



## **EUROPEAN GOVERNANCE:** Exploring Potential of Differentiated Cooperation of EU Member States



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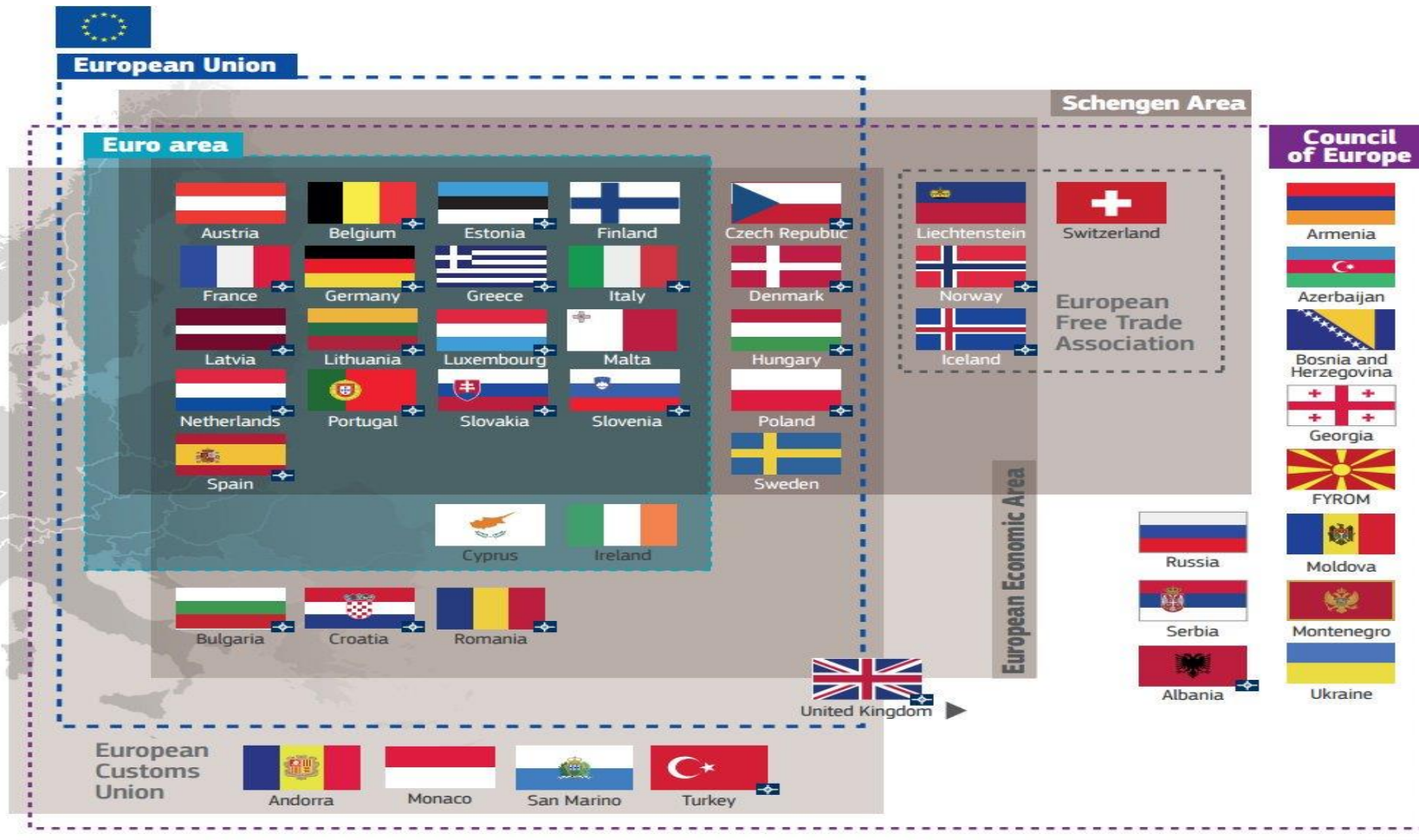
# Central Europe & eurozone

