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THE EASTWARD ENLARGEMENT OF THE EUROZONE: CHALLENGES FOR THE CURRENT MEMBERS AND FOR THE EUROPEAN CENTRAL BANK

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Abstract: *The eastward enlargement of the euro area entails significant implications both for acceding countries, for the current member States of the Euro zone and for the European Central Bank (ECB). The present analysis assesses the challenges. The focus is on the difficulty of implementing a unique currency policy in view or growing heterogeneity within the enlarged monetary union, and secondly – the issue of the voting mechanism within the ECB. When analyzing those two issues, it is conclusive that the difficulties for ECB and even for the actual Euro zone member will increase. For the enlarged Euro zone, which is becoming more divergent, it will be very hard to find suitable recipe for the needs and requirements of all.*

Key words: *European Monetary Union; EU enlargement, Monetary policy, ECB reform*

1. Introduction

The EMU enlargement is taking place at the time when the Union faces institutional and functional adjustments in the implementation of monetary and fiscal policies in the EMU. The European Central Bank (ECB) does not adjust its monetary policy in order to address economic challenges faced by every individual member state, whereas fiscal policies are tailored to national frameworks and, although limited by the prescribed restrictions regarding the budget deficit and public debt, often not properly coordinated. Consequently, there is a possibility of significant asymmetries between the

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centralized monetary policy and different inflation rates in the Eurozone member countries.

In this context, the EMU enlargement to take in new member states could additionally intensify asymmetries within the Eurozone having regard to heterogeneous economic structures of new EU member states, namely from Central and Eastern Europe (CEE). Thus there is a motive, at least in theory, to slow down the entry of new member states until a higher level of economic convergence within the EU-27 has been reached.

According to the *acquis,* the new EU member states have the obligation to adopt the euro and are currently undergoing the phase, this begs few important questions: 1) from the aspect of new member states, the question of transition pace towards adopting the common European currency and 2) from the aspect of the current 15 Eurozone member states, the accentuated question is whether and as to what extent monetary policy will have to be modified in order to recognize the needs and circumstances in new member states.

This paper summarizes the enlargement essence and implications to the Eurozone monetary policy, with a special overview of reform of the ECB decision-making process in view of the Eurozone expansion from the current 15 to 24 or more member states.

2. The Eurozone enlargement

The euro`s first decade was characterized by the the largest enlargement of the European Union (EU) to a new ten Member States in May 2004 and another two in January 2007. The total number of Member States rose from 15 to 27, whereas the number of inhabitants rose from 100 million to nearly 500 million. However, the economic effect of the enlargement was less impressive although the EU GDP rose by less than 10 percent when taken into account that GDP per capita of the "new Member States"[1] was mostly below EU average.

As of 1999, when the euro became the common currency of 11 EU Member states, the Eurozone has expanded three times: Greece joined in 2001, Slovenia in 2007, and Cyprus and Malta in 2008. Ten years after its

[1] The term "old EU member states" is used for the EU-15, i.e. the EU composition until the fifth wave of enlargement in 2004, whereas the term "new EU member states" covers twelve EU member states which received full EU membership during the fifth and the sixth EU enlargement in 2004 and 2007, respectively.

introduction the euro is used by 15 EU Member States and it is expected that this number will increase considerably over the medium-term.

Currently, 12 EU Member States do not use the euro, having significant differences in the legal status of this issue and the degree of convergence. Denmark and Great Britain enjoy the special status based on the "exemption clauses" proposing that the degree of convergence for entering the Eurozone shall be considered only if these countries request it. The other ten states (Bulgaria, the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia, and Sweden) are "Member States with derogation". This means that they have the legal responsibility to adopt the euro. On the other hand, the time and the optimum pace of convergence to the euro adoption will be considered by all relevant European institutions individually.

It is envisaged that the EU enlargement will continue in the years to come, although at a slower pace. At the moment, three countries have the candidate status: Turkey as of 1999, Croatia as of 1994, and FYR Macedonia as of 2005. The remaining Western Balkan countries, displaying difference in the achieved progress, have the status of potential candidate countries and the EU membership prospects. Taking into account the aforesaid, along with the fact that the obligation of joining the EMU is an integral part of the EU Accession Agreement for new member states providing that they meet the prescribed convergence criteria, the EMU could see a significant, and maybe even threefold, enlargement with new member states (Radović, 2007).

