

Model United Nations at UCSD presents
On Saturday April 25th, and Sunday April 26th, 2015

European Union



TritonMUN XI



Introduction

Hello fellow delegates,

Welcome to the 2015 Spring TritonMUN XI! My name is Reina Ishii and I will be your chair for this year's European Union (EU) committee. I am a 3rd-year student with a General Chemistry major along with a double minor in French Literature and International Studies. I was born and raised in Memphis, Tennessee where I started up my Model UN career in my sophomore year in high school, and, now, here I am in TritonMUN serving as your chair. Currently, I am serving my second year in the UCSD's Secretariat as the Under-Secretary General of Training. In terms of training, I help delegates prepare for intercollegiate conferences as well as assist the TritonMUN chairs in preparation for the conference. If you ever have any questions about college MUN, please do not hesitate to contact me. Although I am strongly committed to Model UN, I enjoy hanging out with friends, having late night social events, playing the piano, having "me time," and meeting new people.

Alongside me on the dais is my vice chair, Sarah Min. She is also a 3rd-year Pre-Med track student majoring in Human Biology with a minor in Psychology. She has also been a part of Model UN as long as I have. In her free time, she enjoys working in the theatre, being an active member of UCSD's bio clubs, volunteering as a tutor, and participating in research projects.

Together, we decided to do the European Union to not only step away from General Assembly committees, but to further look into the different dynamics between European nations. We wanted to experience a committee much more specialized and intensive, yet fun. Seeing as the accession of Turkey has been an on-going topic, we believe that it will allow delegates to see the different factors that the EU must consider in order to grant nations membership. Knowing that the Eurozone has been trying to unify the European community with a common currency, the Euro, the purpose of choosing this topic is to emphasize the need for negotiation and collaboration in order to reach a conclusion that will satisfy the represented European nations.

Specifically for this committee, I, as well as Sarah, will strongly be looking at creativity in resolutions, well thought-out and researched speeches, and collaboration of efforts. Also, we look for delegates who follow strictly on their country policy shown through research in position papers as well as participation throughout the conference. Our goal for this committee and conference is for each of you to learn, adapt, and improve skills in Model UN. We are very outgoing and easy to talk to, so if you have any questions about anything (i.e. college, Model UN, improvements, etc.), do not hesitate to contact us at all.

See you in April!!

Sincerely your chairs,

Reina Ishii
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Chair

Sarah Min
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Vice Chair



Topic A: Accession of Turkey

I. Background

After witnessing and experiencing first-hand the various events that occurred during World War II, Europe, as a whole, faced economic and political turmoil. As a result, the European Union (EU) was formed in order to unite European nations through economic and political means and to further ensure peace between these nations.¹ The founding member states were Belgium, France Germany, Italy, Luxembourg, and the Netherlands.¹ The six founding countries signed treaties, which established the European Coal and Steel Community (ECSC), European Economic Community (EEC), and European Atomic Energy Community (Euratom) in the 1950s.² In the years following, Europe came face-to-face with economic crises throughout European nations; however the EU increased its influence with regional affairs in order to improve situations within the area.¹ In order to unify the European community and handle these economic and political issues, the EU started to increase the number of its member states.

By the early 1970s, the European Union had its first Enlargement with the addition of Denmark, Ireland, and the United Kingdom.¹ These three countries were so closely related to each other economically that the EEC had to accept all three members together. Then in the 1980s, Greece, Spain, and Portugal joined in.² The purpose of adding these members was to ensure stability within the southern region of Europe. Afterwards, more members states were added into the EU in 1995 (Austria, Finland, and Sweden). The largest enlargement to the EU occurred in 2004 (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta,

¹ European Union. "The History of the European Union." *EUROPA - The History of the European Union*. European Union, n.d. Web. Nov. 2014.

² The Telegraph. "Timeline: History of the European Union." *Timeline: History of the European Union - The Telegraph*. Telegraph Media Group, 14 Sept. 2009. Web. Nov. 2014.



Poland, the Slovak Republic, and Slovenia), and was followed by the sixth enlargement in 2007 (Bulgaria and Romania), and the seventh enlargement in 2013 (Croatia).³ Although there was a drastic increase of member states in the European Union since the 1950s to the present day, from 6 to 28, these member states must qualify socially, economically, and politically in specific areas in order to be considered for membership.