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Grand Hotel Kempinski High Tatras

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# Overlapping Europes



\*Kosovo and Montenegro use Euro but are not part of the EU

European Commission, "White Paper on the Future of Europe: Reflections and scenarios for the EU27 by 2025", 2017

## Short history of the euro

- ▶ The **Delors report (1989)**, proposed to articulate the realisation of Economic and Monetary Union (EMU) in different stages, which ultimately led to the creation of the single currency: the euro.
- ▶ The **Maastricht Treaty (1992)**, signed by twelve member countries of the, at the time called, European Community, now the EU. Among the many topics discussed, the European Council decided to create an **Economic and Monetary Union**. It entered into force on 1 November 1993.
- ▶ **Euro entered into force for the first time on 1 January 1999** in eleven of the, at the time, fifteen Member States of the Union, but only for non-physical forms of payment. The old currencies co-existed with the new currency until **28 February 2002**, the date on which they ceased their legal tender and could not be accepted for payments.
- ▶ The **Lisbon Treaty (2009)** The observance of the parameters established in the various European Treaties, is then merged into this treaty to try to get out of the crisis (Lehman Bank, 2008) and prevent it from being repeated in the future.
- ▶ On 9 May 2010 the Council of the European Union agreed on the creation of the **European Financial Stability Fund (EFSF)** (to provide aid to debt-laden Eurozone countries) and the **European Financial Stabilisation Mechanism (EFSM)**.

## The eurozone Member states

Adoption of the €	Member States
1 January 1999	Austria, Belgium, Finland, France, Ireland, Italy, Luxembourg, Germany, Netherlands, Portugal, Spain
1 January 2001	Greece
1 January 2007	Slovenia
1 January 2008	Cyprus and Malta
1 January 2009	Slovakia
1 January 2011	Estonia
1 January 2014	Latvia
1 January 2015	Lithuania

