POLYTECHNIC OF MEĐIMURJE IN ČAKOVEC
MANAGEMENT OF TOURISM AND SPORTS

IVAN VUKUŠIĆ

THE EUROZONE

FINAL PAPER

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Abstract

Since the beginnings the European Union has often been a part of public discussion. Some see European Union as an equivalent to USA, but unlike the USA it is a political and economic union of 28 member states that are located primarily in Europe. The European Union (EU) is a group of majority rule European nations, committed to cooperating for peace, success and democracy. What is considered the very beginning of the EU was the Schuman declaration on 9 May 1950, when the process of development of the Union started, which still has not been completed yet. The most important institutions of the EU are the European Parliament, the European Commission, and the European Council. The European Parliament deals with the enactment of the EU laws, chooses amplifications and assesses the Commission's work program and requests that it propose enactment. The European Commission is in charge of drawing up recommendations for new European enactment and the European Council unites EU pioneers to set the EU's political plan. On the February 2nd 1992 the Treaty of Maastricht was accepted and its main objective was the establishment of the Economic and Monetary Union and on the 1 January 2002 the euro currency started with its official usage. The Eurozone is a monetary union consisting of 19 of the 28 member states of the European Union. They have all accepted the euro as their mutual currency, while the other nine countries continue to use their own currencies. Croatia became the 28th EU member country on 1 July 2013. Due to all these reasons Croatia is not a part of Eurozone. Croatia still did not meet all the conditions for the Eurozone. The main problems for not joining the Eurozone are growing public debt, severe export/import imbalance and high unemployment. The big problem is also reducing budget deficit by about 1.5 billion kuna. Budget deficit to GDP is 4,9% (the criteria for Eurozone is 3%) and the ratio between government debt and GDP is 67,1% (it must be maximum 60%). Croatia is still making effort to satisfy the public finances and ERM membership criteria.

Keywords: European Union, Eurozone, monetary union, euro currency, EU institutions Croatia.

1. INTRODUCTION

According to a European Commission document called “Europe in 12 Lessons,” the European Union was originally established based on four essential objectives: peace, safety and security, economic and social solidarity, Promotion of the European model of society. (http://www.michiganjb.org/issues/61/text61b.pdf)

The European Union, as we have today, relevantly differs from how it first started. It began as an integration process in 1950’s to establish economic recovery, but today we have one of the most powerful unities which represents “hugely influential vehicle for organizing Europe and constitutes a unique experiment of “deep” international cooperation” (Staab, 2013). By overcoming the political dictatorship of fascist and communist it is nowadays seen as a prosperity booster for economics and social needs. The first notion on European Union was establishment of the European Coal and Steel Community in 1950. The most important events were the Treaty of Rome on 25 March 1957 with aim to set up a European Atomic Energy Community (Euratom) and a European Economic Community (EEC), and lowering duties on trade between six countries on 1 July 1968. On the February 2nd 1992 the Treaty of Maastricht was accepted and his main objective was the establishment of an Economic and Monetary Union and on the 1 January 2002 the euro currency started with its official usage.

Euro area, also known as the Eurozone, is a monetary union consisted of 19 of the 28 member states of the European Union. Members of the European Union using the euro as their common currency are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Portugal, Slovakia, Slovenia and Spain. Other members of the European Union not using the euro are Bulgaria, Croatia, Czech Republic, Denmark, Hungary, Poland, Romania, Sweden and United Kingdom. Euro as a common currency was first mentioned in 1992 Maastricht Treaty. The currency was officially introduced on 1 January 1999. State member who wanted to adopt the currency must meet certain criteria, a budget deficit of less than 3% of their GDP, a debt ratio of less than 60% of GDP, low inflation, and interest rates close to the EU average.

Croatia is still not a member of the Eurozone due its problem with certain criteria. Politicians believe that Croatia will achieve the goals for joining European Monetary Union in year 2020. Croatia needs rebalance its economy and also met criteria such as: budget deficit not over 3% of GDP, public debt must not exceed 60% of GDP, the currency should be stable against the Euro for at least two years, inflation must not be 1.5% points above the average of the three economies with the lowest inflation, interest rates must not be more than 2% points higher than in the three lowest inflation member states.

2. THE EUROPEAN UNION

The first historic step was taken when the European Union started as the European Coal and Steel Community, proposed by Schuman declaration on 9 May 1950. There were six founding countries; Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands, and their aim was to secure peace between Europe's nations and bring them together as equals. The main idea was to avoid conflicts and economical independence. Also the primary cause for uniting was to avoid another war between Germany and France. With the possibility of the third world war it was important to introduce new economic cooperation and integrity.

The community of six founding countries decided, with the Treaties of Rome on 25 March 1957, to set up a European Atomic Energy Community (Euratom) and a European Economic Community (EEC). This led to spreading a common market and also abolishing customs duties between six countries on 1 July 1968.

Picture 1: The six founding countries

Source: https://en.wikipedia.org/wiki/Inner_Six#/media/File:EC-EU-enlargement_animation.gif

The first enlargement of the EU happened in 1973 when Denmark, Ireland and the United Kingdom decided to join. The first elections to the European Parliament held place in June 1979 and these elections are held every 5 years. In 1981, Greece joined the Communities, followed by Spain and Portugal in 1986. In 1980's Europe was stroked by “euro-scepticism“ wave due to worldwide economic recession, but the crisis was under the control in 1985 due to the publishing of the White Paper which goal was European single market by 1 January 1993. On 1 November 1993 The Treaty of Maastricht establishes the European Union (EU) by adding intergovernmental cooperation to the existing Community system. In 1995 three more countries joined and these were Austria, Finland and Sweden. At the same time, the EU was creating single currency which was introduced on 1 January 2002 and replaced the old currencies of 12 EU countries. In the 1990's EU received six Membership applications from Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia, three from Estonia, Latvia and Lithuania, one from Slovenia and two from Cyprus and Malta. In the 2007 the EU was counting 27 Member States. Croatia joined in 2013, bringing the EU’s membership to 28.

Enlarged EU needed a new way for taking its joint decisions. This led to the replacement of the Constitution with the Treaty of Lisbon on 13 December 2007. (http://europa.rs/images/publikacije/26-EU_In_12_Lessons.pdf)

Today, we see EU as an exceptional monetary and political organization between 28 European nations that together cover a significant part of the mainland. What started as a simply financial union has advanced into an association crossing strategy ranges, from improvement help to environment. In 1993 the name changed from the European Economic Community to the European Union (EU).

2.1 The European Union and its history

The idea of European Union lies in the beliefs of Schumann, Spinelli, and Monnet.[1] After several common wars in past hundreds of years, European Union has not witnessed any bigger conflicts in her region. But, we are still far from achieving the peace due to the unfortunate events concerning the issue of war in Iraq, oppositions between Germany and France on the one hand and of the United Kingdom and several pro-American countries on the other. (Stajano, 2009)

2.1.1 First steps towards the EU

"The movement for European integration re-emerged in the aftermath of World War II and reached its apogee in 1948 at the Congress of Europe, a gathering of over 600 influential Europeans from sixteen countries, held in The Hague in May 1948." (Dinan, 2004)

The main point for setting up European Union was to put an ending on continuous and bleeding wars, putting on top the Second World War. The European Coal and Steel Community started the process of uniting in the 1950 and with the help of Belgium, France, Germany, Italy, Luxembourg and the Netherlands, the six founders, they started administrating their way to secure enduring peace. 1950's were marked with cold war between east and west. In 1956 Hungarian protests against the Communist regime were put down by Soviet tanks. The following year 1957, the Soviet Union made a great impact by launching the first man-made space satellite, Sputnik 1. 1957 was also a year when the Treaty of Rome presented European Economic Community (EEC), or 'Common Market'. (http://europa.eu/about-eu/eu-history/index_en.htm)

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[1] Robert Schuman (1947–1948) - one of the founders of the European Union, the Council of Europe and NATO.

