

The Influence of the Brexit Process on the Banking System in Romania

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Abstract

The possible exit of Great Britain from European Union, even in the context of a relatively special status of British banking sector within the Community banking system, cannot remain without effects on the European financial system and thus on the Romanian banking system. The future process of adopting the euro in Romania will bring some changes, as it demands to transform certain mechanisms within the Community's financial and banking system. At European institutional level, the notion that a financial integration at Community level being not complete without the adoption of the single European currency is becoming more and more prevalent. It should not be ignored that the exit of this bloc from the community block may have possible effects on the foreign currency loans market. Similarly on the loans in *lei* too, even when we ignore less developed nature of interbank foreign exchange market. Changing interest rates as a policy instrument of monetary policy, both at the ECB level and at the NBR level will have limited effect.

Keywords: *Negotiation, eurozone, convergence, solvency, vulnerabilities*

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INTRODUCTION

One of the most important consequences concerns the current principle of freedom to provide services directly on the territory of a Member State on the basis of the “EU passport”. If, at present, United Kingdom membership of the European Union grants credit institutions and other financial institutions authorized and supervised by the competent UK authority the possibility of providing services on the territory of Romania (or on the territory of other Member States) through the establishment of branches or through the provision of services directly on the basis of a simple notification to the National Bank of Romania by the competent authority of the home Member State, upon leaving the European Union, this privilege will become inapplicable - which would hinder or discourage this type of service between Romania and the United Kingdom.

In other words, in order to provide services on the Romanian territory, in the absence of an “EU passport”, credit institutions and other financial institutions in the UK will have to go through a much more difficult process of authorization, complex in terms of documentation and time, but also more expensive in order to achieve the necessary authorization from the National Bank of Romania.

Also, we must not ignore the loss of privileges with regard to the free movement of capital, such as the privilege of cross-border payments within the European Union, according to which the fees charged for cross-border payments within the European Union are the same as those charged for payments made in the same currency within a Member State. This principle will no longer apply between the UK and Romania with the withdrawal of the UK from the European Union. It is also worth recalling the possible impact on the principle of recognition of a judicial decision given in a Member State in the other EU Member States without the need for any special procedure in this regard, particularly considering the enforceability of the guarantee contracts governed by the Romanian law that secures loans governed by English law.

SYSTEMIC RISKS ON THE ROMANIAN BANKING SECTOR

Although they will only be felt after 2019, when Britain’s outflow from the European Union will actually be consumed, Brexit’s effects on Romania and other Central and Eastern European countries are not very well known

considering the future of their economies, depending on the strength of their growth. For Romania, theoretical losses of European structural and cohesion funds are estimated at 300-500 million euros annually as a result of Brexit, but they could only materialize after 2020. Romania has so far attracted some 15 billion euros, especially as a result of intensified efforts in recent years and reached an absorption rate of 82%.

It is expected that the EU budget “after Brexit” will have the same dimension and the EU members will have to increase their contribution, considering the financial agreement between EU and United Kingdom. Thus, Romania has, theoretically, to increase its contribution, affecting the beneficiaries of European funds in the region, the intensity of impact being not very well known. The Romanian government is based on a total financial allocation of about 31 billion euros from the Structural and Investment Funds (SIF), but for the period of 2014-2023, also after the effects of Brexit become reality.

In its financial stability reports, the National Bank of Romania (NBR) says Brexit’s systemic risk is moderate. This can mean a lot in the coded terminology of the NBR. Although the implications will only be limited to the near future, Romania will have to calibrate its medium and long-term policies on the basis of the major challenges facing the EU. Brexit remains a factor of uncertainty, especially with regard to the long-term impact, largely depending on the outcome of the negotiations between the EU and the UK. As for the confidence in the euro, recent data show a reduction in Euroscepticism and an increase in consensus on the need to continue reforms to strengthen the institutional and economic framework of the EU.

For Romania, the difficulties in reforming euro area design and policies represent an important impediment to the extent that they are a disruptive factor in the EU’s economic redeployment. An economic quasi-stagnation of the Eurozone for a longer period would seriously affect the economic growth capacity in Romania. One reason would be that our economy is low in relation to the euro area. It is therefore absolutely necessary for the Banking Union to have a more alert development on all the basic components, in order EU’s euro area policies to be better outlined.

