation of the average exchange rate in the month of May 2016 compared to the month of May 2014 was of 1.7%, representing a depreciation of the RON compared to the euro. Thus on the entire referenced period, the exchange rate was maintained in the range of the fluctuation margins of ±15%, being in accordance with the criterion of the stability of the exchange rates [9].

5.2. The fulfilment of the real convergence criteria

The sustainable fulfilment of the nominal convergence criteria is conditioned by the attainment of a high degree of structural alignment. The level of the GDP per capita, the inflation rate, the structure on sectors of the economy, the unemployment rate, the degree of its opening and the share of trade with the European Union in the sum of the external trade are among the most important indicators of real convergence. The most important criteria of real convergence is considered to be the standard of living calculated at the level of the GDP per capita in PPS compared with the average of the euro, the target being of approximately 60 % of the average of the European Union. In Romania, the standard of living is expressed at the level of the GDP per capita at PPS situated around 55 % of the average of the EU, with a corresponding level of an informal economy of about 28 %. Thus, in the last 6 years, an approach between the living standard and the threshold necessary for the adoption of the euro observed in fig.1. The considerable difference between the level of the informal economy in Romania (28%) and the average of the European Union which is around 14 %, has a negative influence on the statistics related to the standard of living, so our country placing below the desired threshold. Therefore, the reduction of the informal economy area (which deliberately avoids taxation) would get our country even closer to the European standards and so, the changeover to the euro currency would be promoted [9].

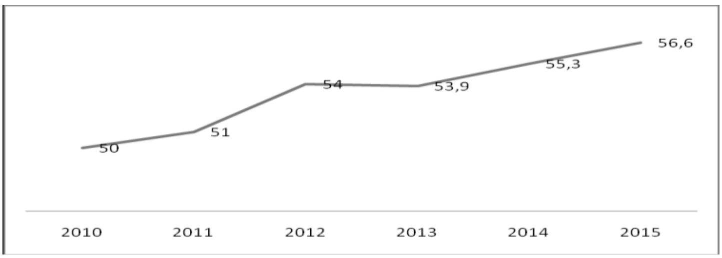

Figure 1. The evolution of life standard of Romania compared with the average of the EU (as percentage GDP per capita in PPS reported to EU average)

The degree of opening of the Romanian economy has significantly increased in the years after the crisis, being still at a relatively low level compared to other economies of the European Union.

Figure 2. The opening degree evolution (%) for the Romanian Economy

In 2015, the degree of opening of the economy (sum of imports and exports of goods in relation to the GDP), has increased in Romania up to the value of approximately 82,7 % indicating an ascendant trend during the period of the last 6 years. The main partners of commerce in the euro area were Italy, Germany and France, while outside the euro area, Romania's trade was held with countries such as Poland, Turkey, Hungary and the United Kingdom. In the framework of the real convergence, another important factor is the size of the gaps on the development on regions of the countries. In Romania, due to the low quality of the infrastructure which makes the connection between the different parts of the country, investments are more concentrated in the west border, the size of the disparities growing permanently. Thus, Romania is among the countries with the highest differences regarding the level of development in regions. Therefore, in order to accomplish the real convergence criteria, necessary for the successful adoption of the euro, Romania has to work, firstly, on the increasing of the standard of living calculated at the level of the GDP per capita, but also on other issues, as well as on improving the opening of the economy and reducing imbalances on the development of the regions.

6. Discussions

The integration process of Romania into the global economy by means of its services flows, under the impact of the 2008 crisis, has diminished, and its traditional gaps compared to the New Member States of EU have grown deeper. According to Eurostat estimates (2014a), in 2013, in the EU-28, "Indicator of integration into global economy" was 4.6% in services trade and 12.9% in trade of goods [2].

Regarding the real convergence stage by Romania it can be assessed using a series of indicators, such as GDP per capita, structure by sectors of our economy, its degree of openness and the share in trade with the EU countries in total Romanian foreign trade and also assessing the degree of opening up of the our national economy may reduce the regional disparities.

7. Conclusions

The joint of Romania to European Union implies the adoption of a single currency within a period of time closely connection with the economic integration degree into euro area. As a result of the Convergence Program (2015-2018), the 2019 year pointed by the Romanian authorities as the year within Romania, EURO currency will be achieved as a single currency. The sectoral structure of the Romanian economy (determined by their contribution to GDP formation) showed a convergence trend towards the euro area during 2012-2016 (especially by increasing the share of services) provided a favourable trend towards the mitigation of the effects of possible asymmetric shocks

This decision is meaningful for the promotion of the reforms, both the structural ones as well as the budgetary ones.

All these conditions reached are indispensable to increase the Romanian competitiveness from regional to global. The year 2012 marked a turnover moment into the service balance evolution by the recording of a historical surplus, worth € 1.1 bln. which in 2013 was €2.6 billion. This performance is all the more impressive as, in the case of Romania, the services balance traditionally records structural deficits, even since 1990, which have turned into moderate surpluses only during the years that preceded the crisis, culminating with that of the year 2008, worth € 659 millions[2].

Romania's steps forward towards the increase of the positive balance of the trading balance in the sphere of services become even more eloquent if we refer this balance to our country's GDP. While, in 2012, the weight of the services balance in Romania's GDP was 0.9% (increasing from 0.5% in 2008, when it reached the highest level of the years preceding the crisis), in 2013 this ratio doubled (1.9%) going over the respective indicator of Poland (1.3%) and the Czech Republic (1.4%). Our country is inserted in GPN both by means of the FDI (namely, by participation to capital), by an internalized system of subsidiaries of Romania which are owned and managed by their mother firms, and by forms of international production not based on participation to capital. After the historical peak of 2008, of € 9.5 bln., the FDI flows oriented towards Romania plummeted by over 60% (2009), reaching € 2.1 bln. in 2012, while in 2013 they were € 2.7 bln. [2]

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