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DEBATES: "DIFF GOV CITY TALK"

Kinga Brudzińska*

The success and failure of the European Union are the sides of the same coin: its diversity and ability – or inability – to act together. The EU is stronger when it is united and moves towards the same goal. However, in the light of recent manifestations of centrifugal forces, today's Union moves at different speeds and not always towards the same goal.

The year 2019 is crucial for Europe's future. The EU will not only see a departure one of its member states but in May 2019 also it will hold the European Parliament elections, in which the stakes are unusually high. It is, among other things, due to a raising support for the anti-European parties. Simultaneously, to carry on, the EU has to work on indispensable Eurozone reform that will lead to creation of an architecture that is aligned with its respective economies and capable of better protecting the European economy.

In face of those challenges and in order to encourage more interest among general public in understanding the processes taking place in Brussels, GLOBSEC with the support of the European Commission Jean Monnet Activities of the EU Programme Erasmus+, organized a public debates in Banská Bystrica that form a part of a bigger international project run by Bratislava-based think tank GLOBSEC Policy Institute, DIFF GOV: European Governance: Potential of Differentiated Cooperation.

Will the European project be strengthened or weakened in 2019? Will European Union (EU) Member States decide to favour a sovereigntist or integrationist approach? What impact will it have for European governance, and unfinished reforms of the Eurozone? What are the lessons learnt for Slovakia from the adoption of single currency? How to keep the momentum of a good image for the Euro in Slovakia? How can Slovakia contribute to fixing the Eurozone's institutional flaws and thus ensuring the Euro's long-term viability?

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Those were some of the questions, which were raised during the first DIFF GOV City Talk that took place in Banská Bystrica, Slovakia on 2 April 2019 at the Faculty of Political Science and International Relations of Matej Bel University. The City Talk was divided into two sessions.

First was "HOPES and DREAMS: What to expect from the European Parliamentary (EP) elections?" a 100% female panel held in English and focused on the upcoming elections of representatives to the EP. The participants were interested in the composition of the new EP, and the impact of Brexit on the EP seats. The participants found particularly interesting the discussion about the situation in Slovakia. The speakers included: **Zuzana Podracká**, Future of Europe Stream Lead, GLOBSEC; **Martina Šinkovičová**, PhD., Head of GLOBSEC Academy Centre; and **Kinga Brudzinska**, PhD., Senior Researcher, GLOBSEC Policy Institute.

Second was "Slovakia & the Euro – More LOVE than HATE" which was held in Slovak and reflected on the 10th anniversary of the Euro adoption in Slovakia, and the 20th birthday of Europe's single currency, as well as the future of the Eurozone. The participants were interested in learning if the V4 countries (Poland, Hungary, Czech Republic, and Slovakia) would have a more powerful voice if all of those four countries would share a common currency, and in what way would it help. Additionally, the audience asked if the speakers thought Slovakia had the same voice as France and Germany in shaping Eurozone reforms. Finally, they asked if the EU was equipped with the mechanisms that would minimize the future impact of crisis on a national level or on the European Central Bank level. The speakers included **Juraj Karpiš**, Analyst, Co-Founder, INESS, Institute of Economic and Social Studies; **Barbora Mazúrová**, Ing., PhD. Faculty of Economics, Matej Bel University; **Tomáš Meravý**, Chief Economist at GLOBSEC; and **Emília Zimková**, Professor in Finance at the Faculty of Economics, Matej Bel University.

While some Europeans regard the Euro as a success story that has contributed to the creation of a single European identity, others view it as "the cause of all evils," including austerity, stagnation and unemployment. In recent years, Eurosceptics have blamed the single currency for increasing the price of a baguette, lowering export competitiveness, and causing the most severe financial crisis since 1929. Nevertheless, the findings from the Eurobarometer or Parlemeter surveys show that Slovaks do not necessarily view the currency as an economically flawed initiative. Eighty percent of Slovaks are in favour of the single currency, according to a 2018 Parlemeter survey. It comes with a good reason: adoption of Euro gave further impetus to institutional convergence and allowed Slovakia to anchor its macroeconomic institutions in a stronger European framework. What are the lessons learnt for Slovakia from the adoption of the single currency? How to keep the momentum of a good image for the Euro in Slovakia? How can Slovakia contribute to fixing the Eurozone's institutional flaws and thus help ensuring the Euro's long-term viability? These and many other questions could be raised when talking about the Euro in Slovakia.

