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THE REAL CONVERGENCE IN THE CENTRAL AND EASTERN EUROPEAN COUNTRIES.THE CONVERGENCE PROGRAM OF ROMANIA

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Abstract: This article examines the assumption of the real convergence from the Central and Eastern Europe by means of using time series techniques in the course of the period 1950-2003. Also in the final part of the work is achieving a short presentation of the convergence program of Romania, for the adoption of the unique euro coin the future.

1. THE DEFINITION OF THE CONCEPTS CONVERGENCE, NOMINAL CONVERGENCE AND REAL CONVERGENCE

For understanding some machineries presented in the article we consider that at the beginning it is very important to define the terms with which is working in this research:

- **Real convergence**
- **Nominal convergence**

The convergence means first of all evolution towards the touching of a certain target, the concept of convergence can also be translated as the diminishing of the differences between the economic indexes of diverse member states of a certain geographic zone.

The real convergence is a process which supposes the convergence of the income, the convergence of the productivity, the convergence of the relative prices, the convergence of the socio-occupational structure, the convergence of the educational standards.

The nominal convergence is we can say more privileged than the real one because its achievement is making on a slower time horizon.[1]

Next we pass to the presentation of some important elements bind of convergence, in the present period making place in the literature of specialty a lot of debates in what concerns the convergence of the productivity per capita in varied economies.

The interest for this subject can be explained somehow like prediction test of the neoclassic model of development (Solow 1956) which stresses the offer's role, the regional growth leads at a convergence in the socioeconomic development of the regions. The same model of Solow predicts that the productivity per capita will converge no matter its initial level.

In contrast with this model, the model of indigen development estimates that there is not a tendency that the incomes to converge.

More newspapers which studied the convergence give an important space to the convergence of the countries from the Central and Eastern Europe.[2]

The results show that in the period 1970-1998 we had a diminishing convergence in these zones, maybe also thanks to that the differences between regions weren't very stressed from the point of view of the economic development.

The Kocenda newspaper (2001) analyses the real and nominal convergence in the centre and the east of the Europe for some macroeconomic variables like: industrial productivity, the monetary aggregates, the prices of the producer and of the consumer, the nominal and real profits.

The results show the evidence of the existent convergence of these indexes in the period 1992-1997, the study using information of some economies from the Centre and the East of the Europe which cover the second half of the 20th century.[2]

The last years can be characterized as having bigger differences in what concerns the performance of the productivity in Europe. It can be observed a more quick growth of the production in the West European countries than in those from the East in the last 50 years.

The collapse of the communism at the end of the 80s created different effects on the countries economies from the Eastern Europe. The collapse of the productivity's growth in the period 1989-1992 brought to divergence between the East of the Europe and the European Union.

After 1993 we assist at a certain reestablishment of the economic growth of these countries, but with all these it ascertained a difference between the rapidity of the returning of the countries, for example Cehia and Hungary are now more or less behind the level of the productivity from 1989, while Poland outrun it.

Other countries (Romania and Bulgaria) show a reestablishment but a lower level, Cehia is at the level of income per capita between 60% and 70% from that of the European Union, while Bulgaria and Romania are only from 20% to 30% at the same level of income per capita faced to U.E. average.

In what concerns the productivity it estimates that Romania in the conditions of the annual growth of 5.5% of the productivity will arrive in 2015 to a level of 55% from E.U. average.

The distinctive behavior of the growth' measures of these countries, their difficulties to converge to the real levels of P.I.B. per capita of the developed countries and the reduced research in literature in what concerns these countries motivates the analyses based on the real convergence made in this study.

The empirical testing of the convergence hypothesis supplies more definitions of the convergence and in this way, different methodologies to test it. In an approach of cross section, a negative correlation (partial) between the measures of the growth and the initial income is interpreted like an evidence of one unconditional convergence.

In this context, one of the most accepted results in general is that which while doesn't exists the evidence of the unconditional convergence for a large sample of countries, the hypothesis of the conditional convergence maintains when examines groups of countries more homogeneous.

Another interesting aspect which appears in the work is that of comparison in what concerns the convergence between U.S.A. and other countries from the world.

Finally Colbini and Scorcu (2000) discover the supplying convergence only for U.S.A. and Canada, and Oxley and Greasley (1997) found the evidence of the convergence between U.S.A. and United Kingdom, Australia and Japan.

The supplying convergence supposes that exists differences of productivity between the economies of the countries. The researches set off the fact that the relative performance of the countries from the Eastern Europe is characterized through a first period of rapid divergence from 1950 until the end of the 1960, the beginning of 1970, the second slowing period of this process of divergence with a general productivity in slowness from 1973 and a third episode of convergence by the end of 1980 to 1990 as a result of the recovery after the transition from 1989.

