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INTERNATIONAL SCIENTIFIC CONFERENCE ON
TOURISM AND BUSINESS LOGISTICS – GEVGELIA



GOCE DELCEV UNIVERSITY OF STIP
FACULTY OF TOURISM AND BUSINESS LOGISTICS

P R O C E E D I N G S

THE 2ND INTERNATIONAL SCIENTIFIC
**CHALLENGES OF TOURISM
AND BUSINESS LOGISTICS IN
THE 21ST CENTURY**

Stip, September 13th, 2019

North Macedonia



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Stip, September 13th, 2019

PREFACE

The Faculty of Tourism and Business Logistics in Gevgelia, at the Goce Delcev University of Stip, hosted the Second International Scientific Conference, "Challenges of Tourism and Business Logistics in the 21st Century".

The conference was held on 13 September 2019 in Stip, with 35 works of 62 authors from Serbia, Croatian, Montenegro, Bulgaria, Kosovo and Macedonia that were presented at the Conference.

The purpose of the Conference is exchange of ideas and experiences of the participants coming from Macedonia and abroad, and establishment of cooperation for further development of tourism and business logistics in Macedonia and beyond.

The results of the Conference are visible through publication in a collection of papers, which is presented to a wider scientific audience and the public. In this way, we want to promote the Faculty of Tourism and Business Logistics, promote Stip as the most visited settlement in the eastern part of Macedonia.

Stip,
September, 13th, 2019

Editor
Nikola V. Dimitrov, Ph.D. *Dean*

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PLENARY SESSION

ROMANIAN CONVERGENCE AND MACROECONOMIC PERSPECTIVE FROM EU MEMBERSHIP

Tatjana Boshkov¹; Dushko Joseski²; Zarko Radjenovic³

Abstract

In order to achieve optimism in the South East Europe, and for overcoming the pessimism that are dominant here, is need more work, more cooperation, meeting the criteria and rejoining in the EU. Everyone in the region sees the European integration process as crucial to the road to progress, peace and democracy. Everyone in the region sees the European integration process as crucial to the road to progress, peace and democracy. The opportunity to be part of the European family, where our civilization naturally belongs, is crucial to enable the region to move towards reconciliation and development.

In this paper we analyze benefits and obstacles from Romanian EU membership, its convergence. Also, we make an estimation of macroeconomic variables thus getting the real economic situation for unemployment, growth, investment for twelve years membership in EU.

Key Words: *EU, convergence, growth, investment, Romania, empirical estimations*

JEL classification: *B22, E02, N1*

Introduction

The opportunity to be part of the European family, where our civilization naturally belongs, is crucial to enable the region in moving towards reconciliation and development. Especially, economic development and job creation are key priority for the SEE countries.

The main risks remain at home where priorities remain political criteria and resolution of bilateral disputes and once these are resolved we can talk about economic criteria and the need for better economic governance. But there are also opportunities for advanced structural reform, with an EU accession agenda that can accelerate countries' growth prospects through improved fiscal policies by reallocating non-targeted expenditures for social measures towards higher productivity investments. Certainly the regional approach can and should be used for joint growth and development.

Theoretical review for South East European countries on EU path

A survey provides an interesting overview of progress with real and nominal convergence in Central and South East Europe and the macroeconomic challenges that they face on their path to the EU (Schadler et al., 2005). Namely, referring to the macroeconomic stability and progress in transition both are closely related and both are important for sustainable growth and progress towards a functioning market economy. Progress with structural reforms can help for

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macroeconomic stability, for example, by reducing the structural external deficits. Also, it helps the nominal convergence, as the productivity realizes the improvement of competitiveness and helps disinflation by maintaining low unit cost. Other analyses describe the experiences about the development in the newest EU members, where development in more successful transition countries reflects higher total factor of productivity than the growth in relative levels of capital and labor (Fidrmuc, 2004). This underlines the importance of market-established reforms for development.

Various indicators show that the most of the Southeastern countries require continual progress in transition reforms to become functional market economies. Regarding structural reforms, if they remain slow, positive growth rates may not be sustainable. This would slow down real convergence. Initial reforms - like trade and price liberalization, privatization in many countries, and relative macroeconomic stability - facilitated lessened development since 2000 in many countries in the region. Like many countries in the early stages of transition, SEE countries rely mainly on exchange rates to reduce the inflation. The regime shifts may also have adversely affected monetary policy credibility, as indicated by the growing the euroization.