## 'Flexible' arrangements in the European Union

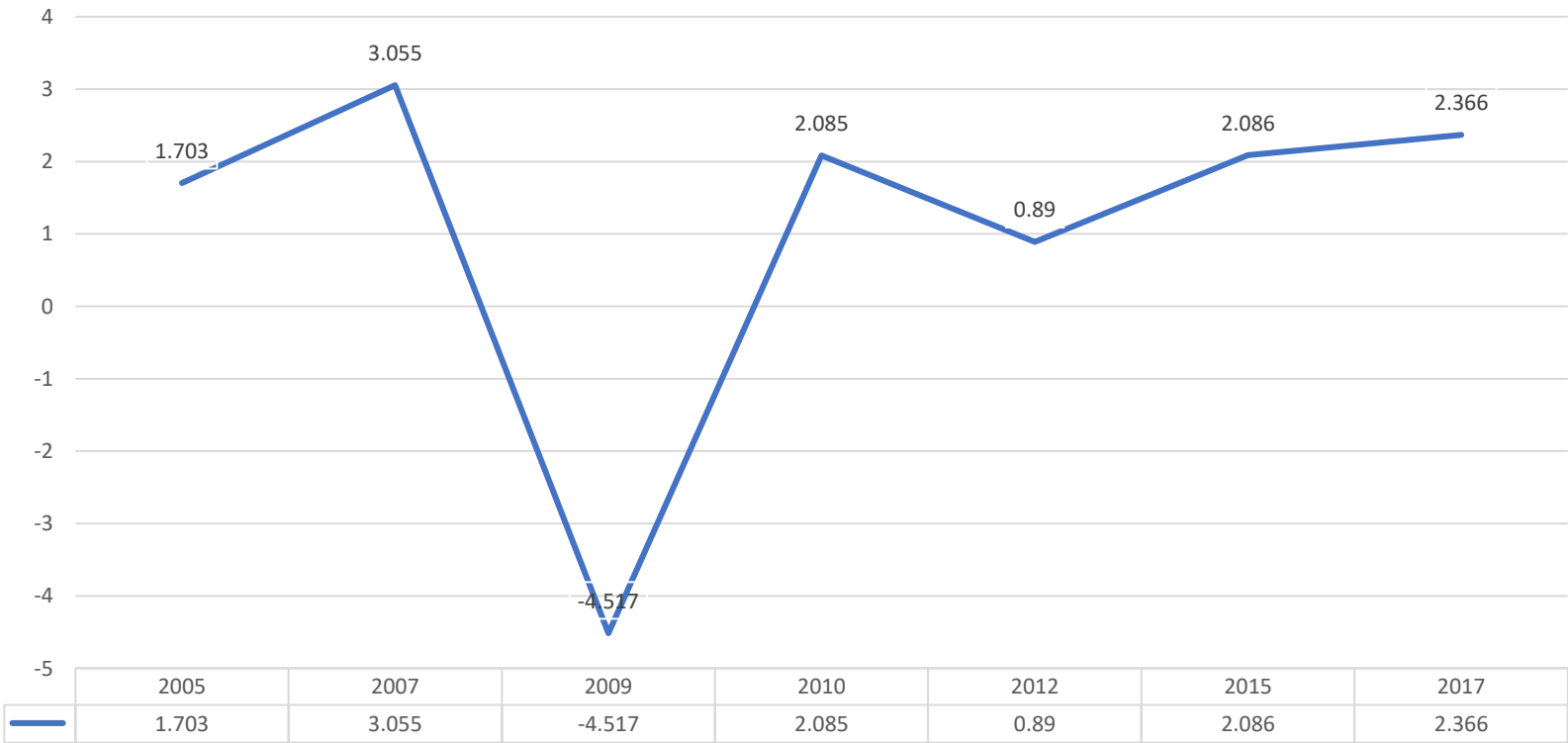
- ▶ The EMU is a prominent example of 'flexible' arrangements in the EU that demonstrated **inclusive nature of the institutions**.
- ▶ It was born an EU-wide policy shared by all EU member states, and was supplemented with temporary derogations and permanent opt-outs. As time passed, the status of the non-eurozone countries changed from *'being in with a temporal derogation of rights and obligations'* to *'being out with the possibility to enter'*. (Blockmans, 2014).
- ▶ In terms of political responsibility, it is widely acknowledged (both by the eurozone members and the non-eurozone states) that **the eurozone policies are primarily owned by the eurozone countries** (i.e. the countries that moved to the third stage of EMU) rather than by the EU as a whole.
- ▶ Due to the 'blame game' that followed the sovereign debt, financial and economic crisis, the noneurozone countries to a greater or lesser degree refused to take their share of political responsibility for the fate of the EMU.
- ▶ Sharing the common currency means that the Member States must do more together to manage their own currency. It potentially could, but does not have to lead to two-tier Europe (Blockmans, 2014).