Even if in the five centuries studied the orientations suggest a growth more or less uniform, these economies had different behaviors.

For example while the Check Republic, Poland and Hungary had decreased their differences in what concerns P.I.B. per capita with Germany, not the same thing happened with Romania and Bulgaria.

In addition from this part of the Europe Poland is the single country which decreased the difference P.I.B. per capita than U.S.A.

According to many newspapers a relevant variable which explains the different behavior of these economies is the opening to the trade.[2]

2. THE CONVERGENCE PROGRAM OF ROMANIA

Romania, which for now is not member of UEM, has the obligation to transmit yearly to the European Commission a Convergence Program, the data which follow to be presented make part of the Convergence Program for the year 2006. Romania had a period of adhesion of seven years (2000-2006), and now follows a period of approximately the same long (2007-2013), in which our country will have to continue the reforms and to eliminate the economic disparities, following as strategic target the adoption of the euro coin in 2014.

We pass over the three criteria which have to be compulsory accomplished, namely: the politic criterion, the economic criterion and the administrative criterion, because our country accomplishes these criteria.

We will stop finally to the criteria from Maastricht which refers to the obtaining of some performances connected to the macroeconomic indexes (the nominal convergence).

In 2006 Romania respects four of the five criteria- the rate of the inflation, the nominal rate of the interest on long term, the budget adverse, the public debt and the fluctuation of the exchange.

The only problem and the most important remained the rate of the inflation, in the conditions in which the prices grew in 2006 with 4,87%. The other macroeconomic indexes had the next values:

- The rate of the debt on long term (at obligations for 10 years) was of 5,8%;
- The budget deficit was of 1% of PIB;
- The weight of the public debt was of 12% of PIB;
- The leu was appreciated on the year 2006 with 9% which is situating it in the marje of +/- 15%.

Consequently, the specialists appreciate that the passing to euro should cover two stages:

- The first one refers to the fulfillment on a durable basis of the criteria of the nominal convergence;
- The second one supposes the fulfillment in a satisfactory way of the criteria of real convergence, more exactly the convergence of the income, the convergence of the prices, the convergence of the productivity, of the educational standards, the growth of the inflation, the economic and social cohesion.

From all the surpluses of this program we can mention:

- ✓ Is argued from the technological point of view seeing the collaboration with B.N.R.;
- ✓ Has clear, precise targets, terms and analyses of substantiation of the proposed objectives;
- ✓ Has an increasing degree of coherence having the main responsibility of two institutions: B.N.R. and The Finance Minister.

The minuses of The Convergence Program showed by the specialists are the next one:

- Doesn't consists the obtaining of the nominal convergence with the real one;
- The program supposes a budget deficit of 0,9% from PIB in the next years, with a lot under what happened in the countries which adhered in 2004, this bringing to two conclusions: it will go from now on a restrictive budget politics and will not absorb more then 15% from the European Funds;
- In the program we don't find the growing measures of the external competition of the Romanian firms, in **these** conditions being most probably that Romania to become a opened market for the products of the foreign firms;
- Doesn't tell anything about the absorbtion of the European Funds.

Finally if we make a comparison between The Convergence Program of Romania and that of others states from the Eastern Europe which adhered to the European Union we arrive at the next conclusions:[3]

- In what concerns the budget deficit, countries like Hungary, Cehia and Poland went on budget deficits bigger, over 4%, Hungary being at 7%;
- In the convergence program of Romania exists one script, while in that of the Cehia is going on three alternative scripts (optimist, moderate and pessimistic) for taking in calculation the extrogen factors;
- For example as the result of this analysis more detailed, it can be observed that in the conditions of some pressures on the exchange, and of the deapreciation of the leu at 10% all the targets from the program will be overturned.

3. CONCLUSIONS

This article examined the process of the real convergence of some countries from the Centre and the East of the Europe by means of using the time tests for the period 1950-2003. In particular it had been analised the convergence process of some countries from the East of the Europe for German P.I.B. per capita and the U.S.A. economy. The study shows that the relative performance of these countries from the Eastern Europe is characterized by a first period of the divergence period with the general productivity in decreasing until in 1973 and a third episode of convergence until the end of 1980-1990 as a result of the establishment after the transaction from 1989.

We can affirm that without the continuation of the process of disinflation, the limitation of the deficit deepment of current cont, the growing of the performances of the fiscal politics on medium term, the high absorbed of the European funds, the objectives of the Convergence program will remain only good intentions.

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