Before being granted membership within the European Union, a nation must satisfy certain criteria that focus on the political, economic, and overall functions of the EU. First and foremost, the member state must be geographically located within Europe.⁴ Politically, the member state must value and support the common policies of the European Union; as stated in Article 2 of the Treaty on European Union, these include “human dignity, freedom, democracy, equality, the rule of law, and respect for human rights.”⁴ In the economic stand point, the member state needs to have a functioning market economic and the capability to manage the competition and market forces within the EU.⁵ Lastly, the member state must have the capability to implement the European Union’s *aquis* and to forego the obligations of membership within the EU.⁵ *Aquis* is known to be the common rights and obligations that the member states of the EU must follow.⁶ These common rights and obligations are based off of the principles and objects of signed Treaties, legislation through Treaties and Court of Justice, declarations and resolutions accepted by the EU, policies of the Common Foreign and Security Policy, and international

³ European Commission. "From 6 to 28 Members." *EU - Enlargement - From 6 to 28 Members - European Commission*. European Commission : European Neighbourhood Policy and Enlargement Negotiations, 27 June 2013. Web. Nov. 2014.

⁴ European Commission. "Accession to the EU." *EU - Enlargement - Accession to the EU - European Commission*. European Commission : European Neighbourhood Policy and Enlargement Negotiations, 7 Sept. 2012. Web. Nov. 2014.

⁵ European Commission. "Accession Criteria." *EU - Enlargement - Accession Criteria - European Commission*. European Commission : European Neighbourhood Policy and Enlargement Negotiations, 7 Sept. 2012. Web. Nov. 2014.

⁶ European Commission. "Aquis." *EU - Enlargement - Acquis - European Commission*. European Commission : European Neighbourhood Policy and Enlargement Negotiations, 7 Sept. 2012. Web. Nov. 2014.



agreements established within the European Union.⁶ Furthermore, the European Union concentrates on certain policies such as transportation, energy usage, environment, financials, and many more. These policies are practiced through the participation of the different programs that are affiliated with the European Union. With such extensive criteria, many nations struggle to be approved and become a member in the European Union.

Turkey has experienced a difficult time to gain membership into the European Union due to the following circumstances. The Republic of Turkey first applied to the European Union in 1987.² In 1997, the European Union declared the Republic of Turkey to be an official candidate.⁷ Turkey has shown capabilities of being a part of the European Union in a number of ways, including the criteria for membership as well as being a member of NATO and the G20, the EU is strongly considering Turkey's membership due to Turkey's centralized geographical location, active foreign policy, as well as energy security.⁸ In October 2005, the European Union started Turkey's negotiation process for accession.⁷ In 2006, eight negotiation chapters remained closed due to foreign complications with Cyprus, specifically the refusal to apply the Additional Protocol to the Ankara Agreement with Cyprus.⁷ The Additional Protocol calls for the European Union to include Turkey's participation along with the new member states of 2004 enlargement.⁹ In 2011, the Positive Agenda was implemented, which is a proposal for Turkey and the EU to work together in order to support and further forego the negotiation process.¹⁰ In this agenda, there are various areas of interest that are going to be discussed between the EU and Turkey, including

⁷ European Commission. "Turkey." *EU - Enlargement - Turkey - European Commission*. European Commission : European Neighbourhood Policy and Enlargement Negotiations, 11 June 2013. Web. Nov. 2014.

⁸ European Union : External Action. "EU-Turkey Relations." *EEAS (European External Action Service)*. European Union : External Action, n.d. Web. Nov. 2014.

⁹ European Union. "Additional Protocol to the Ankara Agreement." *TREATIES OFFICE DATABASE*. EUROPA, 20 Dec. 2006. Web. Jan. 2015.

¹⁰ Republic of Turkey Ministry of Foreign Affairs. "Turkey-EU Relations." *Turkey-EU Relations / Republic of Turkey Ministry of Foreign Affairs*. Republic of Turkey Ministry of Foreign Affairs, n.d. Web. Nov. 2014.



political reforms, implementation in international policy, improvements of foreign affairs, participation in EU protocols, cooperation within the European community, and security.¹⁰ As of now, there are thirteen negotiation chapters that are left open and one provisionally closed for Turkey.⁷ Throughout the process of negotiation, the European Union must also view the benefits of which Turkey can bring into the European community.

For the European Union, there are several benefits that can come with granting Turkey membership. Turkey's geographical location will increase the international market considering Istanbul, the largest city in Turkey, being a commercial trade center within Europe. By allowing Turkey membership, the EU will be able to improve its financial market as well as its status within the global economy.¹⁰ Furthermore, Turkey can also provide security with cooperation from its military based on "its visionary and multidimensional foreign policy."¹⁰ The European Union would show its openness to the Islamic community as well as the multicultural heritage that Turkey possesses.¹¹ By allowing Turkey membership within the European Union, the EU would be able to achieve a well-rounded European community due to Turkey's economic and socio-political perspectives.

