Challenges to Economic Growth in the European Union. Reforms for the Future of Europe

– The National Bank of Romania, 29 September 2011 –

Speech delivered by Governor Mugur Isărescu

Ladies and gentlemen,

Distinguished audience,

It is with great pleasure that I welcome you all here, at the National Bank of Romania, which tonight hosts a conference on a particularly interesting and up-to-the-minute topic: **"Challenges to Economic Growth in the European Union. Reforms for the Future of Europe"**, an event benefiting from the extraordinary support of the Embassy of the United Kingdom in Bucharest.

I am honoured to salute very dearly Mr. Vincent Cable, the British Minister for Business and Innovation. I also wish to extend my greetings to Mr. Martin Harris, the British Ambassador to Bucharest, and to the other diplomats.

Ladies and gentlemen,

Sustainable economic growth of both Romania and the entire European Union hinges decisively on economic policy consistency. Moreover, the global economic and financial crisis has proved to us yet again that there is no valid substitute for consistent economic policies.

The correction of economic policy errors is, for all countries in the world, painful, often difficult to comprehend by the public at large and inherently delayed, but it is absolutely necessary.

I will now tell you from my own expertise that denying the need for adjustment is not a viable option. It is nevertheless true that ensuring fiscal sustainability without jeopardising the prospects for economic growth is a major challenge to decision-makers.

No doubt the recent heated debates within the European Union and heightening fears about the euro and the euro area could not make things easier. Economic and financial conditions have tightened worldwide, but we, here in Romania, have already grown accustomed that our European dream has to pass exceedingly rigorous and tough exams. I realised a long time ago that the European Union would not bring forth roses on our way there. Even countries with robust economies, the old EU Member States, face major difficulties to integrate into the monetary and fiscal mechanisms, and some are even compelled to seek international support.

However, the great benefits that the establishment and enlargement of the European Union has brought about should neither be forgotten, nor denied. The European Union has made Europe a robust economy at global level and, just to quote Romano Prodi, has brought the much-desired peace after centuries of conflicts. Boundaries have gradually been removed and people began to feel they belong to a much larger space than their own country, i.e. an area characterised by peace and democracy. From this perspective, one can say without the risk of being wrong that the history of Europe has moved in a virtuous direction.

No matter how hard times the European Union is going through and no matter how many challenges must be adequately dealt with, an in-depth analysis shows that political, economic and social interests converging towards the continuation of this great project, namely the strengthening of the European Union, are stronger and more motivated than those stemming from rather circumstantial fears, arising out of the difficulties and vulnerabilities brought along by the global crisis.

In order to stick to the virtuous direction that I have referred to – or to return to it –, I personally think that in these difficult times for the European Union, we should not forget to put things into perspective. This means that short-term policies must be harmonised with the long-term vision and policies.

Romania's stance is to consistently support EU-wide economic and institutional reforms. We believe that efforts to strengthen governance in the European Union and the euro area should be made without delay, and they should be understood and supported by all Member States.

At the same time, particular attention should also be paid to the small- and medium-sized enterprises. In any country of the European Union, small- and medium-sized enterprises generate most of the turnover and provide jobs for most employees. Romania is no exception to this rule. However, beyond any quantitative arguments, small- and medium-sized enterprises are an engine of economic growth, especially due to the fact that they are characterised by dynamism, flexibility and innovative power, which makes them able not only to adjust to the changes in the economy and quickly grasp market trends, but also to open up new avenues to economic and technological progress, as they are seen as tireless promoters of change. This is, in fact, the very essence of entrepreneurship.

Last but not least, we should all be aware that some of the best-performing small- and medium-sized enterprises today will turn into the large companies of the future (as was the case of Mobexpert and Dedeman, two successful Romanian companies that currently provide thousands of jobs after starting in the early 1990s as small- and medium-sized enterprises, with only a handful of employees). Romania and Europe need small- and medium-sized enterprises not as survivors of the crisis, but as drivers of innovation, the catalyst for economic growth.

Let me conclude by emphasising that good economic governance – based on four essential pillars: transparency, accountability, predictability and participation – is an important ingredient of economic growth. In-depth reform of economic governance at EU level and at global level is the way to go if we truly wish to achieve sustainable economic growth and job creation.

Ladies and gentlemen,

Now let me call on Mr. Vincent Cable to share with you his opinions on growth recovery across the European Union and the reforms for the future of Europe.

Minister, you have the floor!

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