Romania's EU accession and its convergence

With Romania's EU accession treaty, it needs to replace the current national currency, the Romanian leu with the euro, as soon as Romania meets all six national criteria for the euro's convergence. The Romanian leu was not yet part of the European Exchange Rate Mechanism (ERM II) of which at least two years of stable membership was one of the six nominal convergence criteria that must be harmonized to qualify for adoption of the euro.

The current Romanian government has also established self-imposed criteria for achieving a certain level of genuine convergence as a management anchor to decide the appropriate target year for membership (ERM II) and the adoption of the euro.

In March 2018 government announced that the deadline for adoption of the Euro in Romania is 2024. So, to simplify future adjustments after the adoption of the euro, the Romanian new leu replaced the old leu in 2005, and the new ATMs had the same physical dimensions as the euro banknotes, with the exception of the banknote 200 Romanian leu. Romania's real convergence target before adopting the Euro was accessing GDP per capita above 60% of the same average for the whole of the European Union, and the latest research was projected to reach 65% in 2018 and 71% in 2020. The Romanian government has also expressed its commitment for fully joining in the monetary union as soon as possible.

Adopting the Euro in Romania: analysis of benefits and obstacles

Recently, perspectives for the future of the euro and the eurozone have been independent, but current political developments in France and Germany, European Commission and the European Central Bank, and with the development of world financial markets, have shown that the European monetary union will not disintegrate, will continue to strengthens and will contribute to the transformation of the European economy.

In this context, European Commission President Jean-Claude Juncker has pointed out his opinion to see more EU member states joining the Eurozone and that countries in the area should help to the countries aspiring to join the Eurozone, in meeting the requirements necessary for this purpose.

The disadvantage is that monetary policy will not be able to use the exchange rate to affect the domestic economy. So, the moment of entry into ERM II and the level of parity of the leu against the euro must be chosen with the utmost caution, since the National Bank of Romania will no longer be allowed to help the real sector by letting the currency to weaken more than the 15% band set around the parity level.

Brief overview of Romania's euroization

Romania may decide to accept the euro as its single currency and abandon its national currency. An important advantage of such a strategy is to reduce inflation at the euro area level without unemployment costs. Inflation in Romania will be equal to that of the eurozone, and economic agents know this and consequently they coincide and mark their inflation expectations. Euroisation followed the trend of dollarization, which occurred when the transition began and constituted a refuge for private economic agents and also for the state under conditions of severe macroeconomic stabilization, which also reflected the persistence of the rather high inflation rate in the national economy.

This phenomenon occurred alongside Romania's commercial and financial integration with European Union economic agents and was reinforced by the trend of appreciation of the national currency during the period of economic boom. These conditions had positive effects on the wealth and balance of domestic economic agents, which led to the trend of borrowing / making foreign currency deposits, as well as accelerating consumption during the period of economic expansion.

The depreciation of the national currency has a negative impact on the ability of foreign currency borrowers to pay, which has resulted in increased financial risk in the banking system. As a consequence, the partial Eurozone of the Romanian economy fueled the overheating of the national economy by 2008 but broke the capacity to adjust shocks through monetary policy and exchange rates.

Thus, partial euroization has acquired reduces the capacity of the economy to offset shocks and the reliance on decisions made by the European Central Bank or by economic agents from high commercially and financially integrated countries. There are several forms of euroization in Romania, which are specific to the financial replacement of the national currency with the single European currency tending to lend in foreign currency and make deposits in the same currency and emphasize the requirement of eurozone' banks within the national banking system.

ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.601E8	5	3.201E7	91.230	.000 ^a
Residual	3859707.088	11	350882.463		
Total	1.639E8	16			

a. Predictors: (Constant), M, I, C, G, X

b. Dependent Variable: GDP

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	1056.788	5095.506		.207	.839					
C	.003	.130	.002	.022	.983	.817	.007	.001	.227	4.400
I	-.016	.082	-.018	-.197	.848	.417	-.059	-.009	.244	4.100
G	-.742	.775	-.123	-.958	.358	.690	-.278	-.044	.130	7.684
X	.034	.035	.265	.969	.353	.928	.281	.045	.029	34.925
M	.105	.035	.833	2.994	.012	.986	.670	.139	.028	36.166

a. Dependent Variable: GDP

EQUATION: $GDP = 1056.788 + 0.003C - 0.016I - 0.742G + 0.034X + 0.105M$

b) INVESTMENT VS FDI in Romania

Correlations

	I	FDI
I	Pearson Correlation	.236
	Sig. (2-tailed)	.362
	N	17
FDI	Pearson Correlation	1
	Sig. (2-tailed)	.362
	N	17

Domestic macroeconomic and financial environment has remained favorable, which has helped provide some kind of protection to Romania, together with the other countries in the region, at times when global investors' sentiment towards the emerging markets worsened.