Altiero Spinelli (1907 –1986) - Italian political theorist and a European federalist, one of the Founding fathers of the European Union.

Jean Monnet (1888 –1979) - French political economist and diplomat, chief architect of European unity.

2.1.2. The first enlargement

After the years of rises and blooming in 1960's, United Kingdom, with Denmark, Ireland joined the European Union on 1 January 1973. The quantity of the states rose to nine members. Arab-Israeli war in October 1973 was denoted with economic problems throughout the EU due to the huge cost builds and limited deals to certain European nations. The year 1974 represents the ending of the last right-wing dictatorships in Europe with the conquest of the Salazar regime in Portugal and the death of General Franco of Spain in 1975. The poorer ranges are starting to develop with the help of the EU regional policy. In the year 1979 the citizens of the EU choose their members specifically. This was due to the bigger impact of the European Parliament in EU affairs. (http://europa.eu/about-eu/eu-history/index_en.htm)

2.1.3 The years of changes

s. Greece was the 10th member to join the EU in 1981, and five years later Spain and Portugal also became members of the Union. In 1986 the Single European Act is agreed upon and this is an arrangement which gives the premise to an unlimited six-year project for sorting out the issues with the free-flow of exchange crosswise over EU. This was the basis for creating the "Single Market". 9 November 1989 marks a relevant event, the fall of the Berlin Wall. This was a major political event because it led to reunification of the East and West Germany for the first time in 28 years. (http://europa.eu/about-eu/eu-history/index_en.htm)

2.1.4. The beginnings of European Single Market

The breakdown of communism turned Europeans to closer neighbours. The completed "Single Market" started in 1993 and represented 'four freedoms' of movement of goods, services, people and money. The 1990s made an impact with two important treaties: the Maastricht Treaty on European Union in 1993 and the Treaty of Amsterdam in 1999. The awareness among the Europeans started to increase. People were more concerned about security and defence matters, individuals are worried about how to ensure the environment and how Europeans can act together. In 1995 Austria, Finland and Sweden joined the EU. Schengen agreement step by step promotes travelling without passports. Schengen represents Europe without borders. There are no internal border controls and it currently consists of 26

European countries. It allows vehicles to cross international borders without stopping; residents in border areas can cross borders away from fixed checkpoints and the convergence of visa policies. A large number of youngsters studied in different nations with EU support. Correspondence was made less demanding as more individuals began utilizing cell telephones and the web. (http://europa.eu/about-eu/eu-history/index_en.htm)

2.1.5. Financial crisis in Europe

On September 11, 2001 New York and Washington experienced horrible attacks on the Twin Towers and Pentagon. The members of al-Qaeda hijacked passenger airlines and crashed two of the planes into the North and South Towers. Third one was crashed into Pentagon. These events awoke an urge for the EU countries to work more firmly together to battle the crime. In 2004, 10 new countries join the EU and Bulgaria and Romania followed in 2007. Worldwide economy experienced the global crisis in September 2008. Thus, this event prompted a closer monetary collaboration between the EU nations. The Treaty of Lisbon is approved by all EU nations before going into power on 1 December 2009 and provided more proficient working techniques. (http://europa.eu/about-eu/eu-history/index_en.htm)

“The new decade starts with a severe economic crisis, but also with the hope that investments in new green and climate-friendly technologies and closer European cooperation will bring lasting growth and welfare.” (http://europa.eu/about-eu/eu-history/index_en.htm)

In spite of not joining the EU until 2013, Croatia experienced comparative unfavourable macroeconomic patterns in the years before the crisis emerged. Solid capital inflows, somewhat diverted through Croatia's banking division in property of the foreign subjects, supported the strong development up to the 2008 worldwide budgetary emergency. As opposed to its territorial companions, six years after the breakout of the financial crisis Croatia is still buried in economic recession and battling with the rebalancing of its economy. (http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_croatia_en.pdf)

2.2 The objectives of the European Union

The principle destinations of the Union are to advance peace, the Union's qualities and the prosperity of its people. These general destinations in details are to establish a zone of flexibility, security and equity with appropriate internal conditions, an interior business sector where rivalry is free and without obstructions, maintained economic development, in view of adjusted monetary development and value steadiness, a very aggressive social business economy, going for full employment and social advancement, the advancement of logical and mechanical development, fighting against social avoidance and separation, and the advancement of social equity and security, equity of the genders, insurance of the children's privileges, the advancement of monetary, social and regional attachment, and solidarity among Member States, the Union regards social and language differing qualities and guarantees that Europe's social legacy is defended and improved (http://europa.eu/scadplus/constitution/objectives_en.htm)

Main goals of the Europe 2020 Strategy consist of three intermediate objectives which represent milestones towards this goal and five immediate objectives which will be met throughout the process. Three intermediate objectives are; the first one, successful use of EU rules concerning the safeness of the workers in the EU and providing better standards of work control, second one is observing legislation and all the others decision making processes by all of the member states of EU, and last one is exploring how EU enactment and EU laws are being performed. Since EU nations have consented to basic rules and objectives it is important to share comprehension and responsibility within objectives „to inform, coordinate and strengthen national-level reforms and effective partnerships involving stakeholders throughout the policy process.“ (http://ec.europa.eu/social/main.jsp?catId=657&langId=en)

These three are the middle goals between EU's primary objectives such as peace and stability and five direct goals which will be met throughout the process in the future (presented below). All of these goals are also represented in the "Europe 2020 Strategy."

Five direct goals comprise of, the first one, powerful data sharing and learning where EU and national strategy, and leaders and partners, together distinguish best practice, and appraisal instruments to help enhance approach making, implementation procedures and results.

Second one is gathering significant data and it is evidence based on EU arrangements and enactment which gives astounding relative approach within exploration and examination.

Third one is the mix of cross-cutting issues and consistency focusing on the issues of equality in the all approach areas and gathering information based on gender when it is needed.

Fourth is the more prominent limit of national and EU systems and putting resources into the limit of national and EU systems to take an interest in and impact choice making and strategy execution at EU and national level.

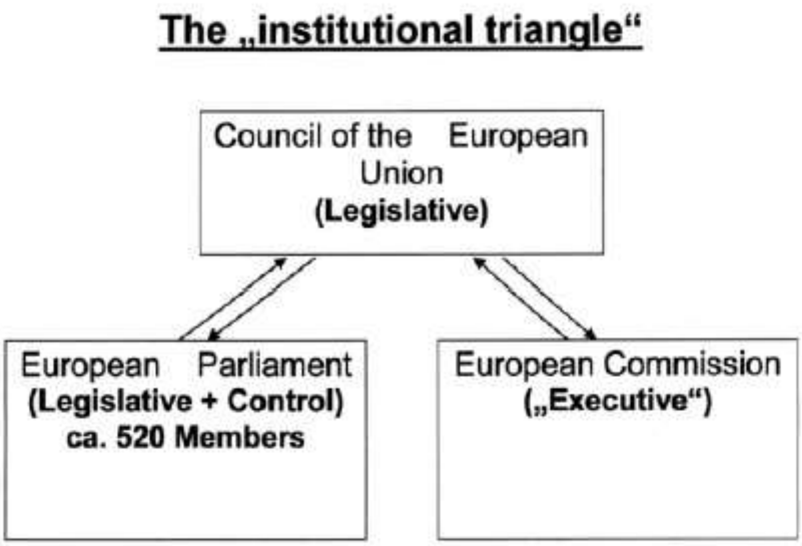
The last, fifth objective is high-quality and participatory approach verbal confrontation, guaranteeing there is profitable civil argument at EU and national levels on law, arrangements and goals, including every one of those influenced. (http://ec.europa.eu/social/main.jsp?catId=657&langId=en)

