AVRASYA İNCELEMELERİ MERKEZİ
CENTER FOR EURASIAN STUDIES

AVRASYA
İNCELEMELERİ
MERKEZİ
CENTER FOR
EURASIAN STUDIES

EURO ZONE ENLARGEMENT CALL SPARKS BACKLASH IN GERMANY

- 18.09.2017

Reuters (15 September 2017)

TALLINN (Reuters) - After years of bailing out Greece, the idea of letting more poorer states into the euro zone has sparked controversy, particularly in Germany, where Chancellor Angela Merkel is seeking re-election in two weeks time.

The backlash came after European Commission President Jean-Claude Juncker called on Wednesday for non-euro zone countries to quickly adopt the single currency so that the European Union can find new unity in the euro after Britain leaves in 2019.

Juncker promised to propose technical and financial help for the willing, quickly triggering concern from influential German members of the European Parliament, like the deputy chairman of the economic committee Markus Ferber.

Junckers call was interpreted by some in Germany as meaning the Commission would be lenient in assessing the readiness for the single currency of the mostly former communist and poorer eastern European countries like Bulgaria or Romania.

Greece, which adopted the euro in 2001, later turned out not to have been ready because of falsified deficit statistics. The country triggered a massive debt crisis in the euro zone and had to be bailed out three times by other euro zone governments.

Euro for all EU countries? There are clear criteria and rules for joining. Greece can not repeat itself, Ferber tweeted after the Juncker speech.

EU officials became concerned that the misreading of the Juncker speech in Germany could fuel support for populist and eurosceptic parties and Juncker aides took to Twitter on Friday to try and counter that effect.

They stressed that countries would only be allowed into the single currency if they met economic and governance criteria.

In German language-only tweets they also pointed out that some, like keen would-be member Bulgaria, already meet many, though not all, of the economic standards for entry.

European Commission President Jean-Claude Juncker in Strasbourg, France, September 13, 2017. REUTERS/Christian Hartmann

To adopt the euro, a European Union country has to have low inflation, interest rates and debt, a deficit within the EU limits, as well as a stable exchange rate, proven by two years spent in the

Exchange Rate Mechanism II without severe tensions.

The exchange rate of the Bulgarian Lev is absolutely stable to the euro since 2006, Junckers head of cabinet Martin Selmayr tweeted. The Inflation rate of Bulgaria is just at 0.2 pct and much lower than in the euro area.

Addressing German sensitivity to debt, he tweeted: German debt is almost 66 pct of GDP, more than twice as high as the Bulgarian one.

Romania and Bulgaria meet all the nominal criteria to join the euro except the two-year exchange rate stability test in the ERM II and the compatibility of their central bank laws with euro zone requirements.

They are also far from meeting the soft criterion of real economic convergence with euro zone economies -- a factor that could prevent them getting the go-ahead for adopting the euro.

Countries outside the euro zone include Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania, Sweden, Denmark and Britain, but the last two have a formal opt-out from joining.

Others have a legal obligation to adopt the euro when they meet all the criteria, but there are no deadlines for that.

Commission Vice President Valdis Dombrovskis said Bulgaria had expressed to him a clear desire to join the euro zone. Romania has expressed a similar sentiment.

But some of the biggest and more wealthy non-euro members of the EU like Sweden, Poland or the Czech Republic and Hungary have no plans to adopt the currency in the foreseeable future, preferring to keep the economic flexibility provided by control over their own exchange rate.

Additional reporting By Peter Maushagen

Kaynak/Source: