

Mugur Isărescu: Is European financial integration stalling?

Opening remarks by Mr Mugur Isărescu, Governor of the National Bank of Romania, at the EUROFI High Level Seminar, Bucharest, 3 April 2019.

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Honourable guests,

Ladies and gentlemen,

Please allow me to welcome you here, at the Royal Palace. We are honoured to host here, in Bucharest, so many outstanding guests at such a landmark event. It is a perfect occasion to exchange views and liaise with representatives of public and banking authorities and of the financial industry across the European Union.

During the talks over the past few days, and particularly on the occasion of the EUROFI High-level Seminar, I heard strong voices from the banking community which were rather pessimistic about the prospects of further banking and financial integration. We, at the Eastern frontier of the EU, are compelled to take a more positive outlook regarding the future of our continent.

Speaking about the difficulties of the financial sector in Europe, it is important to point out the positive aspects and evolutions as well. Certainly, favourable developments have taken place all over Europe and we should acknowledge them and move forward with more confidence. Specifically, financial fragmentation has been mitigated as a result of broad-based non-standard policy measures taken by the ECB. Looking ahead, completing the Economic and Monetary Union, which involves risk-sharing tools and risk-reduction efforts, is the way forward to address financial fragmentation.

In the case of Romania, I could say we have already taken important steps towards joining the banking union: no public funds were resorted to after the crisis outbreak to support the banking system and now its liquidity and solvency ratios are well above the prudential thresholds. While the NPL ratio has declined from a peak of around 22 percent in 2014 to 4.8 percent in February 2019, profitability returned and credit growth has started to pick up.

Indeed, we have to be aware that there is a fragmented banking landscape in Europe and a danger of further fragmentation, as well as other threats facing the financial system. Yet, whenever I see a problem, I say to myself that it is our job to address them. This means we should stand ready to deal with all the challenges that need to be overcome. Whenever things seem to look bad in the EU, I remember the words of Jean Monnet, one of the founding fathers of the EU project: “Europe will be forged in crises and will be the sum of the solutions adopted for those crises”. Time has proved him right and I trust his words will always remain true.

Besides, we need to value that Europe is united in diversity. Diversity is an outstanding asset for Europe, and it should not be regarded as a permanent liability. In trying times it is essential to capitalise on what unites us. And many things already created bridges between us well before the creation of the EU. We have always been diverse, yet connected.

I recall how amazed I was when, during my first visit to **Portugal**, two decades ago, I realised that in two countries located at the two ends of the European Union – Portugal and Romania (which were also the extremities of the Roman Empire) – a saying about the bare necessities of life sounds almost the same in the two languages. The sentence that really shocked me was the following: “*In this house with a litre of wine and a kilo of beef, one cannot be dying of hunger or thirst*”.

This is not an exception, though. In **Spanish** and **Italian**, a lot of words are close to the

Romanian ones. A proof in this respect is that many Romanians have chosen to work or to live in those countries as they find it easy to adapt to the local culture and language. It's like a home away from home.

In the very heart of Rome, anybody can see Trajan's Column, the monument commissioned by the Roman Emperor Trajan, born in Spain. It was completed in the year 113 AD and features a remarkable spiralling, sculpted bas-relief depicting the wars between the Dacians and the Romans. Trajan solved a budgetary crisis by crossing the Danube and entering Transylvania – the land beyond the forests in Latin (*trans silvae*) – to seize the gold of the Dacians. I wouldn't say this would qualify as model behaviour nowadays. However, a good thing came out of this: the Romanian people is virtually the result of a fiscal and monetary decision. This explains the linguistic and historical similarities that stem from our common Latin roots.

Nevertheless, I have discovered similar words with other languages as well. For example, in **Slovenian** and **Croatian**, a regional ruler used to be called a *ban*, which was also the case in parts of Romania. Since these rulers had the right to mint coins, money was and still is called *bani* in Romanian.