ROMANIA'S DEGREE OF INVOLVEMENT IN THE EUROPEAN SINGLE CURRENCY PROJECT

Starting in July 2015, Romania has met all the nominal convergence criteria linked to the inflation rate, the consolidated budget deficit, the government debt, the exchange rate against the euro and the long-term interest rates. Any departure from these conditions implies the prolongation of the ERM II period accordingly. In this context, ensuring the maintenance of macroeconomic equilibrium in the medium term has positive implications on the convergence process in addition to offering credibility to Romania when it has decided to start the process of joining the European monetary area.

According to the theory of optimal monetary areas, the cost-benefit balance of adopting a single currency depends, to a large extent, on the reduction of the development gaps between the states that form the Monetary Union and the compatibility between them, from the point of view of the economic structure, the degree of commercial integration or the synchronization business cycles in these economies. Therefore, in order to benefit from the adoption of the euro, it is not enough to meet, in a narrow sense, the Maastricht criteria. In fact, there is a need for a durable - and not accidental, forced or temporary - fulfilment of the nominal convergence criteria, which means the necessity to create the conditions for real convergence.

The NBR is fully integrated into the European System of Central Banks, and since 2011, the NBR has set up a Euro Preparation Committee. The adoption of the single currency is not simply a change of banknote, but a complex process involving primarily a political decision based on internal consensus and in agreement with the euro area partners. There is a need for a road map that will result in a target date as an anchor. Such a roadmap involves staging before entry into ERM II during the ERM II period and after entry into the euro area (Voinea, 2015). Assuming that Romania is ready to join today, it would take at least three and a half years to observe all the technical steps.

For Romania, it is vital that the European project does not fall apart; it is also important that Romania, over time, joins the EU's economic and political core, admitting that there will be a variable geometry after Brexit.

This strategic goal at the scale of history involves joining the Eurozone. However, joining the euro area, which is provided in the EU Accession Treaty and in the EU Treaty on the Functioning of the EU (TFEU), must be a rational decision, considering the lessons of the past decades and the major challenges faced by the EU.

EVOLUTION OF THE ROMANIAN BANKING SYSTEM CONSIDERING THE BREXIT STAGES

At aggregate level, between 2016 and 2017, the Romanian banking sector experienced a comfortable level of solvency. However, this general positive image has important nuances. First, the level 1 own funds in Romania is at the level of the EU average. In addition, there is a slight downward trend (from 16.4 percent in December 2015 to 16.1 percent in September 2016 and to 16.0 in October 2017). Under these circumstances, any measures to preserve and increase the solvency of the Romanian banking sector could not be interpreted as excessive compared to the European situation.

The Romanian banking system has prudential indicators of solvency, profitability and balance sheet structure better than the European average, while the quality of shareholders is discordant due to the low and bad credit rates with restructuring measures that are more than double the EU average. The prudential indicators of the Romanian banking system (solvency, coverage rate, profitability, balance sheet structure) are generally better than the European average, with two exceptions - the rate of bad loans and the restructuring rate. The European Banking Authority (EBA) publishes on a quarterly analysis (Risk Dashboard) which presents the main vulnerabilities of the European banking sector identified by the evolution of a set of risk indicators. The indicators are grouped into four categories: solvency, asset quality, profitability and balance sheet structure. And each indicator is evaluated against three prudence intervals, so its value can be considered very good, intermediate or deficient depending on the value range it belongs to.

The rate of bad debts and of loans with restructuring measures remain in the value band considered by the European Banking Authority to be “deficient”, the level of these indicators being more than double the EU average. The non-performing loans (NPL) at the level of the entire banking

system reached around 13% at the end of March, continuing the downward trend last year. Bank balances have started to look better starting with the second half of 2014, improving the quality of portfolios as a result of troubled loan sales. However, the two vulnerabilities are diminished by the third indicator of asset quality analysis, namely the coverage ratio with non-performing loans, which places the Romanian banking system at the most prudent value range, over 58%, well above the average European, about 44%.

The financial health of the banking sector continue to remain robust. Solvency ratios remain at appropriate levels around the European average. Consistent capital buffers vs. prudential requirements provide good absorption capacity for unexpected losses and resources for lending to the real sector.

The balance sheet structure remained balanced in the first quarter of this year, respecting both the ratio of loans and deposits (around 80%) to total debt and equity (around 8%). The solvency ratios, which show how well the bank system is capitalized, maintain a high level for the best prudence range, slightly increasing over the past three years.