At European level, the main systemic risks refer to the reprising of risk premia in global financial markets, the public and private sector debt sustainability challenges, weak profitability of financial institutions that weights on their intermediation capacity, as well as the liquidity risk and the contagion effect from the shadow banking sector to the financial system. Romania is better prepared now than it was 10 years ago to withstand external shocks: the foreign currency reserves strengthened, banks in Romania came to be much less dependent on foreign funding, the external debt refinancing risk declined, and net external debt hit a 10-year low.

Romania's key strengths have been as follows - economic growth slowed from 6.9 percent in 2017 to 4.1 percent in 2018 H1. In turn, the annual inflation rate is expected to strengthen its downward path after reaching a peak at mid-year, as it is seen re-entering the variation band of the target (2.5 percent \pm 1 percentage point) at end-2018 and running in the upper half of the band during 2019. Public debt contracted by one percentage point against the end of 2017, coming in at 34.1 percent of GDP at end-June 2018, amid robust economic growth. It remained below the ceiling of 60 percent set forth in the European Commission's assessment procedure as well as below the sustainability threshold estimated at 40-45 percent. Nevertheless, the MPF's forex reserve declined to 2.8 percent of GDP at end-2017, which puts the net public debt close to the gross public debt. Unemployment rate continued to fall to 4.2 percent in 2018 Q3, while the employment rate further followed the improving trend seen in previous periods, standing at 70 percent in 2018 Q2, close to the 75 percent benchmark set as an objective under the Europe 2020 strategy. The banking sector has stayed sound. Solvency and liquidity remained within adequate parameters and asset quality improved (the non-performing loan ratio dropped from 6.41 percent in December 2017 to 5.56 percent in September 2018). On the whole, Romania is better prepared now than it was 10 years ago to withstand external shocks. The public debt refinancing risk declined, the share of short-term debt in general government debt narrowing markedly over the past 10 years, from 18 percent in 2008 to 2.7 percent in August 2018. Moreover, the average maturity of government debt rose in recent years, coming in at 6.2 years in August 2018. – Net external debt as a share in GDP hit a 10-year low of 19.5 percent in 2018 H1, against 24 percent in the same period of 2008. The financial system has gained in soundness. But the Romanian economy has been facing a series of structural problems the solving of which requires the implementation of structural reforms:

- The demographic problem has become even more serious amid the step-up in migration over the recent years and the negative population growth. The existence of structural demographic constraints leads to further labour market tightening.
- The weak payment discipline, together with the persistence of some vulnerabilities in firms' balance sheets, are further potential risks to financial stability
- Financial intermediation has remained low, standing significantly below that in Europe or across the region. The main medium-term structural challenge for the banking sector is further to capture the sustainable potential to increase financial intermediation, especially in relation to non-financial corporations.

Conclusion

Twelve years after joining, most Romanians continue to trust the European Union (57%). However, Romanians see the advantages and disadvantages of being an EU member. The main advantages include employment in a Member State (35%), access to more goods or markets (33%) and a positive impact on the European funds in the region in which they live (30%).

Also, the fact that they travel more frequently in EU countries is an advantage for 29% of the respondents, while 28% see the implementation of EU rules and standards as a good thing. Other advantages in the opinion of the Romanians: better security of the country (26%), equal opportunities with other European citizens to study in an EU country (24%), gaining confidence (23%) and better infrastructure in Romania (21%). Some of the European Union's strengths include good relations between member states (pointed out by 48% of respondents), respect for human rights, democracy and the rule of law (46%), the EU's capacity to promote peace and democracy beyond its borders (41%), the economic, industrial and commercial power of the EU (35%) and the safety and quality of food in Europe (34%).

On the other side, on the list of Romanians worries are - the lower purchasing power due to rising prices first appears for 67% of the respondents, after which the purchase of land by foreigners (57%), the migration of Romanian specialists in other EU countries - also known as brain drain (56%), the fact that Romanians do not have equal rights in the labor market of the EU (53%), drug and human trafficking (53%), the fact that Romanian companies risk closure due to large imports (52%) and the terrorist threat (49%). Migrants from outside the EU, the competition created by European products leading to lower prices for Romanian products, double standards for food and a tension between the EU and Russia are also on the list of shortcomings.

The poll also reveals that 49 percent of Romanians strongly or partially agree that Romania's economy has become more stable after the country joins the EU. About 38% of respondents agree that Romania has become politically more stable, while more than half do not agree with this statement.

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