In its relations with the more extensive world, the Union will maintain and advance its qualities and uphold the assurance of its nationals. It should uphold to peace, security, and maintain the improvement of the Earth, solidarity and common appreciation among people groups, free and reasonable exchange, destruction of poorness and the assurance of human rights, specifically the children's privileges, and also to the strict recognition and the advancement of worldwide law, including respect for the standards of the United Nations Charter. (Schuman, 2011)

2.3. The institutions of the European Union

The institutions of EU are a decision- making bodies where the most important bodies are European Council, European Parliament and European Commission, also called the “Institutional Triangle“

Figure 1 The “Institutional Triangle“



Source: Grewe, R. (2005)

Other EU institutions are:

- European Council
- Court of Justice of the European Union (CJEU)
- European Central Bank (ECB)
- European Court of Auditors (ECA)
- European External Action Service (EEAS)
- European Economic and Social Committee (EESC)
- Committee of the Regions (CoR)
- European Investment Bank (EIB)
- European Ombudsman
- European Data Protection Supervisor (EDPS)
- Interinstitutional bodies

The European Parliament, the European Commission, and the European Council are the EU institutions of particular importance and therefore they will be explained further on in the text more in detail concerning their role and function in the EU.

2.3.1. European Parliament

The European Parliament has 3 principle parts. The first part deals with the enactment of the EU laws. In light of the European Commission recommendations, the European Parliament, together with the Council of the EU, settles on worldwide understandings, choosing amplifications and assessing the Commission's work program and requesting that it propose enactment.

The second part is supervision of majority rule examination of all EU establishments, choosing the Commission President and endorsing the Commission as a body, conceding release, i.e. favouring the way EU spending plans have been spent, looking at nationals' petitions and setting up request, examining money related arrangement with the European Central Bank, addressing Commission and Council and race perceptions.

The third part involves dealing with the EU budget and working closely with the Council, it concerns spending plan which includes the foundation the EU spending plan, together with the Council, sanctioning the EU's long haul spending plan, the "Multiannual Financial Framework". The "Multiannual Financial Framework" represents long term plans in duration of five years and its main objective is to “ensure that Union expenditure develops in an orderly manner and within the limits of its own resources.” (http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_1.5.3.html)

2.3.1.1. Composition

The composition relies on upon the quantity of MEPs for every nation which is generally proportionate to its population; however this is by digressive proportionality: no nation can have less than 6 or more than 96 MEPs and the aggregate number can't surpass 751. MEPs are assembled by political connection, not by nationality. The President speaks to Parliament to other EU establishments and the outside world and gives the last precede to the EU spending plan.

Croatia has eleven members in the European Parliament. The members are; Biljana Borzan (Group of the Progressive Alliance of Socialists and Democrats in the European Parliament), Ivan Jakovčić (Group of the Alliance of Liberals and Democrats for Europe), Ivana Maletić (Group of the European People's Party (Christian Democrats)), Marijana Petir (Group of the European People's Party (Christian Democrats)), Tonino Picula (Group of the Progressive Alliance of Socialists and Democrats in the European Parliament), Andrej Plenković (Group of the European People's Party (Christian Democrats)), Jozo Radoš (Group of the Alliance of Liberals and Democrats for Europe), Davor Škrlec (Group of the Greens/European Free Alliance), Davor Ivo Stier (Group of the European People's Party (Christian Democrats)), Dubravka Šuica (Group of the European People's Party (Christian Democrats)), Ruža Tomašić (European Conservatives and Reformists Group). (http://www.europarl.europa.eu/meps/en/search.html?country=HR)

2.3.1.2. Principle stages

Parliament's work involves two principle stages. Initial one is advisory groups whose fundamental target is to plan enactment. The Parliament numbers 20 boards of trustees and two subcommittees, every taking care of a specific political field. The advisory groups look at recommendations for enactment, and MEPs and political gatherings can advance changes or propose to reject a bill. These issues are likewise discussed inside of the political gatherings.

The second one concerns with the fundamental goal to pass enactment within the plenary sessions attended by every one of the MEPs. At this point they all held together in the chamber to give a last vote on the proposed enactment and the proposed changes. The sessions are typically held in Strasbourg for four days a month, yet now and again there are extra sessions in Brussels. (http://europa.eu/about-eu/institutions-bodies/european-parliament/index_en.htm)

2.3.2 European Commission

The European Commission is considered the EU's politically free official arm. European Commission is in charge of drawing up recommendations for new European enactment. It is separated from everyone else and it executes the choices of the European Parliament and the Council of the EU.

The fundamental part of the Commission is to propose new laws in a manner that the Commission is the sole EU establishment tabling laws for reception by the Parliament. The Council secures the interests of the EU and its residents on issues that can't be managed successfully at national level and get specialized subtle elements right by counselling specialists and the general population.

Another task of the Europeans Commission is the arrangement of the EU policies. It sets grounding of EU spending needs by allotting EU funding. Together with the Council and Parliament, draws up yearly spending plans for support by the Parliament and Council and, under investigation by the Court of Auditors administers how the cash is spent.

It also enforces EU law and together with the Court of Justice, ensures that EU law is properly applied in all the member countries. It represents the EU internationally in a way that speaks on behalf of all EU countries in international bodies, in particular in areas of trade policy and humanitarian aid and negotiates international agreements for the EU.

2.3.2.1. Composition

28 Commissioners (one from each EU nation) are given the role of the political initiative. They are governed by the Commission President, who chooses who is in charge of which approach territory. The College of Commissioners incorporates the Commission's President, his seven Vice-Presidents, including the First Vice-President, and the High-Representative of the Union for Foreign Policy and Security Policy and 20 Commissioners responsible for portfolio.

The naming of the President is arranged by national pioneers in the European Council, as they state the candidate, making note of the consequences of the European Parliament decisions. He or she needs the backing of a larger part of individuals from the European Parliament keeping in mind the end goal to be chosen.

Potential Vice-Presidents and Commissioners are chosen by the Presidential applicant in light of recommendations from the EU nations. The rundown of chosen people must be endorsed by national pioneers in the European Council.

Every chosen one shows up before the European Parliament to clarify their vision and answer questions. Parliament then votes on whether to acknowledge the chosen people as a group. At long last, they are selected by the European Council, by a qualified larger part. The present Commission's term of office keeps running until 31 October 2019.

The main principles of the Commission are relevant arranging where the President characterizes the approach course for the Commission. This way, the Commissioners, are empowered together to choose on relevant goals and produce the yearly work program. All Commissioners are equivalent in the choice making and participate in the common choice settling where choices are taken in view of common obligation. Individual choice making are approved only in specific circumstances and besides that they don't have any possibilities to make individual decisions.

Following up for the benefit of the President, the Vice-President works together with a few Commissioners and leads the work in their general domain of obligation. The College cooperates together and in adaptable way which is characterized by priority undertakings.

Vice-Presidents, alongside with the Commissioners, supports and submits the recommendations to the Collage. Choices can be voted, but the rule is that they are made by consensus and in this situation; choices are taken by basic larger part, where each Commissioner has one vote.