3. Speed of transition of new EU Member States towards adopting the common currency

With regard the transition pace of new EU member countries towards adopting the euro, there are two tendencies at odds. The first addresses the aspiration of some countries to adopt the euro as soon as possible (Eichengreen and Ghironi, 2001; Rostowski and Dabrowski, 2006). Most of the new member states meet the criteria for public debt, fiscal deficit, and central bank independence (ECB, 2008). The current non-concordance with the monetary convergence criteria, due to somewhat higher inflation rates and long-term interest rates, is the result of numerous circumstances at the global level and to a great extent due to the lack of capacity of the current transition mechanism to adopt the euro, in the sense of incongruousness of the Maastricht Convergence Criteria with the current EMU enlargement (Dabrowski and Rostowski, 2006). Previous EMU experiences proved that these inflation and long-term interest rates have shown fast tendencies of reaching the desired values with approaching a full-fledged EMU membership.

The new EU Member States are open economies with developed trade with the old 15 EU member states – around 60% of their import and export (Angeloni, Flad and Mongelli, 2005). Therefore, a stable exchange rate is preferred, i.e. the adoption of the euro, as was the case with the current Eurozone member states. The remaining in the exchange rate mechanism ERM II may be optimal in short- and medium-term, but non-introduction of the euro in long-term could expose countries to financial crisis, as it had been the case with the EU in 1992 (Angeloni, Ehrmann, 2003).

On the other hand, there are some opinions that the possibility of faster transition of new member states towards the EMU calls for caution (Dabrowski and Rostowski, 2006). In countries striving towards fiscal consolidation, the usual effect is economy contraction leading to the freezing of wages, that is, the inability to move towards wage convergence with the Eurozone. Taking into account that new member states are much more exposed to risk considering the heterogeneity of their economic structures in comparison with Eurozone average, logic imposes that, in order to achieve efficiency of fiscal policy in neutralising asymmetric shocks, these countries need more space to manoeuvre within the public debt benchmark prescribed by the EMU fiscal framework. All attempts to abruptly reduce structural deficit after joining the EU are contrary to the need of new member states to put the emphasis on increasing public investments in order to reach the EU development level. Therefore, considering that the reality in Central and Eastern European countries involves political priorities to finance new public investments and to converge the increase in income and standard with EU average, their commitment to fiscal consolidation will certainly remain a difficult challenge.

Generally speaking, this imposes the conclusion that too short a transition process of new member states towards the EMU could lead to a situation whereby a premature abandonment of monetary and exchange rate policies, and partly fiscal policy, could prejudice the opportunity of new member states to improve the process of real convergence and ensure proper structural reforms of their respective economies (Angeloni, Flad, and Mongelli, 2005).

4. The impact of enlargement on the ECB monetary policy

Some of the real implications of the EMU enlargement to take in new member states have materialised to some extent. To wit, although it is expected that the EMU accession affects an increase in trade and investments against eliminating transaction costs and exchange rate uncertainty, a number of new member countries are *de facto* EMU members with some of them having currency boards or other forms of stronger or weaker connection with the euro, yet it is logical that the increase in the volume of trade and investments, albeit expected, will not be impressive.

The enlargement will certainly affect the monetary policy decision-making through changes in the ECB Governing Council, both through increasing the complexity of the decision-making process and growing uncertainty with regard to drafting optimal monetary policy for the enlarged monetary union.

Expectations of a part of the academic circles (Dabrowski and Rostowski, 2006) are that the impact of enlargement will be limited. Namely, by recognising the relative economic "weight" of new member states in the expanded Eurozone, which is estimated at some 10 percent of EU GDP, economic consequences of EMU accession of Central and Eastern European countries should be limited. Additionally, if due to the Balassa-Samuelson effect higher inflation rate remains in the new member states, it is important to stress that in such case inflation is confined to non-tradable goods and thus insignificantly contributes to inflation increase in other Eurozone countries.