Since this event was held during the celebration of Slovakia's 10 years in the Eurozone, the debate started by referencing the past and commenting on the situation in the year 2009, and even few years before, when the Euro-currency thinking began. Prof. **Zimková** described the situation as difficult, at least in the beginning, when Slovakia was under **Vladimír Mečiar**'s rule. Because of the situation and conditions set by then-Prime Minister **Mečiar**, Slovakia was in the "second group" of the European integration process. However, after becoming Prime Minister and forming a large, coalition government in 1998, **Mikuláš Dzurinda** and his government introduced far-reaching reforms that are credited for enabling Slovakia to begin the process of joining the EU and NATO. Slovak accession to the European Union in 2004 was obvious evidence of Mr. **Dzurinda**'s efforts. The process of becoming a member of the Eurozone began in mid-2003, when the Slovak government approved the Strategy for adopting the Euro in Slovakia. These were the steps that led Slovakia to full-use of the Euro at the beginning of 2009, when within 16 days the whole republic was fully using only the Euro currency. Despite the economic crisis in Europe right during the Slovak currency transformation, the question of timing for such a change could be asked. An interesting approach can be explored when one would look at the positive and negative aspects of accepting the Euro in Slovakia. Mr. **Meravý** claimed that there are both positive and negative aspects of accepting the Euro in Slovakia in 2009, however, positive aspects prevail. In his presentation, he provided some concrete evidence of benefits of the Euro. For example, he cited how the Euro in Slovakia helped to lower interest rates and contributed to the growth of GDP per capita and purchasing power parity. On the other hand, the unemployment rate increased. In general, Slovakia's economy is however in much better shape than today's Italian economy. Another crucial debate arose when the topic of Eurozone´s future came on the table. Should countries of Eurozone cooperate in closer way? Does Slovakia have the same political voice as Germany of France? Mr. **Karpiš** answered that:

“As a citizen I believe there is an optimal level of mutual integration. As an economist, I do not see a tool that would restrict the control of integration.” Therefore, according to Mr. **Karpiš**, the political voice of Slovakia in the Eurozone, Slovak voice weights the same as German one. To put it simply, a voice of small Slovakia and a voice of Germany is similar. However, the perceptions on the Economic and Monetary Union differ from country to country. While Greece (despite its economic problems) remains rather positive about the Euro, the member states such as the Czech Republic and Latvia hold rather negative perceptions. In that sense, it is not possible to have unified approach to the future shape of the EMU. According to the panel, Slovakia does not take full advantage of the adoption of the Euro. The improvements in an education sector and in public sector are still to come. Therefore, Slovak lessons learnt is that the simple adoption of the Euro will not solve all problems of the country, as they remain the homework for the country itself. This is a task is for a political leader as well as for citizens. When comparing Slovakia with Estonia – the latter was much more united and political class shared the same vision about what it was to achieve from the Euro’s adoption. Slovakia misses that. Slovakia should aim at achieving a sustainable economic growth in a long run and continue with structural reforms. For those, Slovakia needs to be even more critical and find the leader who would follow these ideas. Mr. **Meravý** said that “I see two visions that need to be improved: education and demographic deficit. Slovakia needs to invest more money into education. At one side, the argument might go that only investments do not have to improve the situations, however, without investments in for example renovating campuses and dormitories, not much will change. Secondly, demographic deficit is hardly to be stopped any time soon. Slovakia should invest more into pre-school institutions and provide mothers with more day-care facilities.” When looking at the V4 format, Slovakia is the most Euro-positive. After the Euro crisis peaking in 2008/2009, the population of the Czech Republic was rather against accepting it, even though the Czechs could see that the situation in Slovakia in the international spectrum improved very fast after accepting Euro. In case of Poland, Prof. **Zimková** added that “Such big economy as Poland does not need Euro. And that in this sense, Slovakia cannot be compared with Poland. We could see that Poland as the only country was not influenced by the Euro-crisis.“ The participants of the discussion while responding to sli.do opinion poll set up by the organizers, said that according to their views other V4 should adopt the Euro (64%), only 36% were against it.