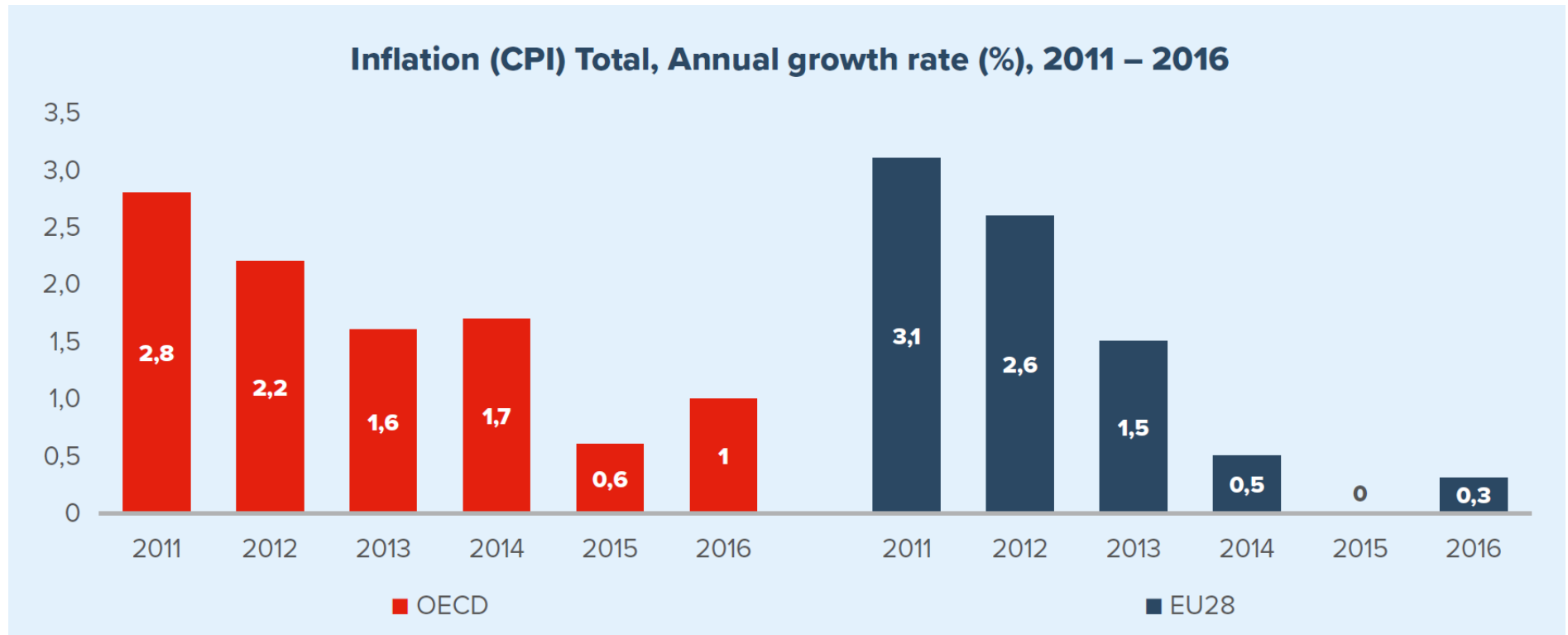
# The eurozone growth

## Euro Area GDP Growth

Source: Worldbank; world development indicators (2018)