Some preliminary research has shown that the theoretical Philips curve of the enlarged Eurozone indicates the expected probability of deterioration in counterbalance to inflation and unemployment (Nava, 2003). Therefore, should the ECB, respecting structural problems present in many of the new EU member states, decide to keep the current monetary policy in the enlarged Eurozone, this would lead to an increase in average unemployment rate in some of the new member states. The ECB would then have to consider the option of revising its target inflation rate upwards in order to avoid calling into question the enlarged Eurozone growth. The ECB – taking into account that the enlargement itself, with the previously explained risks, could contribute to generating structurally higher levels of inflation in the EMU- in accordance with the aforesaid, could also decide not to choose a more flexible approach in the monetary policy formulation. Thus, if structural reforms aimed at strengthening the capacity of offer in the

EU-27 have been slowed down, the ECB would have to opt for one of the two alternatives: 1) to completely adhere to the target inflation of below 2 percent and thus accept a long-lasting higher level of unemployment in the enlarged Eurozone or 2) to abandon the target value of inflation of below 2 percent in order to adapt itself to the needs of new member states. Both scenarios indicate the probability that the EMU will not see any serious enlargement as long as there is no visible progress in new EU member states with regard to structural reforms and approaching the EU growth standards.

5. Euro system and decision-making in the enlarged EMU: changes in the ECB Governing Council

Economies of the new EU Member States are characterized by structural shocks unlike those exposed to by old member states. Typically, the current big EMU member states like Germany and France show low or negative correlation regarding supply and demand shocks to which economies of new member states are exposed (Fidrmuc and Korhonen, 2003). This indicates that the new member states would often prefer a different monetary policy than the current EMU members, thus reinforcing the dimension of the existing problem that a common monetary policy does not befit everybody. Moreover, some of the new countries have been experiencing high rates of growth and stronger inflationary pressures owing to, inter alia, the Balassa-Samuelson effect (Kenen i Meade, 2003).

With a view to preventing potential complex situation regarding the ECB monetary policy design, the European Council adopted a plan in 2003 aimed to change the institutional approach in decision-making on monetary policy after the number of the EMU member states exceeds 15 (ECB, 2003). It was the finding of a solution for the institutional dimension of the EMU enlargement was convincingly the most complex task considering that 24 members (the current 15 EMU members and the remaining new 9 EU Member States committed to adopt the euro, excluding Denmark, Sweden, and Great Britain) call into question the balance between the ECB Executive Council and NCB governors sitting in the ECB Governing Council by moving the balance towards NCB governors. A prevailing national component in the ECB Governing Council, i.e. in the decision-making on monetary policy, could affect an increase in inflation expectations, either due to uncertainty arising from greater heterogeneity in managing structures or due to a possibility that monetary policy strategy could be conceptualized in line with national interests of a group of countries rather than the general interest of the EMU as a whole.

In order to provide timely solution for this challenge, the European Commission and the ECB Governing Council proposed a reform of their composition in 2003, which was supported by the European Council. The new arrangement envisaged that 6 members of the ECB Governing Council would retain full voting rights. As far as the remaining votes are concerned, 3 rotation systems were established, each to come into force progressively in accordance with an increase in the number of Eurozone member states.

According to the new system, NCB governors of larger member countries will be a part of the ECB Governing Council and will exercise full voting rights more frequently than their counterparts from smaller EMU member countries, whereas the number of NCB governors with voting rights in the ECB Governing Council will remain limited to 15 in order to ensure the strategic position of the ECB Executive Board in decision-making with regard to conceptualisation and implementation of the common monetary policy.

5.1 Reform of the decision-making process in the ECB Governing Council in light of enlargement

As prescribed by Article 107 of the Agreement, the European System of Central Banks (ESCB) shall be governed by decision-making bodies of the ECB – the Governing Council and the Executive Board. The ECB Governing Council currently consists of 6 members of the ECB Executive Board and 15 NCB governors of the EU Member States that have adopted the euro. In light of a further EMU enlargement, the ECB Governing Council could, in the medium-term, considering the recent two waves and the upcoming EU enlargements, and through the growing presence of NCB governors, end up with over 30 members.

Against such backdrop, an efficient and timely decision-making of the ECB Governing Council could be challenged, as well as the decision quality itself, from the aspect of required reflection of Eurozone average.

Taking into account the possibility of unbalanced influence of small states on the EMU decision-making process, with a view to "preparing the EU institutions for the Union enlargement", Article 10 of the ECB Statute was amended in Nice in 2000 with regard to the part concerning voting rights in decision-making of the ECB Governing Council[2]. It was envisaged that the Commission and the ECB would prepare a proposal to be adopted by the European Council after consulting the European Parliament. This had been the grounds for initiating the reform in 2003, and the solution proposal was adopted and ratified in spring 2004.