The results of stress testing of the banking sector reveal robustness at aggregate level in the event of adverse macroeconomic scenarios. The impact of the interest rate risk on the banking sector is important due to the longer-term asset structure, considering the backdrop of an important weight of fixed income items. The profitability of the banking sector has improved in the context of a favorable domestic macroeconomic framework, a significant reduction in net expenditures with depreciation adjustments, a prolongation of low financing costs, and a recovery in domestic currency lending. So we can say that the adoption process has not been influenced in this context, at least at the level of the process of adopting banking policies at national level.

The consolidation process of the Romanian banking sector continued in 2017, but at a slower pace. The outlook is accentuated, considering the strategic decisions of some banking groups present in Romania in order

to limit exposure in certain markets and the need to improve operational efficiency. The structural vulnerabilities of the reported banks' balance sheet, such as: (i) non-maturity mismatch of sources attracted to financial assets, or (ii) existing currency imbalances in which bank assets and liabilities are denominated, continued to be remedied.

For the banking sector as a whole, the balance sheet structure does not raise concerns considering the ratio between total debt and equity, which is within a prudent range, according to criteria established by the European Banking Authority. However, the ratio between loans and deposits continued to decline, and if these dynamics persist, risks may arise from a macro-prudential perspective (generated by the significant under-utilization of the resources that banks attract from the economy).

During the economic and financial crisis, Romania did not have to support the banking sector with public money, and the shareholders of the banks contributed to the additional capital. In 2008-2016, an equity of 3.5 billion euros was raised by banks. The years 2016-2017 were, for the banking market, the first years of return to a real operational profitability that it didn't have for a few years, amid the reduction in the cost of risk. ROA has registered over 1.00% and ROE has reached over 10.00%.

The banking sector performed well over the past year, as the process of optimizing the quality of the asset portfolio continued. The present rate of non-performing loans was down by 2.3 times to the maximum that was recorded in 2014. These are the indicators that show the long-term effectiveness of how money is used, namely own money or borrowed money through deposits or loans. In addition, the level at which the banking system in Romania is located is very high. It can show healthy activity, but at the same time the selling of expensive credits. The banking system has grown since lending activity has accelerated, especially for individuals.

The rate of non-performing loans as defined by the EBA has decreased to 9.46% at the end of December, 2016 and later to 8.32% in June, 2017. Thus, we continue to see a reduction in the non-performing loans ratio to the middle zone of the range, both through the stock-market balancing operations of the banking system and by reviving the secondary market for the sale of collateral in various execution phases. Capital requirements have increased, new liquidity rules have been introduced with an impact on the maturity of the asset structure, and credit risk assessment is much closer.

Considering this background, there is an orderly withdrawal mainly due to the absence of investment opportunities or less favorable return on capital. Thus, we can say that Romania has overcome the danger of disorderly withdrawals that have affected bank financing in the years of crisis, but the tendency to reduce exposure is still present. Under these circumstances, it is the responsibility of banks to secure their financing from local sources, and the fact that the banking system in Romania has returned to profit, even more operational profitability, is a very good indicator of these risks.

The increased limited availability of external financing for the Romanian banking markets indicates that deposits will have a relative attractiveness in the following years. As a result, the sustained increase in the volume of credit in Romania will be more closely linked to the increase in the volume of deposits. Moreover, some Eastern and Central European economies may experience a prolonged slow growth in the volume of credits. Credit-to-GDP ratios have relatively high levels in some CEE economies where incomes are lower. Moreover, certain market segments, such as consumer lending segment, do not appear to be underdeveloped in the Romanian economy. Consequently, credit growth in Romania will not be the same as in the last decade. Even though Central and Eastern European (CEE) lending growth rates will not be the same as in the last ten years, medium and long-term prospects for the banking sector remain extremely favorable.

POSSIBLE REASONS FOR THE SLOWING IN THE ADOPTION OF EURO BY ROMANIA IN THE CONTEXT OF BREXIT PROCESS

One of the factors that could lead to a delay in the adoption of the euro could be even negative repercussions on national economic developments. Romania recorded one of the highest economic growth rates in the EU in 2017, the main determinant being domestic consumption, while the trade balance, the public deficit and the inflation rate deteriorated. Investments did not make a significant contribution to the economic growth. These developments indicate the build-up of tensions with potentially significant negative consequences on future economic activity and implicitly on the financial stability.

An important factor in resuming the economic growth was the revitalization of global trade. Nevertheless, the risks of strengthening the growth rate of the global economy and of the international trade remain important, due to policies uncertainty, the accumulation of structural imbalances in emerging economies and the intensification of geopolitical tensions. International financial markets recorded positive developments in the first half of 2017 after the corrections recorded at the end of 2016, while volatility was on a downward trend with short growth periods.