Commission business is performed by its staff, legal counsellors, market analysts, and the regular running is sorted out into divisions known as Directorates-General (DGs), each in charge of a particular arrangement range. Headed by a Director-General and responsible to the important Commissioner, the significant Directorate-General takes up the subject which is done as draft administrative recommendations. At their week after week meeting these subjects are then resubmitted to the Commissioners for acceptance and are sent to the Council and the Parliament for the following stage in the EU administrative procedure. (http://europa.eu/about-eu/institutions-bodies/european-commission/index_en.htm)

2.3.2.2. Directorates-General departments

There are 33 Directorates-General departments. They consist of Agriculture and Rural Development (AGRI), Budget (BUDG), Climate Action (CLIMA), Communication (COMM), Communications Networks, Content and Technology (CNECT), Competition (COMP), Economic and Financial Affairs (ECFIN), Education and Culture (EAC), Employment, Social Affairs and Inclusion (EMPL), Energy (ENER), Environment (ENV), Eurostat (ESTAT), Financial Stability, Financial Services and Capital Markets Union (FISMA), Health and Food Safety (SANTE), Humanitarian Aid and Civil Protection (ECHO), Human Resources and Security (HR), Informatics (DIGIT), Internal Market, Industry, Entrepreneurship and SMEs (GROW), International Cooperation and Development (DEVCO), Interpretation (SCIC), Joint Research Centre (JRC), Justice and Consumers (JUST), Maritime Affairs and Fisheries (MARE), Migration and Home Affairs (HOME), Mobility and Transport (MOVE), Neighbourhood and Enlargement Negotiations (NEAR), Regional and urban Policy (REGIO), Research and Innovation (RTD), Secretariat-General (SG), Service for Foreign Policy Instruments (FPI), Taxation and Customs Union (TAXUD), Trade (TRADE) and Translation (DGT).

2.3.2.3. Commissions Directors- General and their mission statements

Agriculture and Rural Development (AGRI) is led by Directorate-General Phil Hogan and commissioner Jezry Bogdan. Their mission is to promote the sustainable development of Europe's agriculture and to ensure the well-being of its rural areas.

Budget (BUDG) is led by Directorate-General Nadia Calvino and it authorizes accounting, economics, finances, business, programming, audit, law, communications, human resources, European administration and other fields.

Climate Action (CLIMA) is under the authority of Directorate-General Jos Delbeke. It concerns with the fight of climate change at EU and international level.

Communication (COMM) led by Directorate-General Timo Pesonen and communicates with the media and citizens about issues of European interest, corporates communication service and brings Europe closer to its citizens.

Communications Networks Content and Technology (CNECT) is lead by Vice-President of the European Commission, Andrus Ansip, and Member of the European Commission responsible for the Digital Single Market, Günther Oettinger. Their priorities are human advancement, fairness, jobs and growth.

Competition (COMP) is headed by Directorate-General Johannes Laitenberger. It is ensuring that all companies compete equally and fairly on their merit which benefits consumers, businesses and the European economy as a whole.

Economic and Financial Affairs (ECFIN) Marco Buti has been Directorate-General for Economic and Financial Affairs at the European Commission, It strives to improve the economic wellbeing of the citizens of the EU, through policies designed to promote sustainable economic growth, a high level of employment, stable public finances and financial stability.

Education and Culture (EAC) led by commissioner Tibor Navracsics and Directorate-General Martine Reicherts. They are responsible for policy on education, culture, youth, languages, and sport.

Employment, Social Affairs and Inclusion (EMPL) led by commissioner Marianne Thyssen. EMPL deals with the field of employment, social affairs and inclusion in the EU and its state members.

Energy (ENER)- the Directorate-General for Energy Dominique Ristori is responsible for developing and implementing a European energy policy under the political guidance of the European Commission Vice-President for Energy Union Maroš Šefčovič and Climate Action and Energy Commissioner Miguel Arias Cañete.

Environment (ENV) is led by D-G Daniel Calleja and commissioner Karmenu Vella. It aims to protect, preserve and improve the environment for present and future generations, proposing and implementing policies that ensure a high level of environmental protection and preserve the quality of life of EU citizens.

Eurostat (ESTAT) Walter Radermacher was appointed Directorate-General of Eurostat and Marianne Thyssen as a Commissioner. Eurostat's mission is to be the leading provider of high quality statistics on Europe.

Financial Stability, Financial Services and Capital Markets Union (FISMA) works under the political authority of Commissioner Jonathan Hill and is managed by Directorate-General Olivier Guersent. The mission of DG FISMA is to monitor the effectiveness of these reforms, ensure that EU legislation is fully implemented and respond to emerging financial risks.

Health and Food Safety (SANTE) is led by Commissioner Vytenis Andriukaitis. The main aims are to protect and improve public health, ensure Europe's food is safe and wholesome, protect the health and welfare of farm animals and protect the health of crops and forests.

Humanitarian Aid and Civil Protection (ECHO) is led by Directorate-General Monique Pariat. The mission is to deliver lifesaving humanitarian aid worldwide and in case of major disasters, inside or outside the EU and to ensure a coordinated and immediate European response.

Human Resources and Security (HR) works under the authority of Directorate-General Irene Souka. The mission is to promote excellence in the practice of human resources management and in securing internal security for the European Commission.

Informatics (DIGIT) is led by Directorate-General Stephen Quest. DIGIT's mission is to deliver digital services to enable EU policies and to support the Commission's internal administration.

Internal Market Industry, Entrepreneurship and SMEs (GROW) led by Directorate-General Lowri Evans. Contributes to the jobs, growth, investment and competitiveness, digital single market, energy union, euro and social dialogue, better regulation and interinstitutional affairs, budget and human resources.

International Cooperation and Development (DEVCO) works under the authority of Directorate-General Fernando Frutuoso de Melo. DG DEVCO is responsible for formulating European Union development policy and thematic policies in order to reduce poverty in the world, to ensure sustainable economic, social and environmental development and to promote democracy, the rule of law, good governance and the respect of human rights, notably through external aid.

Interpretation (SCIC) is led by Androulla Vassiliou, European Commissioner responsible for interpretation, and Marco Benedetti, head of Commission's Directorate-General for Interpretation. It deals exclusively with oral communication: rendering a message from one language into another, naturally and fluently, adopting the delivery, tone and convictions of the speaker and speaking in the first person.

Joint Research Centre (JRC) is a Directorate-General of the European Commission under the responsibility of Tibor Navracsics, Commissioner for Education, Culture, Youth & Sport.

It concerns on matters relating to the role and the scientific, technical and financial management of the JRC.

Justice and Consumers (JUST) works under the authority of Directorate-General Paraskevi Michou. The European Union offers practical solutions to cross-border problems, so that citizens feel at ease about living, shopping, travelling or working in another Member State and trust that their rights are protected, no matter where in the European Union they happen to be.

Maritime Affairs and Fisheries (MARE) led by Director-General João Aguiar Machado and reports to Karmenu Vella, Commissioner for Environment, Maritime Affairs and Fisheries. It is responsible for the implementation of the Common Fisheries policy and of the Integrated Maritime Policy.

Migration and Home Affairs (HOME) led by commissioner Dimitris Avramopoulos. Fundamental objectives is to create an area of free movement where the rights and security of both EU citizens and non-EU nationals are guaranteed.

Mobility and Transport (MOVE) led by Director-General Henrik Hololei and commissioner Violeta Bulc. Main aim is to ensure transport infrastructure meet the needs of citizens and our economy, whilst minimising damage to our environment.

Neighbourhood and Enlargement Negotiations (NEAR) works under the authority of Christian Danielsson, Director General. The mission of the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR) is to take forward the EU's neighbourhood and enlargement policies, as well as coordinating relations with EEA-EFTA countries insofar as Commission policies are concerned.

Regional and urban Policy (REGIO) led by commissioner Corina Creţu. The main vision is a European Union where people in all regions and cities can realise their full potential, they aim for lasting improvement in the economy and quality of life for everybody, wherever they live.

Research and Innovation (RTD) led by Robert-Jan Smits, Director-General. Their long-term objective is to make Europe a better place to live and work, by developing and implementing R&I policy to improve Europe's competitiveness, boost its growth, create jobs, and tackle the main current and future societal challenges.

Secretariat-General (SG) is under the authority of Alexander Italianer, Secretary-General. Aim is to ensure the overall coherence of the Commission’s work, both in shaping new policies, and in steering them through the other EU institutions.