The reform of the exercise of voting rights in the decision-making process by the ECB Governing Council is seen as an optimum solution in given circumstances and as a success in balancing conflicting positions, confirmed by unanimous vote and prompt ratification by 15 member states. It basically limits voting rights to a number smaller than the actual number of members of the ECB Governing Council. The voting is established through asymmetric rotation that is developed progressively, adopting varying modalities with the Eurozone enlargement. The asymmetry is reflected in the division of NCB governors, first in two groups and then, with the EMU enlargement, in three groups in accordance with the classification of states based on their share in aggregate EU GDP and aggregate balance sheet of monetary institutions of members states (Angeloni and Ehrmann, 2003).

Each group of countries is characterised by a certain number of allocated votes and each governor may have the same voting frequency within his group as other governors in the same group.[3] Although this is a complex solution, it has been evaluated that it enables efficient functioning of the ECB Governing Council ECB (Gros D., 2003). The most important features of such system are that it preserves the strategic position of the ECB Executive Board as well as the participation of national governors in the decision-making process, in accordance with economic power of their respective states. At the same time, governors of national central banks (NCB) without voting rights are entitled to participate in the discussion.

5.2 Implementation of the reform in two stages

In order to ensure a smooth introduction of the rotation system in the ECB Governing Council, and to “correct” the situation in which the “one member, one vote” principle, in case of a coalition of smaller member states, could affect interests of the system as a whole, the project is established in two stages. The system will start operating as soon as the 16th member state

[2] EU Council Decision EU 2003/233/EC of 21 March 2003 on an amendment to Article 10.2 of the Statute of the European System of Central Banks and of the European Central Bank , OJ L 83/2003, 1/04/2003, pages 66–68.

enters the Eurozone, first on the basis of two groups. Once the number of EMU countries has increased to 21, there will be three groups.

During *the first stage* applicable on the monetary union of 15 to 21 member states, governors will be allocated to two groups. The first group is composed of governors from five strongest economies in the Eurozone (measured by the size of their GDP, i.e. their share in the aggregate GDP of the EU, and the size of their banking sector). The first group thus shares 4 or 5 votes depending on the number of EMU members (see Table 1). The second group is composed of all other NCB governors, representing smaller economies. The total number of national representatives – NCB governors - is restricted to 15. As the following table shows, the allocation of voting rights to the two groups may be changed depending on the number of states joining the Eurozone, ensuring that the voting frequency of the NCB governors in the first group is in balance with the voting frequency of those in the second group and that it conforms with the economic strength of countries represented by the governors.

Table 1: Two-group rotation system (first stage) – voting frequencies of governors in each group

Number of governors in the Governing Council	16	17	18	19	20	21	22 +
1st group: **No. of voting rights/No. of governors** **Voting frequency**	5/5 100%	5/5 100%	5/5 100%	4/5 80%	4/5 80%	4/5 80%	IT GOES TO PHASE II
2nd group: **No. of voting rights/No. of governors** **Voting frequency**	10/11 91%	10/12 83%	10/13 77%	11/14 79%	11/15 73%	11/16 69%	**Total number of votes 15**

Source: ECB, Monthly Bulletin, May 2003.

The second stage will start as soon as the 22nd member state enters the Eurozone. The voting system in the ECB Governing Council will operate on the basis of three groups. In this case, the first group will share 4 votes (members of this group will have voting rights 80% of time); the second group that will be composed of half of EMU member states will share 8 votes; and the smallest economies will share 3 votes, i.e., their governors will vote between 37 and 50% of time depending on the size of EMU (see Table 2).

Table 2: Three-group system (second stage) –
Voting frequencies of governors in each group

Number of governors in the Governing Council	16-21	22	23	24	25	26	27
1st group:							
No. of voting rights/No. of governors		4/5	4/5	4/5	4/5	4/5	4/5
Voting frequency	PHASE I	80%	80%	80%	80%	80%	80%
2nd group:							
No. of voting rights/No. of governors	**Total number of votes 15**	8/11	8/12	8/12	8/13	8/13	8/14
Voting frequency		73%	67%	67%	62%	62%	57%
3rd group:							
No. of voting rights/No. of governors		3/6	3/6	3/7	3/7	3/8	3/8
Voting frequency		50%	50%	43%	43%	38%	38%