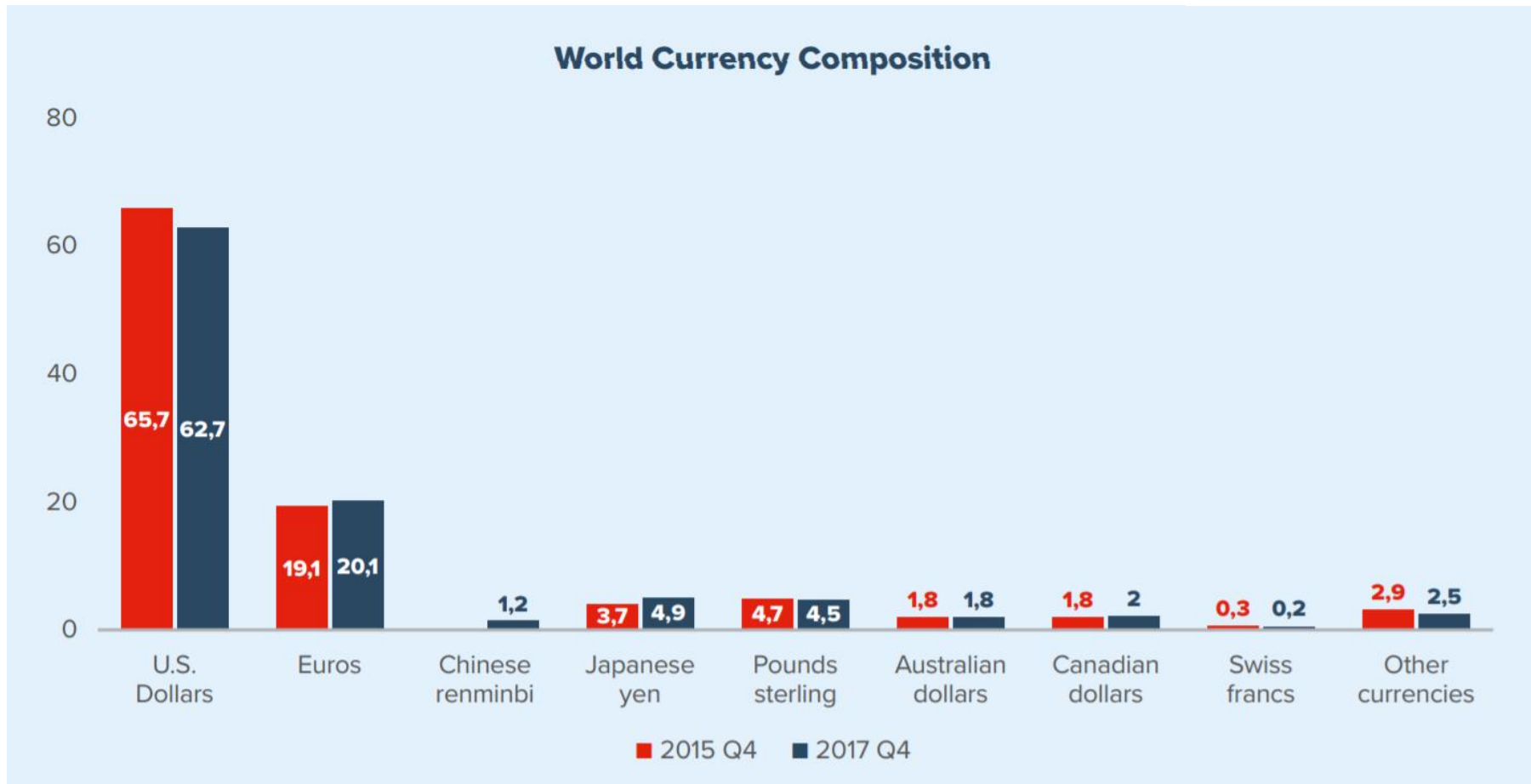
The euro helped to keep prices stable in the eurozone



Between 2011-2016, the average inflation rate in the EU (1.5%) was slightly lower than the OECD area (1.6%). To compare, between 1961-1991, an average inflation rate in France, Germany or Spain accounted for respectively 6.6%, 3.4% and 10%.