Even so, Turkey has many conflicting dilemmas that must be resolved before officially being a part of the European Union. For instance, Turkey must focus on improving the values of human rights, such as granting free speech, acknowledging minority rights, having fair trials, and protecting rights of women.¹¹ Another difficulty with Turkey's acceptance in the European Union is Turkey's mixture of different values in culture, heritage, and traditions.¹¹ Due to such matters, the European Union will have to face conflicting socio-political views with Turkey when coming

¹¹Debating Europe. "Arguments for and against Turkey's EU Membership." *Arguments for and against Turkey's EU Membership - Debating Europe*. Debating Europe, n.d. Web. Nov. 2014.



together in order to form agreements and resolutions. Overall, this brings a concern to satisfying all the components of the Turkish community along with the member states of the European Union. Turkey's candidacy is also at risk due to the poor foreign relations with neighboring countries; such countries include Greece, Cyprus, and Armenia. With such circumstances, Turkey and the European Union continue to delay their negotiation process for Turkey's membership.



II. European Union Involvement

For many years, Turkey has been trying to become a member of the European Union due to its active participation within the European community. The first fundamental step towards Turkish membership was the signing of the Ankara Agreement in September 12th, 1963, which organized a three-step process of integration between Turkey and the European Union.¹⁰ The first step was the preparatory stage, which formed the Customs Union.¹⁰ The Customs Union is concentrated on the progress of the free circulation of goods, restricted to industrial and processed agricultural products.¹² After completing this stage, European Union declared Turkey's potential candidacy which furthered the efforts of Turkey towards membership into the transitional stage. The transitional stage introduced the beginning steps towards the accession for Turkey in October 2005.¹⁰ This accession process includes the negotiation and fulfillment of thirty-five different chapters, thirteen of which remain open while one is provisionally closed.

As the years progress, it is the efforts of the European Union that must forego the different negotiations for each chapter. Since there are other nations that are potential candidates for the European Union, the EU Commission has been issuing "Regular Reports" in order to show the developments and negotiation progress of future enlargements.¹⁰ Within these annual reports, they focus on the decisions made based on agreements between the potential candidate and the European Union during the year, and the progress within each of the chapters that candidates are responsible to fulfill. Furthermore, these reports are used as a reference when the European Union starts to develop the next enlargement. Based on these reports, the EU Commission recognized that Turkey has many more components to fulfill through the "Positive

¹²European Commission. "Turkey : Customs Unions and Preferential Arrangements." *Taxation and Customs Union*. European Commission, 12 Sept. 2014. Web. Jan. 2015.



Agenda,” which serves as a resource in support of the negotiation process.¹⁰ Through the annual reports and the active negotiations, Turkey and the European Union are collaboratively working towards membership.

However, there are many European Union members who do not agree with the conditions of Turkey’s membership. In October 2014, it was reported that the European Union member states were enforced to further progress by means of showing concerns and negotiating with Turkey.¹³ As enforced by the European Commission, the process of accession for Turkey must be focused on the policies of justice and rule-of-law; this will help resolve the dilemmas of civil rights and judicial independence.¹³ Since Turkey’s accession process has been stalled for almost a decade, the European Union must generate negotiations and agreements in order to reach a final decision of whether to allow Turkey into the European Union.

¹³Norman, Laurence, and Yeliz Candemir. "EU Urges Members to Stop Stalling with Turkey." *The Wall Street Journal*. Dow Jones & Company, Inc., 8 Oct. 2014. Web. Jan. 2015.



III. Bloc Positions (Declared by the United Nations)

With the ongoing debate on determining the membership of the European Union, there are many nations that agree and disagree to grant such membership to Turkey. These nations have positive and negative foreign relations with Turkey, which affects the fluctuating decision.

Northern Europe (Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Sweden, and United Kingdom)

Since Turkey has a large Muslim population and a greater influence within the Arab community, the United Kingdom sees this as an opportunity for the European Union. The United Kingdom is in support of allowing Turkey membership; Turkey would represent democracy along with modernity.¹⁴ For other nations, there is opposition between the public and governmental agreement with the Turkish membership. Denmark's public opinion is opposed to this proposal, but the Danish Prime Minister wants to create partnerships with Turkey.¹⁴ For similar reasons, Sweden's government wants to take this membership as a chance to reform and build connections within Turkey in order to help promote businesses.¹⁴ By granting Turkey membership into the European Union, some of these nations see this as benefit to the trade and economic markets within the global community.

Western Europe (Austria, Belgium, France, Germany, Luxembourg, and the Netherlands)

There are member states that do not agree to the accession of Turkey. Notably, Germany and the Netherlands continue to argue that the accession of Turkey will lead to a large discrepancy culturally, politically, and geographically.¹³ Germany's population does not agree with this accession and recommended restricted membership within the European Union.¹⁴ The

¹⁴ Repa, Jan. "Analysis: EU Views on Turkish Bid." *BBC News*. BBC, 30 Sept. 2005. Web. Jan.



Netherlands is divided based on the conflicting problems of religion, immigration, and integration within its own population.¹⁴ On the other hand, France is not completely opposed to the proposal, but rather would like Turkey to recognize Cyprus.¹⁴ Even so, France is more concerned in maintaining the European nationality within the EU, which creates an opposition to the accession.¹⁴ In 2005, Austria initially showed opposition to the beginnings of negotiation due to conflicting cultural beliefs.¹⁵ Along with other member states, Austria agreed to the offering of a restricted membership.¹⁵ With majority of this region being in opposition to the accession, Turkey must consider collaboratively working towards reforms and stronger agreements.