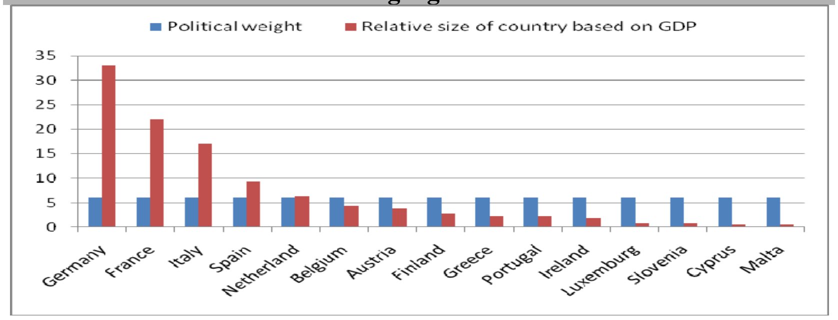
Source: ECB, Monthly Bulletin, May 2003.

Since representatives of the respective groups exercise their voting rights on the basis of the rotation system, "larger" states exercise this right more frequently than "smaller" member states, according to their economic power. All member states holding voting right at the moment have the same weight. Simultaneously, all member states, through NCB governors in the ECB Governing Council, have the right to participate in the discussion of monetary policy and thus the EMU members without voting rights contribute with their expertise and articulated views to the forming of opinion. Members of ECB Executive Board keep all 6 voting rights, so that the total number of votes in the ECB Governing Council is maintained at 21, whereby the reform is reduced to the centralization of monetary policy, with the relative power being transferred towards the Executive Board.

5.3 Pragmatism and complexity of monetary policy in the enlarged EMU: effects of implementation of the reform of the ECB Governing Council

EMU enlargement is a continuing process running parallel to the EU enlargement. From the today's perspective, EMU membership will exceed 15 countries as soon as in January 2009, while a much larger number of member states are expected over the medium term.

Chart 1: Distribution of Voting rights and Economic Size in EMU

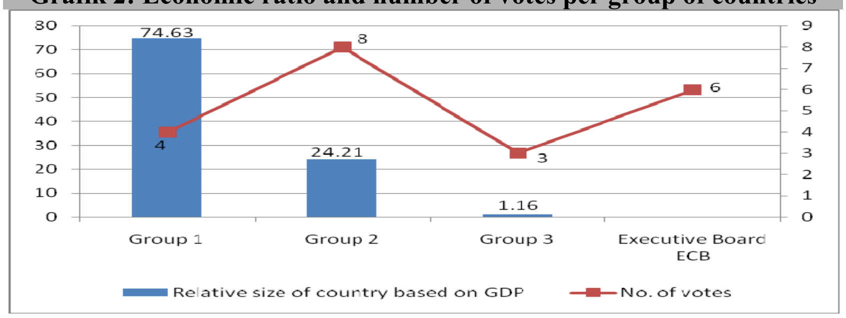


Source: Sebea (2006)

In the previous part of this paper, the vote rotation system in two stages is presented as an optimum solution in given circumstances and as a result of appreciation of conflicting positions of “larger” and “smaller”, both old and new EU member states. In practice, if we take a governor with a 5-year term as an example, depending on the size and economic power of the country represented by him, when the number of member states exceeds 21, such governor will have to abstain from voting for monetary policy formulation for one year (if it is a country in the first group), and for 1.35 or even 2.5 years if his country is in the second or third group.

Evidently, this reform of decision-making process in the ECB favours governors of larger countries and, as suggested by Chart 2, it indicates a lack of symmetry between the economic importance of countries and roles that they will have with the Eurozone enlargement. In addition, it points to the lack of correlation between the economic power of countries and role of national governors in the decision-making process: the first group with economic weight of 74.63% has 4 votes in the ECB Governing Council, while the group of countries with a share of 24.21% in EU

