



"EU-36"
Workshop on "Eurozone"
Budapest, 13 September 2013

PANELISTS:

- **Péter Balázs**, Director, Centre for EU Enlargement Studies, CEU
- **Julius Horváth**, Professor, Central European University, Budapest
- **András Málnássy**, International Taxation Analyst, Security and Defense Policy Expert, National Tax and Customs Administration, Budapest
- **Ahmet Evin**, Professor, Sabanci University, Istanbul
- **Miloš Erić**, Teaching Assistant, Faculty of Economics, Finance and Administration (FEFA), Belgrade
- **Frédéric Esposito**, Senior Lecturer, European Institute, University of Geneva
- **Mihailo Crnobrnja**, Professor and Dean, Faculty of Economics, Finance and Administration (FEFA), Belgrade
- **Mihajlo Babin**, Teaching Assistant, Faculty of Economics, Finance and Administration (FEFA), Belgrade
- **Oleg Levitin**, Senior Political Counselor, European Bank for Reconstruction and Development (EBRD), London
- **Tomáš Strážay**, Senior Fellow, Research Centre of the Slovak Foreign Policy Association (RC SFPA), Bratislava

PAPERS PRESENTED:

- Julius Horváth, "Enlargement of the Eurozone"
- András Málnássy, "Turkey - as a potential Eurozone candidate?"
- Ahmet Evin, Professor, "Eurozone: Variable Geometry?"

Péter Balázs **Introduction**

In the introductory part, Péter Balázs mentioned the second anniversary of the ‘EU-36’ project, and underlined the main goal of the project, which is to support the issue of enlargement and to discuss the future political, economic, socio-cultural and security aspects of a greater EU. He said that Štefan Füle, European Commissioner for Enlargement and European Neighbourhood Policy, and José Manuel Barroso, President of the European Commission, are informed about the project. The most immediate goal is to complete the book that will include the papers that have been presented at the ‘EU-36’ workshops so far. The main topic of today’s conference is ‘Eurozone’.

Julius Horváth **Enlargement of the Eurozone**

In the first presentation entitled ‘Enlargement of the Eurozone’, Julius Horváth reflected on how we view the current Eurozone, and assessed success and less success stories of the Eurozone. He talked from the perspective of Central Europe, giving examples of Hungary, the Czech Republic, Slovakia and Poland. He said that the Eurozone issue is a very complex one, composed of both economic and political problems. Whether to join or not to join the Eurozone is always the big question to which the well-known theories sometimes do not apply. The message is not theoretical, as the issue is a practical or empirical one - to join or not to join? The EU member states have the obligation to join the Eurozone, but the time is not specified. If the country fulfils the requirements it joins the Eurozone. But not having a specific date or a deadline is one of the reasons due to which countries do not opt for joining the Eurozone.

Moreover, Horváth underlined that the recent crisis has increased the suspicion and doubts about joining the Eurozone. On the other hand, there also may be conscious policies to avoid joining the Eurozone, which is a political dimension. Further on, he analyzed the Visegrad countries and talked about their experiences. Slovakia adopted the Euro, as the country achieved the political consensus on the issue. In the case of Slovakia, joining the Eurozone was seen as a sort of westernization, and the introduction of Euro meant becoming a part of the group. The Czech Republic is quite suspicious about the Eurozone. Hungary is going through a long tradition of the monetary behaviour that goes through political regimes and there is no sufficient political will to push towards the Eurozone. Poland is in the similar situation as Hungary, where different governments are sending mixed messages on the exact date when to join the Eurozone. The recent opinion polls show that Poland is against joining the Eurozone, while in Hungary 60% of the population is also against as they perceive only costs in the Eurozone project.

András Málnássy

Turkey – as a potential eurozone candidate?

András Málnássy started his presentation with the hypothesis if the Eurozone is an optimal environment for a less developed country like Turkey to catch up? He continued by saying that Turkey is one of the most promising economies and one of the eight growth markets of future. Turkey also wants to be among the top ten economies of the world in 2023. When it comes to the Maastricht Criteria, Turkey has already met the criteria. For instance, debt/GDP ratio of Turkey was 36.1% in 2012, which was below the level in 24 EU Countries and the Maastricht Criteria. But the question remains whether joining the Eurozone would be an advisable move for Turkey. Málnássy continued by analyzing advantages and disadvantages of joining the Eurozone. As some of advantages of the Eurozone accession for a less developed country, he listed stability, lower exchange rate risk, trade expansion, higher investment rate, price ‘transparency’, lower transaction costs, and lower monetary reserves needed. In his conclusion, he gave a summary of advantages and disadvantages for joining/not joining the Eurozone. As for disadvantages, he mentioned risk of bubbles, losing the chance of countercyclical policy response, risk of losing monetary independence, faster economic growth may be more difficult and problem of the EUR exchange rate.

Ahmet Evin

Eurozone: Variable Geometry?

At the beginning of the presentation called ‘Eurozone: Variable Geometry?’, Ahmet Evin emphasised the issue of coherent Europe and the necessity of deepening Europe since the Big Bang enlargement, which have led to the number of concepts: multi-speed Europe, concentric circles, etc. He said that Europe deals not only with the economic crisis, but also with the number of other issues, and it seems that some other parts of the world believe in euro more than the EU does. Under the concept of ‘Variable geometry’, he considers a concept of Europe where there are different speeds but everyone is converging in every possible aspect (Europe of regions, various agreements etc.), and everyone is moving in the same direction. There is an assumption that there is a coherent movement. But that is not true. Europe is much more realistic (the Schengen zone and others show that there are policies in which not all members participate at the same time). But the variable geometry is not the concept that should scare us. It can be coherent and it is coherent.

But when we come to the crisis it is not that simple. As many have argued, the crises created new responses, new theories, and the crisis has triggered the question how to deal with this. There is an important cultural aspect to it. The union does not need the Franco-Aleman backbone to preserve the backbone anymore. There is another core in the EU, there are Eurozone members. He stressed that the membership to the Eurozone should be open to every single member. If there is a union, the information and different policies should be available to everyone, too.

In his conclusion, Evin said that in the case of Turkey there is the pressure of the government and that the independence of the central Turkish bank is compromised, as well as its stability. Finally, there is another factor that could stand in the way of Turkish accession to the Eurozone: Turkey is an energy dependent country and energy prices will have a major impact on Turkish economic performance.

General discussion:

Questions for discussion:

- Relation of the member states (whether Greece can keep pace in the Eurozone?)
- Enlarging the Eurozone. What are the realistic scenarios for and against the Eurozone accession?
- Fulfilling the Maastricht criteria in the crisis time? What is the impact of applying them onto growth and employment? What is the political impact and outcome in terms of radical right growth?
- External participation in the Eurozone?
- Participation in the Eurozone before joining the EU?

Péter Balázs Conclusion

It used to be fashionable earlier to forecast various perspectives when a country joins the Eurozone. Moreover, the crisis is still present and it has a great impact on economy, growth and employment. An attractive criterion for joining the Eurozone is the exchange rate.