An important systemic risk to financial stability in Romania, similar to the systemic risk at EU level, is related to the abrupt adjustment of the risk premium for emerging countries. In order to increase the role of the financial system over long-term economic growth, it is necessary to address these structural problems. As regards public sector indebtedness, the credibility of the implemented economic policies and the responsibility in managing public finances are important elements in ensuring investor confidence and implicitly a low cost of public debt financing. Recent developments do not indicate problems with the sustainability of external debt in the short term.

The refinancing risk decreased as the average maturity increased. Foreign FDI flows provided much of the funding needed for the current account deficit. An important systemic risk to financial stability in Romania, similar to that at EU level, is the general adjustment of the risk premium for emerging economies. The implementation of a policy mix that is conducive to maintaining macroeconomic balances represents an important condition

for limiting the contagion effects from international financial markets, given the risk of a sudden change in investor confidence in emerging economies.

Brexit remains a factor of uncertainty, especially with regard to the long-term impact, largely depending on the outcome of the negotiations between the EU and the UK. As for the Romanians confidence in the euro, recent data show a reduction in Euroscepticism and an increase in consensus on the need to continue reforms to strengthen the institutional and economic framework of the EU. Europe's bank profitability slightly improved in the first half of 2017. Thus, return on equity (ROE) rose by 3.7 percentage points in the second quarter of 2017 compared to the last quarter of 2016, reaching 7 percent. Also, return on assets (ROA) rose to 0.45 percent over the same period, from 0.21 percent at the end of 2016.

Romania is among the countries with the highest level of banking profitability, along with other countries in the region. Romania recorded one of the highest economic growth rates in the EU in 2017. However, the analysis of the main macroeconomic indicators reveals the accumulation of tensions, with potentially significant negative consequences on future economic developments and implicitly on financial stability. Against this background, the continuation of the convergence process is conditioned by the recalibration of the policy mix so as to ensure the sustainability of the fundamental economic indicators.

Cooperation between institutions having a role in the coordination of economic policies is essential for achieving an optimal mix of policies for the Romanian economy. Until now, Romania has gone through a continuous process of convergence, even during the economic crisis. However, inflationary tensions and budget deficits have accumulated.

A critical mass of companies has been formed in Romania to meet the challenges of eventual joining the Eurozone. According to the recent developments (Neagu et al., 2017), the number of companies making the critical mass is relatively low (below 10 percent of the total number of active companies in the economy). These companies have recorded higher economic and financial performance indicators than the rest of the economy and are the basis for a sustainable economic growth. Thus, we can say

that the activity of the Romanian economic societies was not negatively influenced, even in the current context of the post-Brexit negotiations, in the conditions in which the trade balance with the UK was one of the few with which Romania has a favorable value to our country.

It should not be overlooked that the Eurozone itself has to go through the reform process. In order to complete the Banking Union, the European Deposit Guarantee Scheme (EDIS) must be operational, minimum own funds and eligible debt requirements (MREs) must be established. Also, it has to clarify the contradiction between bank micro-prudential consolidated supervision and the national responsibility for resolution. There is no consensus either on the creation of the Fiscal Union or on debt mutualisation, while the Union of Capital Markets represents still an early process. Other structural reforms at European level should seek to find a replacement for EURIBOR, should seek to implement unitary rules of transparency, reporting and accountability for buyers of bad credit packages, and should seek to modify the treatment of sovereign exposures in order to recognize the absence of zero risk.

Even if there are, at least partly justified, opinions on adopting other types of criteria regarding Romania's capacity to adopt the euro, we cannot ignore the basic principles regarding the adoption of the euro by any state. Along with six other countries (Bulgaria, the Czech Republic, Croatia, Poland, Sweden, Hungary), Romania is among the Member States of the European Union which have the obligation to adopt the euro, which means, in practice, full participation in the Economic and Monetary Union, once all the necessary conditions have been met, namely the nominal, legal and real convergence criteria. The latter are not explicitly mentioned in the relevant EU legislation, but they are becoming more and more important in assessing the state's readiness for the adoption of the single currency.

In fact, the Convergence Reports, developed every two years by the European Central Bank and the European Commission, are increasingly focusing on real convergence. Thus, in the run-up to the adoption of the single currency, the national economy must undergo the necessary adjustments to the euro area, marked by broad structural reforms, with effects on its overall competitiveness.