Grafik 2: Economic ratio and number of votes per group of countries

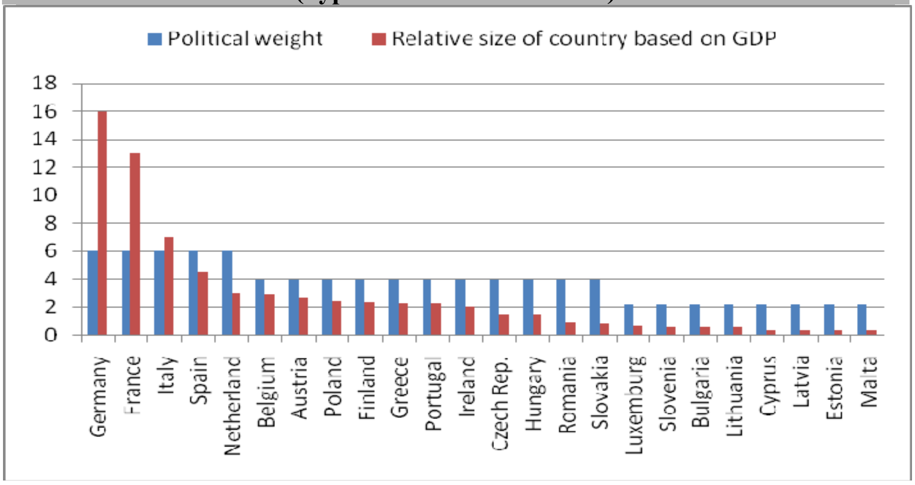


Source: Sebea (2006).

GDP has 8 votes. The last group of countries represents only 1.16% of EU GDP and they will share 3 votes in the ECB Governing Council (Sebea, 2006).

Another negative aspect is that the new rotation system will not increase the efficiency of the Governing Council because all NCB governors will be entitled to take part in the discussion and increase the cost of decision-making. Over the short and medium term, that will really be the case because the Governing Council will grow in size from 21 of today, to possibly over 30 members.

Figure 3: Distribution of Voting rights and Economic Size in EMU (hypothetical case EMU 24)



Source: Sebea (2006).

One of the recommendations to overcome these problems, ensure adequate designing of monetary policy and prevent deepening of gap between old and new, both "larger" and "smaller" EU member states, is further centralisation of EMU, through the transfer of decision-making or part of decision-making to the ECB Executive Board.

Of course, the implementation of decision-making mechanisms in the ECB Governing Council on new principles is connected to qualitative changes that the reformed decision-making system introduces with respect to the outcome of monetary policy design for Eurozone as a whole. In that context, special attention should be devoted to distinctive features of economies of new member states and the attained level of convergence with Eurozone.

6. Increased divergence of monetary transmission

One of the most important challenges of monetary policy associated with the enlargement lies in the fact that the new ECB Governing Board will, in its decision-making, be faced with increased heterogeneity of economic structures among EMU member states after the enlargement. Diverse structures of economy, industry, different banking systems, different levels of centralisation of labour markets suggest that the monetary policy transmission will be more complex in comparison to the current EMU 15, where a dose of divergence in the transmission has been evident in the recent years (Angeloni and Ehrmann, 2003). Individual empirical studies (Ganev et al, 2002) indicate that the ECB monetary policy has asymmetric effects in countries aspiring towards EMU membership. This raises the question of what it means for the ECB monetary policy.

When the effects of the monetary policy in Eurozone are concerned, the more an individual country deviates from an average, the less adequate ECB policy will be defined to suit the Eurosystem average and, accordingly, the higher the risk of output fluctuation and higher inflation rates in new member states will be. As a result, there are proposals concerning the need to pay special attention to the countries deviating from average performance, where asymmetry in monetary policy transmission is more striking (Gros and Hefeker, 2002, Benigno, 2004). This implies that problems in the transmission have been defined and that the central bank may influence on correcting it, which need not be the case in enlarged EMU or at least not immediately after the enlargement. In addition to asymmetric monetary policy transmission, one might also expect uncertainty, though ECB cannot estimate with certainty the effects of monetary policy on real variables in new member states, regardless of the fact that a great deal of them are in the process of restructuring (De Grauwe and Senegas, 2004). The usual answer of central banks in such cases is weaker reaction of the central bank to economic shocks, which leads to a conclusion that ECB will lead less active monetary policy than it was the case in the past.

The fact is that in the previous period the ECB used to be frequently criticised for its less responding strategy in comparison to the American Fed, but the reality is such that the design and implementation of monetary policy in Eurozone is far more complex than in the US, taking into account heterogeneity of economies of EMU members states in relation to other optimum currency areas. This challenge for ECB becomes more prominent with the EMU enlargement, and it is therefore to be expected that ECB will be more cautious in leading monetary policy.

In this context, there is also a dimension of repercussions of a les active monetary policy on financial markets and private sector. As monetary policy will not be available as an instrument of salary increase adjustment in the enlarged Union, which is particularly emphasised in larger new member states that have not renounced independent monetary policy, one could expect less aggressive approach of trade unions and more cautious approach of employers in forming salaries, which leads to positive effects with respect to lower exposure of these economies to shocks (Hefeker, 2005; Posen and Gould, 2006).