Southern Europe (Croatia, Cyprus, Greece, Italy, Malta, Portugal, Slovenia, and Spain)

Turkey and Greece have conflicting views, which causes tension between the two nations and Greece's disapproval of Turkey's membership; the tension originated from the Turkey-Cyprus conflict. In 1974, the Turkish minority within Cyprus invaded the open lands of the island by military force, creating a division in the nation.¹⁵ This division between the Greek and Turkish Cypriots increased tensions between Greece and Turkey as a whole leading to genocide and mass killings on both parties. After attempting to unify the nation between the two groups through the efforts of the European Union, Turkey refuses to recognize Cyprus on its own, which results to the standstill of negotiations for accession.¹⁵ However, in this region Italy is in support of the Turkish membership due to the opportunity of increasing the commercial markets of the European Union.¹⁴ Overall, one of the concerning factors played into the stalemate of this accession is the poor relations between Turkey, Cyprus, and Greece; by not recognizing one of the European Union member states, Cyprus, this increases the dissatisfaction of the EU granting

¹⁵Pan, Esther. "Turkey's EU Bid." *Council on Foreign Relations*. Council on Foreign Relations, 30 Sept. 2005. Web. Jan. 2015.



Turkey membership.

Turkey

For almost a decade, Turkey has been a potential candidate to become a member of the European Union through means of negotiations and talks. Turkey believes that overall, the EU will benefit from its accession through the increase of trade, competitiveness, and internal market due to Turkey's large trade center.¹² Turkey's diverse population will also bring more perspective into the different foreign policies that are developed through the EU, which furthers the efforts towards international peace and stability.¹² Since Turkey has a high level of security, through the participation of NATO, this will increase internal security within the European community. Furthermore, Turkey has stationed some of its military forces alongside the EU military mission.¹⁵ In order to satisfy the legal means of EU membership, Turkey experienced a variety of political reforms. In doing so, Turkey removed the death penalty, granted higher levels of freedom of speech, and provided more rights to minorities.¹⁵ The European Union continues to require Turkey to implement more policies that focuses on topics from foreign policy to environmental protection.¹⁵ In December 2013, SonerCagaptay, a *New York Times* reporter, emphasized the idea that the European Union needs Turkey.¹⁶ Seeing as Turkey has bettered its economy at a faster rate than the average European state, it comes to question whether or not Turkey feels the need to be a part of the EU.¹⁶ Turkey has been urging the European Union to grant membership to it, but even so, there are still situations and problems that need to be resolved before being accepted into the EU.

¹⁶Cagaptay, Soner. "The E.U. Needs Turkey." *The New York Times*. The New York Times, 20 Dec. 2013. Web. Jan. 2015.



IV. Questions to Consider

1. How will Turkey benefit from joining the European Union?
2. What economic and political benefits for the European Union if Turkey's membership is granted?
3. What are the factors that hinder the European Union's consideration for Turkey's membership?
4. Why are other countries more qualified to enter into the European Union than Turkey?
5. Are negotiations and limitations possible for the process of Turkey's accession?



V. Suggested Sites

http://ec.europa.eu/enlargement/index_en.htm - European Neighbourhood Policy and Enlargement Negotiations

<http://www.abgs.gov.tr/?p=1&l=2> - Republic of Turkey: Ministry for EU Affairs

<http://www.avrupa.info.tr/eu-and-turkey/accession-negotiations/regular-reports-on-turkey.html> - Europa: Regular Reports on Turkey

<http://www.mfa.gov.tr/sub.en.mfa?395d59f6-c33c-4364-9744-cff90ec18a3e> - Republic of Turkey: Ministry of Foreign Affairs - “Main Issues”



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<http://ec.europa.eu/enlargement/policy/glossary/terms/acquis_en.htm>.

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and Enlargement Negotiations, 27 June 2013. Web. Nov. 2014.

<http://ec.europa.eu/enlargement/policy/from-6-to-28-members/index_en.htm>.

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<http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/customs_unions/article_414_en.htm>.

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European Commission : European Neighbourhood Policy and Enlargement Negotiations, 11 June 2013. Web. Nov. 2014.

<http://ec.europa.eu/enlargement/countries/detailed-country-information/turkey/index_en.htm>.

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<<http://eeas.europa.eu/turkey/>>.

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<<http://ec.europa.eu/world/agreements/prepareCreateTreatiesWorkspace/treatiesGeneralData.do?redirect=true&treatyId=1561>>.

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Norman, Laurence, and Yeliz Candemir. "EU Urges Members to Stop Stalling with Turkey." *The Wall Street Journal*. Dow Jones & Company, Inc., 8 Oct. 2014. Web. Jan. 2015.