Service for Foreign Policy Instruments (FPI) led by High Representative Federica Mogherini and Tung-Laï Margue, FPI Director and Head of Service. The core task of the FPI is to run a number of EU foreign policy actions. The FPI manages operations including their financing. The FPI is a service of the European Commission which works alongside the European External Action Service (EEAS).

Taxation and Customs Union (TAXUD) led by Heinz Zourek, Director General and Commissioner Pierre Moscovici. The main aims are to manage, defend and develop the customs union as a vital part of protecting the external borders of the EU and respond effectively to the international challenges associated with customs and tax policies.

Trade (TRADE) led by Director General Jean-Luc Demarty. The Directorate-General for Trade conducts the EU's common policy on trade with countries beyond the EU borders.

Translation (DGT) led by Director- General Rytis Martikonis and Comissioner Vice-President Kristalina Georgieva The Directorate-General for Translation (DG Translation) translates texts for the European Commission into and out of the EU's 24 official languages, and a few others when needed. (http://ec.europa.eu/about/ds_en.htm)

2.3.3. European Council

The European Council unites EU pioneers to set the EU's political plan. It speaks in the name of the most important amount of political collaboration between EU nations.

The Council, one of the EU's 7 official establishments, is led by a lasting president and takes the type of summit gatherings between EU pioneers. European Council does not pass laws, but its main concern is to cover general heading and political needs. It takes form in managing intricate and delicate issues that can't be determined at lower levels of intergovernmental participation. Considering EU vital benefits and resistance suggestions it sets the EU's external and security approach. It additionally selects and names nominees to certain prominent EU level parts, for example, the ECB and the Commission

The European Council can request, on every issue, for the European Commission to make a proposition to address it and pass it on to the Council of the EU to manage.

2.3.3.1. Compositions and functions

The heads of state or legislature of all EU nations, the European Commission President Jean-Claude Juncker and the High Representative for Foreign Affairs and Security Policy

Catherine Ashton are featured in the European Council. It is gathered and led by its President Donald Tusk, who is chosen by the European Council itself for a once-renewable over two year term.

The President can request additional meetings to address critical issues, but the rule is that the European Council typically meets 4 times each year. Only the heads of state/government can vote and in the most part decides issues by consensus, but only by unanimity or qualified majority at times. (http://europa.eu/about-eu/institutions-bodies/european-council/index_en.htm**)**

3. EUROZONE

Eurozone is defined as a geographic and monetary district that comprises of all the European Union nations that have completely joined the euro as their national currency. The Eurozone is one of the biggest worldwide monetary locales with its currency, the Euro. This present district's coin keeps on developing after some time and is taking a more noticeable position in the stores of numerous national banks. (http://www.investopedia.com/terms/e/eurozone.asp)

3.1 The process of creation of the European Monetary Union

According to Fontaine (2010) no worldwide associations and frameworks, whether political or financial, can be completely comprehended without their verifiable connection. The European Monetary Union is not an exemption. The target in this segment is to comprehend why the thought of a "Common Currency Area" can prosper and speak to a great many individuals in this specific district of the world.

3.1.1. The Werner Report and the first idea of Monetary Union

The first idea of an economic and monetary union appeared in The Werner Report 1970. The Werner report proposed the development of a three-stage financial and money related union that would happen within 10 years. The part states' intention to make such a union was disabled because of the oil crisis. European monetary snake, also known as European Monetary system was built up in 1972. Two years later (1974), the Council embraced a choice concerning the making of a tight macroeconomic merging inside of the Community. According to Stajano, due to the increase of the economic instability, the root of the system never lived up to it so the British Pound Sterling, the French Franc, and the Italian Lira stepped out of the system called monetary snake. A territory of fiscal strength was accomplished in Europe after the establishing of the European Monetary System (EMS) in 1979. The EMS laid the ground for the Economic and Monetary Union (Stajano, 2009) and the main purpose was to “stabilise exchange rates and encourage the Community member states to implement strict policies that allowed them to maintain their mutual solidarity and to discipline their economies” (http://www.michiganjb.org/issues/61/text61b.pdf).

3.1.2. The Treaty of Maastricht and the establishment Monetary Union

“EMU was the single most important strand of what was seen as the 'relaunch' of European integration in the 1980s and 1990s. “ (Dyson, Featherstone, 1999)

The administration structure of EMU was, in view of a difference, between the centralization of money related approach in the hands of national investors at the EC level and the upkeep of obligation regarding financial strategy with national governments. (Dyson, Featherstone, 1999)

The idea of the single market was first released in 1985, and it focused on free development of work, merchandise, administrations and capital, and its usage toward the start of 1993.

Commission president Jacques Delors displayed the report In June 1989 and with the Madrid European Council built up the general standards for the accomplishment of an EMU. They specifically emphasized the goals for the establishment of the single currency and parallelism between monetary and economic policies. (Stajano, 2009) Government chose in June 1989 that the first phase of Economic and Monetary Union would start on 1 July 1990 with a specific goal to realise Economic and Monetary Union.

The negotiations for forming European Monetary union represented a relevant change towards European economics and the other parts of the world. It all begun with the historical Treaty of Maastricht in December 1991. The Europe opened its way to produce a single market and a single currency among the Member states. The main goal was to ensure territorial collaboration and agreement. On the February 2nd 1992 the Treaty of Maastricht was accepted and its main objective was the establishment of an Economic and Monetary Union.

3.1.3. Three stages to the final version of the Monetary Union

The Maastricht Treaty accommodates European Economic and Monetary Union to be set up in three stages. Stage One, which started on 1 July 1990, involved, in addition to other things, the capital control between EU Member States. Stage confirmed four goals; complete opportunity for capital exchanges, expanded co-operation between national banks, free utilization of the ECU (European Currency Unit) and the change of financial union.

Stage two conducted the foundation of the European Monetary Institute, set grounds for the restriction on the giving of national bank credit to general society area, expanded co-appointment of financial approaches, reinforcing of financial joining, procedure prompting the national's autonomy national banks, to be finished at the most recent by the date of foundation of the European System of Central Banks, and preliminary work for Stage Three.

At the summit held in Madrid on 15 and 16 December 1995, the Heads of State of Government reconfirmed that Stage Three, i.e. the last phase of Economic and Monetary Union conceded to "euro" as the single name currency. Stage Three started on 1 January 1999, providing permanent settling of transformation rates, presentation of the euro, introducing of the single market arrangement by the European System of Central Banks, introduction into impact of the intra-EU exchange rate mechanism (ERM II), setting into power of the Stability and Growth Pact. (https://www.ecb.europa.eu/pub/pdf/othemi/pub_02en.pdf)

3.1.4 The Euro currency

The euro is shared by 19 of the European Union's Member States, which together make up the euro territory. The euros presentation in 1999 was a noteworthy stride in European combination as the currency was introduced in non-physical form such as traveller's cheques, electronic transfers, banking, etc.: More than 337.5 million EU nationals in 19 nations now utilize it as their money and make the most of its advantages, but it is important to mention that the euro is not the currency of all EU Member States. There is an “opt-out” clause in the

Treaty which presents the exception from the usage of the single currency. These countries are Denmark and United Kingdom. http://ec.europa.eu/economy_finance/euro/index_en.htm)

Euro currency started as a need for economic integration based on single market. The year 1957 was the year when the EU was founded and the need for a "common market" appeared. It was the necessity for an economical growth and developing further on. The Maastricht Treaty set the ground rules for its usage among Member states. European Central Banks coordinate the monetary policy of the Eurozone. Within their integrated eurosystem they supervise, alongside with the national supervisors, financial institutions in the euro area. (http://ec.europa.eu/economy_finance/euro/index_en.htm)

Since 1 January 1999 trade rates have been irreversibly altered, money markets have been changed, the enactment on the EMU has gone into power, the European Central Bank has come into operation, and current records and bank transfers can be in Euro.

