
BULGARIA DELAYS EURO PLANS, BLAMING 'CONSTANTLY CHANGING' DEMANDS

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Bulgaria blamed the imposition of new requirements by the European Union and the European Central Bank for holding up its euro-adoption bid.

Having planned an application to join the common currency's anteroom as the highlight of its six-month EU presidency, the Balkan nation said Tuesday that it will postpone efforts to enter the exchange-rate mechanism, or ERM-2. Prime Minister Boyko Borissov criticized euro-area countries for demands that included pressure to join the bloc's banking union.

The Black Sea country of 7 million people, which gained EU membership in 2007, is seeking to bind itself to core euro countries such as Germany and France by following ex-communist states including Estonia and Slovakia into the single currency. The EU's poorest member hopes the move will boost investment and close the wealth gap with richer peers. But its chances have been harmed by banking scandals in Latvia and friction between the EU and eastern countries such as Poland and Hungary.

There's a number of countries that recently joined the EU where institutional preparedness turned out to be not up to scratch, Otilia Dhand, senior vice president at Teneo Intelligence in London, said by phone. We also see a certain backtracking on commitment to the rule of law and reforms that have been done previously. So the concern is that if you allow a country to enter any mechanism perhaps too early, it means relaxing the efforts of the government to meet the conditionality fully.

Bulgaria ticks all the economic boxes for ERM-2 entry. Its national currency, the lev, is already pegged to the euro, public debt is well below the euro-area average and the EU cap, and the budget is in surplus. The yield on Bulgaria's euro-denominated bonds maturing in September 2024 has declined 56 basis points in the past 12 months, trading at 0.68% on Wednesday as of 10:34 a.m. in Sofia.

Merkel, Macron

Its aspirations have received backing from German Chancellor Angela Merkel and French President Emmanuel Macron. But the ECB is less enthusiastic four years after the country's No. 4 bank collapsed and months after money-laundering scandals rocked Latvia, which joined the euro area in 2014.

The ECB and the EU told Bulgaria last month that it should work further to improve governance, the economy and banks before applying for euro membership. Bowing to pressure, Bulgaria said in June that it would seek to join the banking union simultaneously with ERM-2 sometime in the next year.

We have prepared everything -- were holding meetings and well apply when we have clearly set conditions, Borissov told reporters in the capital, Sofia. There's no deadline. They're constantly changing the conditions, introducing new criteria.

<https://www.bloomberg.com/news/articles/2018-06-26/bulgaria-gives-up-on-plans-to-apply-for-euro-entry-this-month>

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