- <[http%253A%252F%252Fwww.wsj.com%252Farticles%252Ffeu-urges-members-to-stop-stalling-with-turkey-1412764978](http://www.wsj.com/articles/feu-urges-members-to-stop-stalling-with-turkey-1412764978)>.
- Pan, Esther. "Turkey's EU Bid." *Council on Foreign Relations*. Council on Foreign Relations, 30 Sept. 2005. Web. Jan. 2015.
- <[http%3A%2F%2Fwww.cfr.org%2Fturkey%2Fturkeys-eu-bid%2Fp8939%23p6](http://www.cfr.org/turkey/turkeys-eu-bid/p8939%23p6)>.
- Repa, Jan. "Analysis: EU Views on Turkish Bid." *BBC News*. BBC, 30 Sept. 2005. Web. Jan. 2015. <<http://news.bbc.co.uk/2/hi/europe/4298408.stm>>.
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Topic B: Unification of the Euro

I. Background

After World War II, Europe was experiencing an economic downfall due to the decrease in European infrastructure. With the formation of the European Union, the European community decided to establish European Monetary System in 1978, where the European Currency Unit (ECU) is used for travelers' checks and bank deposits.¹⁷ Following the ECU is the formation of the Exchange Rate Mechanism (ERM), which is used as a central exchange rate for the ECU from other national currencies.¹ As the European Union continues to unite the European community economically, the EU focused on creating programs and institutions in order to improve the European economy, such as creating a Single Market. The Single Market addresses the need to deteriorate barriers and limit current policies between nations in order to provide more opportunities within an inter-connected community, the Eurozone - the specific area in which the Euro is being used as a common currency.¹⁸ Then the EU established the Economic and Monetary Union (EMU) in 1990, and by 1992, the European common currency, the Euro, was created.¹ In 1998, the European Central Bank (ECB) was formed in order to monitor and enforce monetary policy of the Euro within the member states. By 2002, the Euro coins and notes were created and implemented throughout the member states of the European Union.¹ Although the European Union focuses their concerns on political and economic issues, the use of a common currency, the Euro, is an ongoing process that the member states must consider when applying for membership in the EU.

¹⁷ The Telegraph. "Timeline: History of the European Union." *Timeline: History of the European Union - The Telegraph*. Telegraph Media Group, 14 Sept. 2009. Web. Nov. 2014.

¹⁸ European Commission. "General Policy Framework." *The EU Single Market*. European Commission, 30 Oct. 2014. Web. Dec. 2014.



To be a part of the European Union, potential member states must comply with the adoption of the Euro as the national currency; this implies that member states will join the Eurozone. Although the EU has its own criteria for membership, the Eurozone also has a five-component criterion that member states must satisfy to be considered into the Eurozone. The Eurozone criteria, made through the Maastricht Treaty, focuses on a nation's inflation rate, budget deficit, public debt, interest rates, and exchange rates.¹⁹ However, not all member states satisfy the qualifications of the criteria due to the European economic crises and the participation in the Euro. In 1978, when the ECU and ERM were formed, the United Kingdom became the first member state to be opposed to the single currency.¹ In 2000, Denmark voiced its disagreement in using a single currency and refuses to join.¹ However in 2002, the circulation of the Euro contained 12 participating member states of the EU (Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain).¹ As of now, the Eurozone consists of nineteen of the twenty-eight member states of the European Union; there are other countries that have adopted the Euro as their common currency, but they are not considered part of the Eurozone since they are not part of the European Union.

With a common currency, the European Union emphasizes certain benefits that all nations will receive by joining the Eurozone. The purpose of the Euro, according the European Commission, is to ensure stability, low inflation rates, and balanced public finances.²⁰ By unifying the members of the EU with a common currency, there are several benefits for member states behind such matters; such as, more stable prices and economic growth, greater security for

¹⁹Stastna, Kazi. "Euro: The Common Currency Explained." *CBCnews /World*. CBC, 9 Dec. 2011. Web. Nov. 2014.

²⁰ European Commission. "The euro." *Economic and Financial Affairs*. European Commission, 29 Oct. 2014. Web. Nov. 2014.



businesses, and integrated financial markets.²¹ Apart from the current European debt crisis, the EU has taken measures to make certain of bettering the macroeconomic imbalances and creating structural policies.³ Furthermore, the use of a common currency can benefit the European economy by having more stable inflation and interest rates within the community.² In such circumstances, member states no longer have to be concerned with exchange rates and, instead, provide convenient methods of travel and trade.² A common currency can also ensure economic security within the community since member states are a part of a Single Market and they follow through with the same economic policies enforced through a central body. Also, by joining into the Eurozone, the European community will have a stronger sense of European identity and unity.³ These factors are necessary for member states to recognize when evaluating the adoption of the common currency and membership of the Eurozone.