At the time of the drafting of the 2016 Convergence Report of the European Central Bank, Romania fulfilled all the criteria of nominal convergence and only part of the criteria of legal convergence. The 2017-2020 Convergence Program states that the Romanian Government remains committed to joining the Eurozone, but the establishment of a concrete date in this regard requires the carrying out of in-depth analyses, especially regarding the real, structural and institutional convergence areas where major progress is needed.

From the data set out in the ECB 2016 Convergence Report, we can conclude that the Romanian economy was not influenced by the UK dictatorship of leaving the EU, the trend of macroeconomic indications being relevant in this respect. Also, the observations made regarding the evolution of these indicators refer only to the influences of domestic economic problems in Romania and not to external influences, whether they are ecological, political or social.

The average annual HICP inflation recorded by Romania in the last 10 years fluctuated within a relatively wide range, ranging from -1.3% to 8.5% and the average of the period were at a high level of 4.5%. Looking ahead, there are concerns about the sustainability of inflation convergence in Romania for a longer period. It is likely that the gap recovery process will lead to positive inflation differentials in relation to Eurozone.

In Romania, the budget deficit and public debt fell to the levels set by the Maastricht criteria. Romania is the object of the preventive component of the Stability and Growth Pact from 2013 onwards. According to the Ministry of Finance reports, the budget deficit in 2017 registered a share of 2.83% of GDP, below the 3% of GDP ceiling for the budget deficit.

During the 10 years spent as a member of the U.E., the Romanian currency did not participate in ERM II, but was traded under a flexible floating rate regime. The exchange rate of the Romanian currency in relation to euro currency has, on average, displayed a relatively high degree of volatility in the reference period. The cumulative balance of Romania's current and capital account has experienced substantial improvement over the past 10 years, but the value of net external liabilities, although gradually

narrowing, remains at high levels. Also, in the reference period May 2015 - April 2017, long-term interest rates were on average 3.6% lower than the benchmark of 4.0% on the benchmark interest rate convergence criterion.

In Romania, long-term interest rates have been on a declining trend since 2009, with 12-month average rates falling from around 10% to below 4%. On a legislative level, Romania still does not fulfil all the central bank independence requirements, the ban on monetary financing and the legal integration of the central bank in the Euro-system. However, our country is subject to derogation and must therefore comply with all the adaptation requirements laid down in Article 131 of the Treaty.

Thus, it is questionable which of the indicators could be most affected by the UK detachment from the EU. Probably the only indicators influenced in this sense would be the budget deficit and the public debt. At budget level, at least until the 2020 horizon, Romania would not have any influence because the United Kingdom will participate with the same amount in the European Union budget, and after that year it will be registering budget regressive budgets. By 2020, the only problem that can arise will be to increase the capacity of our country to absorb the available Community funds, a problematic point in this context. If our country succeeds, even to a lesser extent, in increasing the absorption of EU funds, Romania's budget will not be influenced by the increase of our country's contributions to the EU budget that will take place after 2020.

Another aspect is the evolution of the trade relationship that our country has with the UK, a relationship that has led to a positive balance for our country as well as one of the only ones registered with the U.E. It is obvious that the UK will want to sustain, at least at the same pace, the trade relations with the EU Member States, a reason for this being the negotiations for a trade agreement valid after the UK's effective exit from the EU. The vote in 2016 did not trigger an inversion of Romania-UK trade relations, with the figures even recording an increase in import-export volumes.

Romania has reached a certain degree of real convergence with the EU. There are, of course, great gaps in the degree of economic development (GDP / inhabitant), in the structure of the economy, in the quality of the

infrastructure, the functioning of the institutions, the living standards, etc., but Romania's foreign trade is mainly carried out with the other EU countries. This reorientation of foreign trade over the past two decades has been largely determined by foreign direct investment, which, although smaller than other countries in the region, is the main source of foreign financing for the Romanian economy. As a result of this factor's action, in terms of commercial integration (the common market), Romania is more integrated into the EU than it was when countries like Greece, Portugal and Spain joined the EMU.

Romania participates in the "European System of Payments in Euros" - TARGET 2 and started to implement some elements of the "European Banking Union" - UEB (the single regulatory framework on capital requirements, the "Unique Resolution Mechanism" URM, European Deposit Guarantee Fund "- EDGF, etc.). In other words, we could say that Romania is already in a rather advanced phase of financial integration in the euro area. In this context, highlighting the difficulties and the risks of the early adoption of the euro seems overly negative. There is fear that by adopting the euro the real interest rates in Romania would become smaller than the equilibrium ones, which would lead to the artificial growth of credit and the emergence of speculative bubbles in real estate. However, the interest rate (real or nominal) is a theoretical size, not an observable size.