Since 1 January 2002 euro banknotes and coins have been put into flow, national banknotes and coins, Marcs, Florins, and so on, have been substituted for euro, all financial balances have been in Euro, and the euro has been utilized for wages, benefits, and retailing.

Since 28 February 2002 the move to the euro was finished, national banknotes and coins have been unavailable for general use, automatic teller machine (cash machines) have had euro, and just euro banknotes and coins have been available for use. (Stajano, 2009)

3.1.5 Euro banknotes and coins

Picture 2: Five euro banknote

Source: http://www.theibns.org/joomla/index.php?option=com_content&view=article&id=366&catid=13&Itemid=51

g A five euro banknote it is the smallest of the euro notes (120 x 62mm).It has a grey colour scheme. The five euro banknotes depict bridges and arches/doorways in Classical architecture. (https://en.wikipedia.org/wiki/5_euro_note)

Picture 3: Ten euro banknote

Source: http://www.newsit.com.cy/default.php?pname=Article&art_id=124786&catid=31

A ten euro banknote it is the second-smallest note (127x67mm) ring with a red colour scheme. The ten euro banknotes depict bridges and arches/doorways in Romanesque architecture. (https://en.wikipedia.org/wiki/10_euro_note)

Picture 4: Twenty euro banknote

Source: http://euro.ezinemark.com/the-beauty-of-euro-coins-and-notes-773664ce512b.html

A twenty euro banknote it is the third-smallest note (133 x 72 mm) with a blue colour scheme. The twenty euro banknotes depict bridges and arches/doorways in Gothic architecture. (https://en.wikipedia.org/wiki/20_euro_note)

Picture 5: Fifty euro banknote

Source: http://euro.ezinemark.com/the-beauty-of-euro-coins-and-notes-773664ce512b.html

A fifty euro banknote it is the fourth smallest note (140x77mm) and has an orange colour scheme. The fifty euro bank notes depict bridges and arches/doorways in the Renaissance era. It contains several complex security features such as watermarks, invisible ink, holograms and microprinting. (https://en.wikipedia.org/wiki/50_euro_note)

Picture 6: A hundred euro banknote

Source: http://euro.ezinemark.com/the-beauty-of-euro-coins-and-notes-773664ce512b.html

A hundred euro banknote it is the third largest note (147x82 mm) and has a green colour scheme. The hundred euro notes depict bridges and arches/doorways in the Baroque and Rococo style. “Like all euro notes, it contains the denomination, the EU flag, the signature of the president of the ECB and the initials of said bank in different EU languages, a depiction of EU territories overseas, the stars from the EU flag and twelve security features.” (https://en.wikipedia.org/wiki/100_euro_note)

Picture 7: Two hundred euro banknote

Source: http://euro.ezinemark.com/the-beauty-of-euro-coins-and-notes-773664ce512b.html

A two hundred euro banknote it is the second-largest note (153x82mm) and has a yellow colour scheme. It depict bridges and arches/doorways in Art Nouveau style. “The two hundred euro note contains several complex security features such as watermarks, invisible ink, holograms and microprinting that document its authenticity. In September 2011, there were approximately 178,838,200 two hundred euro banknotes in circulation around the eurozone.” (https://en.wikipedia.org/wiki/200_euro_note)

Picture 8: Five hundred euro banknote

Source: https://en.wikipedia.org/wiki/200_euro_note

A five hundred euro banknote it is the largest note (160 x 82 mm) and has a purple colour scheme. The five hundred euro banknotes depict bridges and arches/doorways in modern architecture. It contains several complex security features such as watermarks, invisible ink, holograms and microprinting that document its authenticity. (https://en.wikipedia.org/wiki/500_euro_note)

Picture 9: Euro coins (€2, €1, 50c, 20c, 10c, 5c, 2c, and 1c)

Source: http://euro.ezinemark.com/the-beauty-of-euro-coins-and-notes-773664ce512b.html

Euro coins have a common face which shows Europe situated in the world on the three coins (1, 2 and 5 cent) and Europe as a collection of nations on the 10, 20 and 50 cent coins.

The national face shows 12 stars of the EU flag and the year and national symbols. (http://euro.ezinemark.com/the-beauty-of-euro-coins-and-notes-773664ce512b.html)

3.2. Advantages and disadvantages of joining the European Monetary Union

There are certain advantages and disadvantages of adopting the single currency and joining the European Monetary Union. The EMU has a great impact on macroeconomic, microeconomic and furthermore political components of a partaking nation.

3.2.1. Advantages

“Europe exemplifies a situation unfavourable to a common currency. It is composed of separate nations, speaking different languages, with different customs, and having citizens feeling far greater loyalty and attachment to their own country than to a common market or to the idea of Europe.” - Professor Milton Friedman, The Times, 19 November 1997 (http://www.michiganjb.org/issues/61/text61b.pdf)

The first advantages are basically felt at the microeconomic level and the expenses are regularly connected with the macroeconomic administration level of an economy. It was hypothetically believed that a change into a common currency would prompt increases in monetary productivity and exchange. With the uncertain future developments of trade rates and the end of exchange expenses they have gained efficient productivity.

In a working paper titled “Euros and Zeros: The Common Currency Effect on Trade in New Goods,” suggests the second advantage. Published by the National Bureau of Economic Research, Richard Baldwin and Virginia Di Nino suggest the “Theory of New Goods”: “The new goods hypothesis suggests that common Euro-usage lowers trade costs and thus stimulates trade via the extensive margin (more products are traded) and the intensive margin (the trade in products that are already traded rises)” (http://www.michiganjb.org/issues/61/text61b.pdf)

Euro's presentation is an exceptionally vital part within the EMU and the third advantage is creating preferences to shoppers, endeavours, and the economy of EU member states. A few government officials have discovered it helpful to accuse the euro for the terrible execution of their monetary approach. The fourth advantage is shown in the financial log jam at the turn of the century; different parts of the world would have had serious consequences for EU national economies and on money related solidness if the EU did not carry out the EMU. (Stajano, 2009)

3.2.2. Disadvantages

The first disadvantage is essential concern a country state has when joining a fiscal union is prior its own money, which likewise means deserting its free fiscal approaches or downgrading of coin.

The second disadvantage is distinctions in labour economic situations and strategies. These will lead to greater divergence between national output and prices and it will be difficult to adjust national processes. Two procedures that can minimize this conformity, the primary is to make the business sectors more adaptable so the adjustments on different levels can be more productive. The second is to enrich political unification, which will then lead to decreasing and reducing “asymmetric disturbances that have political and institutional origins.” (http://www.michiganjb.org/issues/61/text61b.pdf)

The third disadvantage is that some of the member countries could experience different effect of the exchange rate differentials. Nations with significant exchange outside of the EU may feel a more prominent effect from changes in relating exchange rates. For example, Greece and Portugal experienced prominent shock by the movement to the euro, than the other core countries, e.g., Germany and France. In spite of the fact that there have been some destabilizing components, the advantage of keeping up a medium-term expansion rate of around 2 percent and moderating swapping scale instability gives genuine advantages to part nations, especially to those on the fringe.

3.3. Criteria for accession to the European Monetary Union

In his book Understanding the Euro, Christian Chabot condenses the merging criteria, otherwise called the "Maastricht criteria," which were set up when EU individuals met to draft the "Treaty on European Union" in Maastricht, Netherlands on February 2, 1992. The country must be from the European Union before a nation can considerably view itself as to be tried for these criteria. When a nation turns into a member from the European Union, it may consider joining the EMU. Keeping in mind the end goal to do as such, it must meet various financial conditions known as the "Maastricht criteria." These criteria oblige EMU possibility to accomplish security and joining as per:

1. Price level (inflation)
2. Government budget deficit
3. Total government debt
4. Interest rates (http://www.michiganjb.org/issues/61/text61b.pdf)

3.3.1. Price level (inflation)

The main basis determines the greatest inflation rate which can't surpass the normal expansion rate regular of three EU part nations of the most reduced expansion by more than 1.5 %.