Upon joining the Eurozone, many nations have experienced disadvantages that have led other nations to reevaluate joining the Eurozone. Between many nations, the unification of the Euro is difficult to manage due to language barriers as well as different economic policies within nations. Such matters are thoroughly generated through the labor force and varying standards of living. Seeing as all member states are stabilizing their economy at different rates, having a common currency may result to a decrease in national sovereignty.²² By implementing a common currency, nations are forced to devalue their current currency, which indicates that the Euro is not allowing flexibility to satisfy the different values of national culture and customs.²³ Other issues that can arise with the participation of the common currency are the conflicting

²¹European Commission. "Why the Euro?" *Economic and Financial Affairs*. European Commission, 27 Mar. 2014. Web. Nov. 2014.

²²BBC News : EMU. "Special Report : Pros and Cons." *BBC News*. BBC, 21 Nov. 1997. Web. Nov. 2014.

²³Zingales, Luigi. "The Future of the Euro." *Becker Friedman Institute: For Research in Economics*. Proc. of Cocktails and Conversation with Luigi Zingales, Gleacher Center, Chicago. The University of Chicago, 10 Dec. 2013. Web. Nov. 2014.



point of views when creating monetary and fiscal policies, the imbalance of weaker and stronger economies, the economic problems found in specific nations, and the varying deficit and inflation caps.² Taking into account of the different variables that hinder economic negotiations between nations, the unification of the Euro must face levels of difficulty in satisfying all member states.

In November 26, 2007, a member of the Executive Board of the ECB, Gertrude Tumpel-Guerell, made a speech in regards to the benefits and challenges of the euro.²⁴ Tumpel-Guerell emphasizes that as a whole, the European Union benefits from the euro due to completion of the Internal Market, exchange rate stability, efficient allocation of resources, and monetary stability.⁶ In the long-run, the usage of the Euro allows the Eurozone to have stability in prices, low inflation and interest rates; all these components are beneficial to have in the overall monetary policy when wanting to maintain economic growth and employment.⁶ On an individual level for member states, the Euro will promote trade while exchange rates are eliminated.⁶ In this regard, by having a common currency, nations will be able to easily increase their interaction with other nations within the European community. On a global scale, the Euro will be able to protect international financial conflicts.⁶ With all member states contributing to the common currency, they are indirectly supporting each other. However, Tumpel-Guerell also takes note of the challenges that the Euro will face when the number of member states in the Eurozone increase. For instance, the adoption of the Euro affects domestic policies within nations.⁶ Between all member states, there is an increase in competition for goods, services, imports, exports, and many other variables that affect the nation's Gross Domestic Product (GDP). Even so, this

²⁴Tumpel-Guerell, Gertrude. "The Euro – Benefits and Challenges." *ECB: The Euro - Benefits and Challenges*. European Central Bank, 26 Nov. 2007. Web. Nov. 2014.



promotes flexibility and efficiency within the labor and product markets.⁶ In the end, the goal of the Euro is to help member states reach a level of sustainability within public finances, labor, and domestic finances.⁶ From this speech, it was clear for the European community that adopting the Euro would benefit member states in the long-run, but cause initial struggles in stabilizing their economies.



II. European Union Involvement

For the European Union, there was a need to economically unify the European community. The initial goal of the Euro was to remove the competition between EU member states through monetary policy and a common currency under a single market.²⁵ The use of the Euro is aimed towards price transparency and eradication of exchange rates.⁹ Furthermore, the Euro conducts international trade, provides protection of economic shocks, and establishes a European voice in world, economic affairs.⁹

The process of the unification of the Euro started with the establishment of the Economic Monetary Union. The EMU serves as the coordinator of different economic policies and the Euro.²⁶ The responsibilities of the EMU are divided among several groups in order to issue decisions by those who specialize in the specific areas. The main participants in the EMU include the European Council, the Council, the Eurogroup, the European Commission, ECB, European Parliament, and the member states of the Eurozone.⁹ By having the member states participate in the EMU, this builds economic integration within the European community. Through the intentions of economic integration, the EMU established the Euro as a common currency within a single market.

Currently, the European Union has been trying to further expand the Eurozone seeing as many European nations are reaching to the level of economic and legal standards. However, while these nations are in the process of joining the Eurozone, the European Commission established the Exchange Rate Mechanism (ERM II). This mechanism is used to avoid

²⁵Kingdom of Belgium. "Overview of the European Union at Work and Its Major Achievements." *Foreign Affairs, Foreign Trade and Development Cooperation*. Kingdom of Belgium, 2012. Web. Dec. 2014.

²⁶European Commission. "Economic and Monetary Union." *Economic and Financial Affairs*. European Commission, 26 Aug. 2014. Web. Dec. 2014.



unnecessary exchange rates between the Euro and other existing currencies that may hinder the Eurozone's economic stability.²⁷ By using this mechanism while entering into the Eurozone, the shift from the previous currency to the Euro is easily manageable.

