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Eurozone: Resilient, Attractive and Beneficial for All?

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Thanks to steady economic growth (2,4%) and record low unemployment (8,2%), Europe is finally shaking off the last of the financial crisis. In doing so, the urgent calls for further reforms and deeper integration between euro area members have also faded. This begs the question whether a clear path towards a eurozone that is resilient, attractive and beneficial for all exists.

Recent developments

Multiannual Financial Framework (MFF) 2021-2027 Proposal by the European Commission (EC), 02.05.2018

- The European Investment Stabilisation Function for stabilisation of public investment levels and rapid economic recovery to be used solely by euro area members and participants in Exchange Rate Mechanism (ERM II).
- A Reform Support Programme to help non-eurozone member states to be ready to join.

The Meseberg Franco-German Declaration, 19.06.2018

- A eurozone budget to be available by 2021, with strategic decisions made by the Eurogroup and expenditures determined by the EC.
- European Stability Mechanism to serve as limited backstop to the Banking Union, with more monitoring and principle of conditionality applied

The eurozone and CEE

- Bulgaria and Croatia have expressed their desire to join the euro area, with Bulgaria preparing to apply for participation in ERM II and Croatia establishing a National Council for the adoption of the Euro.
- Poland is currently not interested in joining the euro area and has expressed concerns that a eurozone budget means the end of the EU and more multispeed Europe (June 2018).
- Prime Minister of the Czech Republic Andrej Babiš: “the country could not be serious about the introduction of the Euro unless it knows how the eurozone will deal with its past obligations and how it will implement the reform that it often talks about” (April 2018).
- Minister of Finance Mihály Varga: “Hungary is in no rush to join the eurozone and should adopt the single currency only if its economic output approaches the average of the euro area or Germany.” (March 2018)

Key questions

- There is widespread political support for the completion of the Banking Union. However, progress is being hampered by different fundamental interpretations of the rules to be applied, as well as different national legal frameworks (e.g. common bank deposit insurance). How can the eurozone overcome these divergences and agree on a single rule book?
- What will future eurozone reforms mean for non-member states? How would further eurozone convergence impact Central and Eastern Europe (CEE)? What kind of stimulus could make the eurozone more attractive to potential new members?
- Will greater convergence in the euro area lay the foundations for flexible integration and would this lead to the end of the EU?