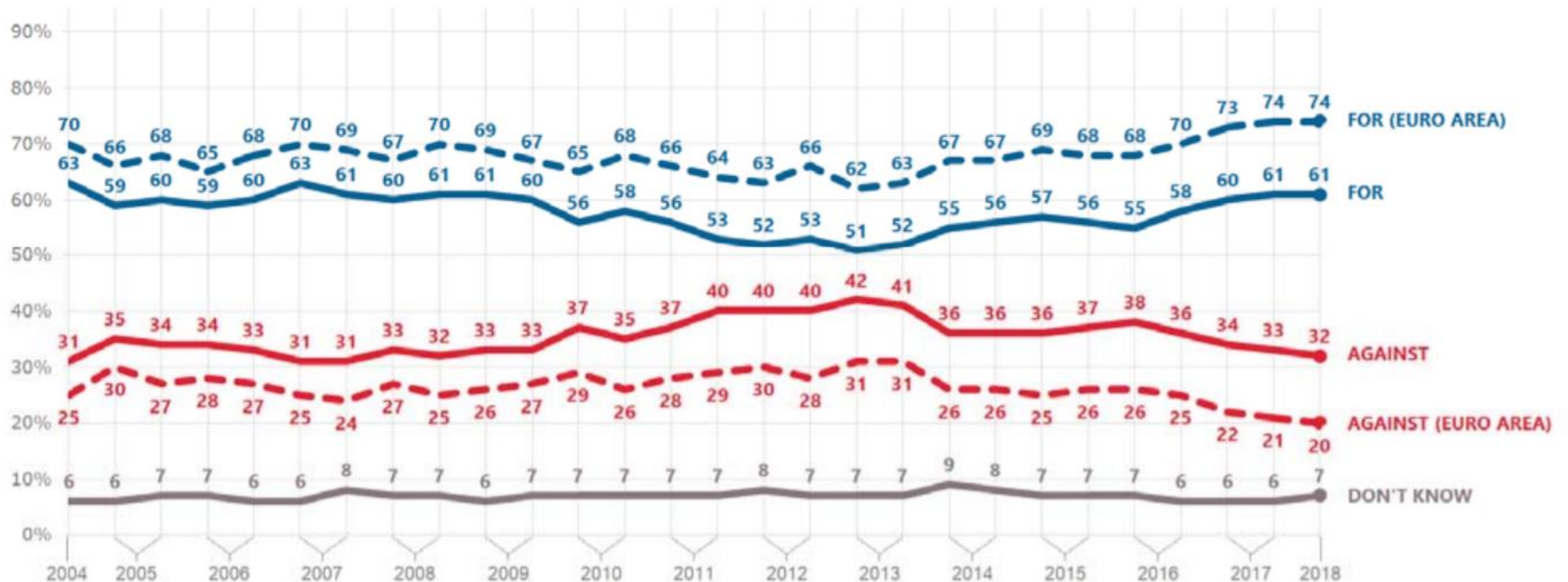
## The euro is not doing too bad against other currencies



Currently, it is the second most commonly held reserve currency, comprising about 20% of allocated holdings. According to the International Monetary Fund, its share steadily grew from 19% in 2015 to 20% in 2017. Sixty countries and territories representing 175 million people have pegged their own currencies, either directly or indirectly, to the euro.

# Support for the euro

What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.  
A European economic and monetary union with one single currency, the euro (% - EU)



# France, Germany *vis-à-vis* the euro

France	Germany
In favor of the apointment of a Finance Minister.	Berlins sees it less hostile, providing that the role of such a minister is to ensure respect for budgetary discipline.
In favor of a specific budget for 19 MS of the eurozone (higher than of the EU 27).	Fears that the eurozone budget would serve to financial transfers to the indebted countries of the eurozone. Instead it favours a „specifc line” in the EU budget dedicated to the protection of the eurozone countries against external shocks.
In favor of Eurozone Parliament that would control the eurozone budget.	Fears that the Bundestag would be deprived of control of public spending.
Central Europe	
<ul style="list-style-type: none"> <li>• Closer to German than French ideas</li> <li>• Only Slovakia is in the eurozone, so it would be the only one to benefit from the French ideas</li> <li>• The other CE non-euozone countries feel they would loose if the separate eurozone budget is created</li> <li>• CE countires are not ready now to transfer more sovergnity to Brussels</li> </ul>	



# The Meseberg Franco-German Declaration, 19.06.2018

- ▶ A eurozone budget to be available by 2021, whilst keeping in mind the convergence, stabilisation and improving competitiveness of its member states.
- ▶ Strategic decisions about the eurozone budget to be made by the Eurogroup.
- ▶ As with the EU's Multiannual Financial Framework (MFF), eurozone's budget will be a multiannual investment budget managed by the European Commission and deriving revenues from similar sources as the MFF.
- ▶ The European Stability Mechanism to serve as limited backstop to the Banking Union, with more monitoring and principle of conditionality applied. It will have a function of stabilising the finances of those member states which have budgetary problems will be performed by loans.

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