With the purpose of establishing a sense of unity and cooperation with the common currency, the European Union has been trying to implement methods of centralization in relation to fiscal and economic policy.²⁸ Such methods include the formation of a single banking system, authorized by the ECB, as well as a bond buying program.⁷ On October 17th, 2014, a press release was sent out by the ECB, discussing the improvements in the European economy through the use of the Euro. By this time, a large number of banks saw positive developments in the European community by the increase of risk limitations and the decrease of restricted risk limitations for individuals.²⁹ Overall, the Euro has shown improvement in the efficiency and liquidity not only in several financial markets, but also in the European community as a whole.

²⁷European Commission. "Adopting the Euro." *Economic and Financial Affairs*. European Commission, 23 July 2014. Web. Dec. 2014.

²⁸Alessi, Christopher. "The Eurozone in Crisis." *The Eurozone in Crisis - Council on Foreign Relations*. Council on Foreign Relations, 3 Apr. 2013. Web. Nov. 2014.

²⁹European Central Bank. *Results of the Euro Money Market Survey 2014*. ECB: *Results of the Euro Money Market Survey 2014*. European Central Bank, 17 Nov. 2014. Web. Dec. 2014.



III. Bloc Positions (Declared by the United Nations)

Currently, the Eurozone has a total of nineteen member states out of the twenty-eight in the European Union. Upon entering the Eurozone, there have been nations struggling to redeem themselves from economic crises in terms of debt and financials.

Northern Europe (Estonia, Finland, Ireland, Latvia, Lithuania, and United Kingdom)

The United Kingdom (UK) is a member of the Eurozone, but is not a participant of the Euro. The Maastricht Treaty has an opt-out clause specifically stating that the UK is allowed to not participate in the EMU and is not required to adopt the Euro as their national currency.

Currently, there are several reasons as to why the UK would consider adopting the Euro. One reason is the economic instability due to the banking system in Ireland.³⁰ In 2008, Ireland was faced off with a bank crisis, which weakened the Euro in the global community.³¹ Although the UK has a similar crisis, by maintaining its own currency and central banking system, this member state understands how a currency can bring economic shock to the community.¹⁴

Another factor to consider with the lack of UK's participation is the collapse of Cyprus' banks in 2013.¹⁴ Based on the strategies used by Cyprus in order to stabilize itself, the same procedure would not have worked with the UK.¹⁴ Due to these matters, the UK understands that the others' economic benefits and downfalls will only jeopardize everyone in the community rather than the individual nation itself.

Latvia and Estonia are trying to improve their economic stature and decrease their

³⁰Coppola, Frances. "Three Reasons Why The UK Can Never Join The Euro." *Forbes*. Forbes Magazine, 7 Mar. 2014. Web. Dec. 2014.

³¹Alessi, Christopher. "The Eurozone in Crisis." *The Eurozone in Crisis - Council on Foreign Relations*. Council on Foreign Relations, 3 Apr. 2013. Web. Nov. 2014.



reliance on Russia.³² Before entering into the Eurozone, Latvia was required to prove that its economy can be self-sustainable through controlled inflation, deficits, and government debt, and maintain a similar exchange rate with the Euro.¹⁶ As of January 2014, Latvia has officially replaced its national currency with the Euro.¹⁶ Although Latvia was accepted into the Eurozone, the Latvian government is not allowed to independently change its economic values in order to resolve an economic crisis.¹⁶ As of January 2015, Lithuania has joined into the Eurozone as the nineteenth member state. Due to recent events of economic crises in the European community, Lithuania was closely watched in independent sustainability of its economy in addition to the Eurozone criteria.

Western Europe (Austria, Belgium, France, Germany, Luxembourg, and Netherlands)

France and Germany are economically stable nations who are often the source of aid when the Euro begins to weaken due to members' economic crises. For instance, with the Greek economic crisis in 2009, France and Germany have been trying to provide aid to Greece in order to improve the value of the Euro.¹⁵ Although Germany has reached the level of economic turmoil similar to Italy, Greece, Portugal, and Spain, Germany has been able to rise back up and improve its economic stature each progressing year. By suppressing the labor market, Germany was able to strengthen the Euro by increasing international trade and competitiveness within the European community.³³ With the well-sustained banks, Germany is able to provide other member states with bailouts, which are paid back with support from the EU.¹⁷ Germany often looks to reform as an answer to strengthen the common currency, but the reliability on other member states in the

³²Evans, Becky. "Lucky Latvia! Baltic State Becomes 18th Country to Use Euro after Winning Bid to Join the Bloc." *Daily Mail*. Associated Newspapers, 05 June 2013. Web. Dec. 2014.

³³Moravcsik, Andrew. "Europe After the Crisis." *Foreign Affairs*. Council on Foreign Relations, Inc., May-June 2012. Web. Dec. 2014.