“In May of 1998, this latter number was calculated as 2.7%. Below are the 1991, 1997 and spring of 1998 inflation numbers of the first eleven members of the EMU. All the original members passed this first hurdle by 1998.” (http://www.michiganjb.org/issues/61/text61b.pdf)

Table 1. European Convergence Report

	1991	1997	1998
Belgium	3.2%	1.5%	1.4%
Germany	3.5%	1.5%	1.4%
Spain	5.9%	1.9%	1.8%
France	3.2%	1.3%	1.2%
Ireland	3.2%	1.2%	1.2%
Italy	6.3%	1.9%	1.8%
Luxembourg	3.1%	1.4%	1.4%
Netherlands	3.1%	1.9%	1.8%
Austria	3.3%	1.2%	1.1%
Portugal	10.9%	1.9%	1.8%
Finland	4.1%	1.3%	1.3%
Greece**	19.5%	5.4%	5.2%

Source: http://www.michiganjb.org/issues/61/text61b.pdf

Table 1 shows that Spain, Italy, Portugal and Greece had the highest inflation rate in 1991. All of them almost reached default inflation rate in 1998 except Greece which was still at

5.2%, but given the percentage of 19.5% in 1991 and the 1998s sum their effort was statistically relevant.

The price stability model was embraced for a few reasons. Firstly, there was a certain fear that the Economic and Monetary Union would be disposed to inflation. Germany especially demanded embracing this standard with the perspective of making the Union's future money related strategy closely resembling that of the Bundesbank so the nations of low expansion needed to secure themselves against the Union's national bank's strategy, “which could be based on preferences represented by the countries of high inflation.” (http://www.ec.unipg.it/DEFS/uploads/quad24.pdf)

Additionally, it was accepted that the united low inflation rates in the Union nations would advance monetary development by reducing instability in economic activities. “Convergence of inflation rates and maintaining them at a low level was also to limit the risk of social conflicts destabilizing economic life.” (http://www.ec.unipg.it/DEFS/uploads/quad24.pdf)

3.3.2. Government budget deficit

The monetary approach basis gives that the top estimation of the financial backing deficiency to GDP proportion can't be higher than 3%. In the spring of 1991, 1997 and 1998, the figures from the eleven individuals were:

Table 2. Indications of a budget deficit

	1991	1997	1998
Belgium	-*	-1.7%	-1.7%
Germany	-2.90%	-2.7%	-2.5%
Spain	-4.33%	-2.6%	-2.2%
France	-2.92%	-3.0%	-2.9%
Ireland	-2.84%	0.9%	1.1%
Italy	-11.38%	-2.7%	-2.5%
Luxembourg	-*	1.7%	1.0%
Netherlands	-*	-1.4%	-1.6%
Austria	-2.93%	-2.5%	-2.3%
Portugal	-7.79%	-2.5%	-2.2%
Finland	-0.54%	-0.9%	0.3%
Greece	-10.14%	-4.0%	-2.2%

Source: http://www.michiganjb.org/issues/61/text61b.pdf

All the first members' financial plan deficit level fulfilled the obliged level by 1998. It is significant that France was in the "penalty area" in 1997, yet was effective in lessening its financial plan deficit the next year. (http://www.michiganjb.org/issues/61/text61b.pdf)

The financial adjustment model was taking into account comparable premises as the price stability standard. Larger part of nations joining the Economic and Monetary Union had basic issues with budget deficits. The long-run potential outcomes of financial development were limited by growth of budget deficits. This was also the purpose behind keeping up high taxation rate. This had a harmful impact on economy's viability and universal intensity. This standard contributed to acceleration of reforms of public finances in individual countries. (http://www.ec.unipg.it/DEFS/uploads/quad24.pdf)

3.3.3. Total government debt

"The next criterion states that candidate countries must have a level of government debt no greater than 60% of GDP, unless this figure has been on a consistent decline and is close to 60%. In the spring of 1998, the eleven members' gross government debt to GDP stood at:

Table 3 European Convergence Report 1998

	1991	1997	1998
Belgium	127.2%	122.2%	118.1%
Germany	39.5%	61.3%	61.2%
Spain	43.8%	68.8%	67.4%
France	36%	58%	58.1%
Ireland	93.4%	66.3%	59.5%
Italy	98%	121.6%	118.1%
Luxembourg	-*	6.7%	7.1%
Netherlands	76.6%	72.1%	70.0%
Austria	56.8%	66.1%	64.7%
Portugal	61%	62%	60.0%
Finland	21.9%	55.8%	53.6%
Greece	73.2%	108.7%	107.7%

Source: http://www.michiganjb.org/issues/61/text61b.pdf

Evidently, the table above shows that seven out of the eleven original members did not meet the requirement. These supposedly “blacklisted” countries included Belgium, Germany, Spain, Italy, the Netherlands, Austria and Portugal. Fortunately, the Maastricht Treaty added a clause that states, “... if the debt ratio exceeds 60%, it should ‘diminish sufficiently and approach the reference value (60%) at a satisfactory pace,” as mentioned in Professor Paul De Grauwe’s column “The Politics of the Maastricht Convergence Criteria”. In this column, he complains that this ambiguous clause allows countries to bypass this important test. Also, the table indicates that many country members showed signs of diminishing government debt.” (http://www.michiganjb.org/issues/61/text61b.pdf)

3.3.4. Interest rates

The fourth basis obliges that the Euro hopefuls must have an ostensible interest rate on long haul government obligations of close to 2% over that of the three EU individuals with the most minimal such rate. In May of 1998, this rate was 7.8%, and in the spring of 1991, 1997 and 1998, the eleven individuals' rates were:

Table 4 European Convergence Report 1998 (EMI 25)

	1991	1997	1998
Belgium	12.9%	5.8%	5.7%
Germany	12.5%	5.6%	5.6%
Spain	14.4%	6.4%	6.3%
France	10.2%	5.6%	5.5%
Ireland	10.6%	6.3%	6.2%
Italy	14.7%	6.9%	6.7%
Luxembourg	8.3%	5.6%	5.6%
Netherlands	12.4%	5.6%	5.5%
Austria	-	5.7%	5.6%
Portugal	25%	6.4%	6.2%
Finland	11.8%	6.0%	5.9%
Greece	29.5%	9.9%	9.8%

Source: http://www.michiganjb.org/issues/61/text61b.pdf

“For this criterion, all the original members satisfied the requirement by 1998.” (http://www.michiganjb.org/issues/61/text61b.pdf)

The rule of a long-term interest rate came about because of the conviction that this specific rate is the indication of supportability of financial results in the circle of value strength in individual nations of the Union. Reducing contrasts among interest rates permits to maintain a strategic distance from intervention in money related markets, particularly in the period, when there are numerous monetary standards of inflexible exchange swapping scale. Germany had a political reason. It was anxious “that at a relatively lower interest on their treasury bonds in comparison to that in other EU countries, it would have problems with placing them in the financial markets.” (http://www.ec.unipg.it/DEFS/uploads/quad24.pdf)

3.3.5. Exchange rate

The last criterion refers the nation which is candidate for the Economic and Monetary Union. It must follow the exchange-rate mechanism ERM II. The candidate must make a deal with the Central Bank which puts the applicant nation under the commitment to guarantee full convertibility of the coin. (http://www.ec.unipg.it/DEFS/uploads/quad24.pdf) “A currency in ERM II is allowed to float within a range of ±15% with respect to a central rate against the Euro.” (http://www.michiganjb.org/issues/61/text61b.pdf)

3.4. The current situation in the Eurozone

The Business Insider states that „the Eurozone’s growth wasn't as strong as analysts expected during the second quarter or the year, and pretty much every country missed what was forecast. Overall, GDP rose by 0.3%, slightly slower than the 0.4% recorded in Q1. That figure leaves the economy 1.2% larger than it was one year ago, a pretty modest pace of growth.“ (http://uk.businessinsider.com/eurozone-gdp-q2-2015-2015-8)

The slowdown is disappointing given the degree of transitory boost that the euro-zone economy is accepting. The fall in vitality costs brought on by the breakdown in the oil cost is acting similarly as a tax break. The European Central Bank has now been leading its endeavour into quantitative facilitating – making cash to purchase money related resources, since March.