The assertion that actual interest rates on the market are or will be lower, equal to or higher than the equilibrium level, cannot be verified empirically even before and especially in the next period. Second, equilibrium interest is not a forever given size because demand and supply of credit are constantly changing. In Romania, the credit supply comes mainly from subsidiaries and branches of foreign banks whose head office is located in Eurozone countries and are already subject to the UEB and single monetary policy. Finally, lowering interest rates stimulates investment and, therefore, economic growth, which is exactly what Romania needs to do to recover the gaps.

There is also the idea that accession to the euro-zone could be hindered by the appreciation of the evolution of Brexit, which would have negative effects on the external competitiveness of the Romanian economy. Such

an evolution is unlikely to be due to the current account deficit and the decrease in capital inflows. The evolution of the past two years denies this theory, the Romanian currency showing a downward trend towards the euro starting with the third quarter of 2016 against the British currency. Since the financial crisis, the Romanian currency has remained in the stability claimed by the exchange rate mechanism II (ERM II), indeed with a support from the IMF loan, instead of the ECB's support, this being the best credibility element that the Romanian economy can cope with the requirements of the euro adoption.

Romania's decision to move to the euro has to come together with others, which set a much wider framework of Union issues and policies if it is to draw a realistic perspective of the process of European integration. The Union has reached a high degree of complexity. The package decision to adopt the single currency must be based ab-initio and on the option of a fundamental approach to the opportunities of the moment. Perhaps their optimal use is related to the way we see the resolution of the crisis of the Union nucleus, the European Monetary Union.

The problem is not whether Romania needs to adopt the euro or not, but whether it gains more benefits by waiting or entering EMU quickly. In principle, in relation to this issue, as with other aspects of the post-communist era, two positions can be formulated: "gradualism" or "shock therapy". According to the first position, entry into the EMU should be the result of a long process of real convergence of the Romanian economy. The arguments of the advocates of this position are based on highlighting the many stringent conditions on which it depends - beyond the Maastricht criteria of convergence - the successful adoption of the euro. According to the second position, to which we subscribe, the adoption of the euro must be done as quickly as possible, since membership in the EMU favors a faster real convergence of the economy and thus, an easier recovery of the immense gaps that separate Romania from the developed part of Europe. As a result, the main issue is not the fulfillment of economic or technical criteria, but the politics abandoning the autonomy of national monetary policy and competently and responsibly participating in the work of developing and implementing the common monetary policy.

CONCLUSION

As far as Romania is concerned, the prospect of preserving the net income (in a generic sense), which is otherwise necessary, requires a serious internal structural fiscal reform (budget revenue is only 28% of GDP), to provide complementary resources, not only following the outbreak of the UK, but also of the restructuring of the Union's funded objectives and, possibly, the increase in co-financing, which makes the access to Union funds conditional. The most relevant example, namely the idea we must become more accustomed to if we want more public goods and services from the Union is investing in our capacity and solidity to offer them.

Reforming the European Union, especially in the context of Brexit's production, is a great opportunity for Romania to get out of a shadow of passivity that is otherwise recognized. The balance of the 10th anniversary of joining with the good and the less good, and the way we should see the participation in the European integration process until now offer us serious arguments to put strong themes of mutual interest in the negotiation bases much more balanced.

As a political project, the euro was a complex investment with multiple and large initial costs up to its physical realization (currency in circulation, issuing bank, price stability mandate), putting it into circulation and supporting its course towards the vicissitudes of the complex environment (renouncing national monetary policy, renouncing national currencies, a single monetary policy and even survival with the disadvantages of a single monetary policy in the absence of a fiscal pillar, etc.). The euro could not be thought of without benefits, and these - along with the costs - cannot be reduced to a simple mathematics. Recovering the initial "investment" for the single currency is itself the completion of the European project, a process in which Romania is hired as a Member State, and the option of completing its own European project, as a Member State, cannot be cost-benefit-related mathematically determined, but only by what the Union wants with Romania at the table of its decisions.

The legal exemption granted by Romania, with no expiry date, cannot be interpreted as permanent (unlike the express and explicit cases of Great Britain and Denmark, but may be modified) and therefore the "obligation"

of the euro adoption cannot be challenged for economic reasons or political considerations ex post signing the Accession Treaty interpreted as disadvantages or eventually high opportunity costs, when in fact the choice of the moment is the right of the Member State without being exercised on a certain date.

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