Beside private sector, governments will need to adjust to growing uncertainty of the responding function of ECB, in the sense of increasing political will to implement politically undesirable structural reforms on the labour market (Hefeker, 2006). With the loss of national monetary policy as an instrument for alleviating economic shocks, more space will have to be created for private sector, and the role of the government will be instrumental in increasing the flexibility of labour market and production in order to make economy less susceptible to shocks. With the loss of monetary policy, even the governments that must pay a significant political price for the reform of structural policies will be "forced" to conduct reforms, while the growing uncertainty in the behaviour of ECB will additionally stress the need for the implementation of quality structural reforms.

7. Growing uncertainty in the ECB's actions

In addition to growing uncertainty of ECB itself, the enlargement and how it is reflected on decision-making in Eurosystem entails even bigger uncertainty for financial markets and private sector. This was the case during the first years of EMU in operation. Financial markets needed time to form adequate perception of the behaviour and response of ECB to economic developments (Goldberg and Klein, 2005). In the circumstances of the EMU enlargement, the stress is on the fact that new member states with differing preferences with respect to monetary policy have seats on the ECB Governing Council, and as their number becomes bigger, effects on monetary policy decisions will be changed as compared to EU 15, taking into account that systemically different preferences have an impact on medium solution determining the monetary policy (Hefeker, 2003).

There are also opposing views that the ECB Governing Council makes decisions that are primarily in the interest of larger member states and that the currently valid "one member, one vote" principle does not reflect the *de facto* distribution of power (Fatum, 2006). Namely, even some analysts from national central banks support the opinion that reform of the decision-making process in the ECB Governing Council contributes to uncertainty, although there is still a number of unknowns about the manner and quality of decision-making in the enlarged EMU (Servais, 2006). In the hypothetic scenario presented in Chart 3, with 24 members of Eurozone, including Romania and Bulgaria, up to 30 governors will participate in meetings of the ECB Governing Council.

8. Conclusion

Insufficient degree of political unification of the European Union caused monetary policy to be characterised by an institutional framework unique by the manner of its functioning and responsibilities. In such context, the EMU enlargement process brings additional challenges: for future members of the Eurozone – renouncing of national sovereignty in this part and the process of inevitable transition, particularly from the aspect of real convergence: for the current Euro zone members – increased heterogeneity and uncertainty in accepting economies that have not been adjusted to Eurozone average yet and for the ECB – the implementation of efficient monetary policy for 24 or 27 member states.

Although the reformed decision-making in the ECB Governing Council reflects more "equitably" a relation of economic power and influence, there is a general agreement that the system favours governors of larger countries. In addition, it is certain that the reform will not contribute to raising the efficiency of ECB because all NCB governors will be entitled to take part in the work without voting right and increase the cost of decision-making, which is not negligible considering the intensity of the Eurozone enlargement.

While the conclusions on the impact of EN enlargement and the reform of decision-making system in the ECB Governing Council on the EMU's stability remain in the zone of speculation, there is a significant degree of agreement that eventually the underdevelopment and insufficient degree of real convergence of new member states with Eurozone, and consequently significantly different interests in monetary policy designing, could result in a less active monetary policy of ECB and could bring in a dose of uncertainty in the discussion of quality of sustainability of the European monetary project.

Further centralisation of monetary policy imposes itself as a sustainable and superior solution.

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ISTOČNO PROŠIRENJE EUROZONE: IZAZOVI ZA AKTUELNE DRŽAVE ČLANICE I ECB

Rezime: Istočno proširenje Eurozone ima značajne implikacije za nove zemlje članice koje imaju obavezu da pristupe EMU, za aktuelne članice Eurozone i Evropsku centralnu banku (ECB). Analiza ukazuje na izazove u ovom domenu. Fokus je na teškoćama implementacije jedinstvene monetarne politke sa aspekta rasta heterogenosti monetarne unije s proširenjem, kao i na pitanju glasačkog mehanizma pri donošenju odluka u ECB. Analizom ovih pitanja dolazi se do zaključka da će poteškoće za ECB i aktuelne članice Eurozone biti naglašene. Za proširenu Eurozonu, s naglašenim divergentnim procesima, biće izuzetno teško prilagoditi monetarnu politiku zahtjevima i potrebama svih.

Ključne riječi: Evropska monetarna unija; proširenje EU, monetarna politika, reforma procesa odlučivanja ECB