Looking now at the **Baltic countries**, maybe it is no coincidence that they and Romania have folk songs called *doina* and *daina*, respectively, included in the intangible UNESCO heritage.

Romania is a mostly Greek-Orthodox Christian country, the same as **Greece**, **Cyprus** and **Bulgaria**. By the way, let me congratulate our Bulgarian friends on the 140th anniversary of the establishment of their central bank!

The legal and political systems of modern Romania were inspired by the **French** (I limit myself to just mentioning the Napoleonic Code). This is also the case with modern Romanian culture: prominent Romanian artists such as Constantin Brâncuși and George Enescu achieved international recognition in Paris.

Coming back to the legal system, the first Constitution of modern Romania in 1866 took after the Belgian one. In addition, the NBR was founded based on the constitutive principles of the Belgian central bank. The report to Parliament underlying the establishment of the National Bank of Romania in 1880 saw **Belgium** as – and I quote – “a small but happy country”, which developed rapidly with the assistance of its national bank, rendering it a suitable model for the institutional set-up of Romania. As regards the neighbouring **Netherlands**, the name of Romania's domestic currency – the leu (meaning lion) – comes from a Dutch silver coin very popular in this part of Europe in the 17th and 18th centuries: the lion-thaler.

Crossing the channel, our most beloved Queen Marie was the granddaughter of Queen Victoria of the **United Kingdom**. It was her son, King Charles II, who reconstructed this Royal Palace. Moving west again, let us not forget that the **Irish** writer Bram Stoker took Vlad the Impaler as an inspiration for his famous novel *Dracula*, creating a myth that Romania is frequently associated with.

Returning to Romania's monarchs, under whose reign the country saw a remarkable modernisation, they belonged to the **German** House of Hohenzollern-Sigmaringen. As for the economic ties with **Germany**, I would mention the fact that the name of the street where the Old Palace of the National Bank of Romania is located, i.e. *Lipscani*, derives from Leipzig (Lipsca in Romanian), the place where long ago local merchants used to bring their goods from. Going further back in time, the Saxons (originating also in the **Luxembourg** area) settled in Transylvania, which they called Siebenbürgen (seven fortified towns). One of these towns is Sibiu or Hermannstadt, where Romania's current President was born and where the Informal Summit of Heads of State or Government of the European Union will take place in May.

On a lighter note, children in Romania enjoy playing with *Lego*, **Denmark**'s registered trademark. As regards Finland, Mika Waltari's books have consistently been bestsellers in Romanian bookshops and *Angry Birds* ranks as one of the most popular mobile apps among young Romanians. As surprising as it may seem, there is a link with **Sweden** as well. In the early 18th century, King Charles XII, after the battle of Poltava, moved southwards to Romanian lands, turned into an entrepreneur and built the Colțea Tower, the tallest building in Bucharest at the time, which stood very close to the current headquarters of the National Bank of Romania.

The importance of **Austria** and of its capital city, Vienna, for Romania is unquestionable. It should be pointed out that the Austrian influence is not confined to Transylvania. To give you just one example of a Romanian landmark figure who refined his personality in Vienna, our national poet Mihai Eminescu studied a few years in this prestigious academic hub. I cannot conclude without mentioning that Romania is inhabited by diverse minorities belonging to nations in the region, namely, **Hungarians, Czechs, Poles, Slovaks**, with whom we have so many things in common that it would take me too long to talk about.

And if I add that beautiful and sunny **Malta** became an increasingly popular holiday destination among Romanian tourists, I think I have touched on each of the 27 current EU Member States besides Romania.

Let me conclude by saying that Romania is fully committed to the united Europe and to European values, but this is nothing new and is also the case with the other Member States. The need for unity of Europe is better perceived from its Eastern border, on the Black Sea coast, as we are so close to Crimea. And I want to make a call for unity in Europe and to stress that it is us who, through our decisions, shape its future. As Abraham Lincoln once said, "The best way to predict your future is to create it". With this in mind, allow me to make a toast for a strong and united Europe.

Thank you for your attention!