Looking ahead, the prospects for the euro-zone economy are mixed. The slowdown in China will tend to hold Germany back since the Chinese market has been a lucrative one for its exports of investment goods and luxury cars. On the other hand, the decision to rescue Greece in its third bail-out in five years removes uncertainty about a possible disruptive exit from the monetary union, at least for the time being.(http://www.economist.com/blogs/graphicdetail/2015/08/european-economy-guide)

German GDP was not as expected, developing only in 0.4% rather than the 0.5% how was anticipated, but it is still better than the majority. German industry drooped in June, with a 1.4% . France did reach for a 0.2% expansion. Those two nations joined make up make a noteworthy piece of the Eurozone's GDP. They are the two greatest economies in the alliance, with Germany taking the top spot.

The Euro zone's third greatest economy, Italy also did not reach the expectations. Instead of the 0.3% growth, it reached only 0.2%. „Dutch GDP followed in the same vein. According to Nick Kounis at ABN AMRO, the Netherlands grew by just 0.1% in Q2, missing the 0.3% analysts had forecast." (http://uk.businessinsider.com/eurozone-gdp-q2-2015-2015-8) These figures are going to make it troublesome for the Eurozone to develop at the 0.4% as experts expected without a sensational over-execution from various littler economies.

Dominic Bryant of French investment bank BNP Paribas had this to say: „Overall, Germany and France have grown at a similar pace during H1 2015 of 0.3-0.4% q/q. This is solid but a little less than hoped for a few months ago. For the Eurozone as a whole, the data point to downside risks to our 0.5% q/q forecast Q2 growth, unless Italy or a number of smaller economies outperform expectations." (http://uk.businessinsider.com/eurozone-gdp-q2-2015-2015-8)

Europe has been becoming all the more dependably in the most recent six months. Ahead of schedule in the year, the shopper recuperations based on a weaker euro and low oil costs appeared to be entirely solid, yet that truly hasn't been reflected much in the GDP figures. An economy attempting to achieve 0.4% development is not especially solid. (http://uk.businessinsider.com/eurozone-gdp-q2-2015-2015-8)

Picture 10 Eurozone

Source: http://blog.continentalcurrency.ca/dont-use-the-euro/

4. CROATIA AND EURO

The idea of joining the EU was positively accepted among the residents of Croatia in the early nineties. The event of international recognition of Croatian Republic in 1992 returned a hope and confidence in Europe as a "patron for young Croatian state“. The Croatian authorities have publicly expressed its commitment to the full Croatia's membership in the European Union. Unfortunately, the path to the Europe was restricted because of the objections of of the international community. The war, slow democratic progress and slow revivification of democracy in country postponed the Croatian future in Europe. At the beginning of the year 2000 and the shift from authoritarian forms of government to more democratic, Croatia was given an opportunity to find her place in the European Union. (Skoko, 2007) http://hrcak.srce.hr/38277

Croatia became a Member State on 1st of July 2013. In 2003, Croatia applied for EU membership and was in negotiations from 2005 until 2011. The accession treaty was signed on 9 December 2011 and Croatia became the 28th EU member country on 1 July 2013.
Croatia had an active status as an observer in the European Institutions and thus was familiar with the working techniques for the EU foundations and was included in the choice making procedure. (http://ec.europa.eu/enlargement/countries/detailed-country-information/croatia/index_en.htm)

The principal purpose behind euroization in the Republic of Croatia in the early nineties was a high inflation rate linked with domestic currency depreciation. These days, the expansion rate is low and it can't be considered as a staggering explanation behind euroization. Neither business banks nor borrowers have trust in the dependability of domestic currency so both sides support conversion scale hazard by altering the cash structure of resources for that of liabilities. “Commercial banks do this by imposing currency clauses in loan agreements and on borrowers by saving in foreign currency. In this way, the interdependence of euroization and currency clauses emerges.” (https://bib.irb.hr/datoteka/614689.Interdependence_of_Euroization_and_Currency_Clauses_in_the_Republic_of_Croatia.pdf)

Croatia, as an applicant nation, is still in the pre-EU participation period of the procedure that prompts the possible appropriation of the euro. Croatia and EU still did not set the date for the adaptation of the euro as a single currency. However, this must be at least two years after Croatia joins the ERM2, but before that Croatia must reduce its budget deficit by about 1.5 billion kuna. The joining of Croatia to ERM2 is expected in 2016. It is also important to keep in mind the ongoing financial crises in Eurozone which can increase the time of Croatia's adoption of the euro.

“In April 2015, President Kolinda Grabar-Kitarović stated in a Bloomberg interview she was "confident that Croatia would introduce the euro by 2020", while Prime Minister Zoran Milanović said at the government session that "some occasional announcements when Croatia will introduce the euro shouldn't be taken seriously. We'll try to make it as soon as possible, but I distance myself from any dates and ask that you don't comment on it. When the country is ready, it will enter the euro area. The criteria are very clear."“ (https://vlada.gov.hr/news/deficit-to-fall-below-3-pct-of-gdp-public-debt-to-stop-rising-by-2017/16907)

5. CONCLUSION

The European Union is one of a kind collective among free sovereign Member States countries and thus gains much greater collective strength and influence than they could have acting individually. Member States sovereignty is shown trough the mutual pools and decisions concerning the work of the shared institutions such as the European Parliament and European Council. They both represent national government, the interests of the EU as a whole and choose the premise of proposition from the European Commission. According to Fontaine (2003) each EU nation profits by this participation. A large portion of a century of European coordination has demonstrated that the entire is more noteworthy than the total of its parts. The EU as a unit has considerably more financial, social, mechanical, business and political "clout" than the individual endeavours of its part states, notwithstanding when taken together. There is included worth in going about as one and talking with a solitary voice as the European Union.

The eager for European integration emerged after the World War 2 to avoid third world war. The monetary structural engineering of the EU has risen up out of political reasons; however it is based on neoclassical financial bases. The EU has accomplished much since it was established by Schuman declaration on 9 May 1950. It established a Single Market for products and administrations that assembled 28 Member and created single currency (euro) which makes the single market more effective and is currently a noteworthy world currency. The EU is also fully engaged to get Europe out of the economic crisis. Other important events are the Treaties of Rome on 25 March 1957, setting up a European Atomic Energy Community (Euratom) and a European Economic Community (EEC), and lowering duties on trade between six countries on 1 July 1968. On February 2nd 1992 the Treaty of Maastricht was accepted and its main objective was the establishment of an Economic and Monetary Union and on 1 January 2002 the euro currency started with its official usage.

The most important institutions of the EU are the European Parliament which deals with the enactment of the EU laws, chooses amplifications and assesses the Commission's work program and requests that it propose enactment., the European Commission which is in charge of drawing up recommendations for new European enactment, and the European Council which unites EU pioneers to set the EU's political plan.

On the 1 July 2013, Croatia became the 28th member of the EU after fulfilling all the requirements regarding EU laws and standards. As new difficulties emerge, Croatia will find that participation is not just about following and forming guidelines. It is about sharing the obligation regarding our regular attempt to stay united as a Union.

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