Eurozone will not allow such improvement to occur.

Southern Europe (Croatia, Cyprus, Greece, Italy, Malta, Portugal, Slovenia, and Spain)

Upon entering the Eurozone in 2001, it was discovered in 2009 that Greece was manipulating its balance sheets in order to hide its debts.¹⁵ The Eurozone has been battling the debt crisis in Greece due to the increase in spending, consumption, wages, and governmental benefits.¹⁵ In order to combat this problem, the European community as well as the International Monetary Fund (IMF) tried to assist Greece with a temporary bailout; however by 2011, seeing as the budget cuts were greatly affecting the nation's economy, Germany and France provided Greece with another bailout.¹⁵ Even with such aid, Greece is still facing economic and political turmoil, which negatively affects all other economies in the European community.

Portugal has a stagnant GDP, productivity, and wage growth while it remains dependent on other Eurozone members.¹⁵ At this point in time, many have said that Portugal would not be able to get itself out of debt.¹⁵ The economic crisis in Portugal continues to worsen, which led the EU and the IMF to issue two bailouts in 2011.¹⁵ Italy also faced an economic crisis of public debt and is in a stagnant position due to political disputes.¹⁵ Similar to Ireland's situation, Spain experienced a large budget deficit, which resulted into receiving aid from the Eurozone bailout funds in order to improve the banks.¹⁵

In 2013, Cyprus went through an economic crisis due to the collapse of the two main banks; this caused the devaluation of the Euro.¹⁴ The cause of the matter was from the Greek debt in 2012 since Greek bonds contributed a large part of Cyprus's economic stature.¹⁵ To resolve this crisis, Cyprus used their own authoritative control over the currency in order to stabilize their economy.¹⁴ Cyprus has seen gradual improvement of its economic crisis, which is



relatively better than other member states.



IV. Questions to Consider

1. What are the benefits for the European community joining the Eurozone?
2. What are the concerns of member states upon deciding to adopt the common currency?
3. How do the European nations manage different currencies?
4. Are there other methods of “economic integration”?
5. What are the exceptions and limitations for Eurozone member states? How did these come about?



V. Suggested Sites

http://ec.europa.eu/economy_finance/index_en.htm - European Commission: Economic and Financial Affairs

<https://www.ecb.europa.eu/home/html/index.en.html> - European Central Bank

http://ec.europa.eu/economy_finance/euro/countries/index_en.htm - European Commission: Economic and Financial Affairs: “Your country and the euro”

http://ec.europa.eu/economy_finance/euro/adoption/preparing/index_en.htm - European Commission: Economic and Financial Affairs: “Preparing for the euro”

<http://www.euintheus.org/what-we-do/policy-areas/macroeconomics-and-finance/> - Delegation of the European Union to the United States: “Macroeconomics and Finance”

http://europa.eu/pol/pdf/flipbook/en/economic_and_monetary_union_and_the_euro_en.pdf - The European Union Explained: Economic and Monetary Union and the Euro

<http://www.imf.org/external/index.htm> - International Monetary Fund



VI. Glossary

Allocation – the amount of resources being distributed between producers in relation to the amount of goods and services obtained by consumers

Assets – a resource that holds value of ownership

Bond – a written and signed agreement to repay a certain amount of money within a specified time frame, such as contracts and loans

Budget – an estimation of costs, revenue, and resources within a specific time frame

Debt – the amount of money owed between a supplier and consumer

Deficit – the amount of spending exceeds the amount of income

Economic Integration – the removal of barriers that affect the trade of goods and services between nations

Exchange Rate – the price of which a currency is exchanged for another

Exports – the amount of goods and services being distributed and sold out of a nation

Finance – the distribution of assets and liabilities within a certain amount of time

Financial Markets – the participation of producers and consumers in a trade of bonds, currencies, and other types of assets

Fiscal Policy – the amount of governmental spending and consumption used, influencing the economic stature

Goods – a physical item produced to fulfill one's want or need

Gross Domestic Product (GDP) – the amount of a nation's overall economic performance based on various factors: consumption, investment, government spending, exports, and imports

Imports – the amount of goods and services being distributed and sold into a nation

Inflation – the increase of goods and services' general price level within a given amount of time

Interest – a form of reimbursement paid to the lender by a borrower

Interest Rates – the amount of interest given to borrowers for the use of money borrowed from lenders



Labor Market – the functions of the supply and demand within labor services (workers and employers) to determine wages, employment, and income

Liquidity – the quick selling of an asset without the reduction of prices

Macroeconomic – the economic study of a nation's overall performance in its economy

Monetary Policy – the control over the supply of money through currency in order to improve inflation and interest rates and to promote price stability

Product Market – the relations between the production and consumption of goods and services

Risk Limitation – a limit to the amount of money that can be given by a bank to an employer

Services – an abstract economic good to fulfill one's want or need

Transparency – a company's financial information readily accessible to investors



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